THE INFLUENCE OF OWNERSHIP STRUCTURE, ASSET STRUCTURE, AND EARNING VOLATILITY ON DEBT POLICY IN INDONESIA
(Study in Pharmaceutical Companies in Indonesia Stock Exchange)

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Abstract
The higher the proportion of debt, the higher the stock price, but at a certain point, the increase in debt will reduce the value of the company because the benefits obtained from the use of debt are smaller than the costs incurred. The purpose of this study is to analyze the influence of ownership structure – managerial ownership and institutional ownership, asset structure, and earning volatility on debt policy. The data used in this study are secondary data in the form of managerial ownership data, institutional ownership, asset structure, earning volatility and debt policy in pharmaceutical companies that go public on the Indonesia Stock Exchange 2013-2017. The statistical method used is the Stepwise Regression, because there is high multicollinearity in managerial ownership variables, institutional ownership, assets structure, earning volatility. Based on the results of the Stepwise Regression shows that the variables entered into the regression model are earning volatility. Other variables such as managerial ownership, institutional ownership, asset structures are not included in the Stepwise Regression so that conclusion is only earning volatility that influences the debt policy.

Keywords: Managerial Ownership, Institutional Ownership, Asset Structure, Earning Volatility, Debt Policy.

INTRODUCTION
The growing economy in Indonesia has made companies have to increase the value of the company to compete in the era of globalization. Thus the company must have the performance and supporting human resources so that it can develop in the increasingly tight business world in competition. Every company must have the primary goal of maximizing the welfare of the owners
or shareholders by maximizing the value of the company with the higher the stock market value, the higher the value of the company. The existence of high corporate value is the desire of the company owners because with high corporate value shows the prosperity of shareholders only but will also provide the best benefits for the community in the company to create wealth.

From here arises a working relationship between managers and shareholders, where managers as agents and shareholders or owners as principals (Panda and Leepsa, 2017). In agency theory, it is assumed that individuals act in their interests, where the interests of managers and shareholders tend to contradict each other, managers, in this case, are agents in shareholders who should work for the benefit of shareholders, but managers often act to increase their prosperity. This conflict of interest between agents and principals is the root of agency problems; in this situation, there will be differences in interests between managers and shareholders. Shareholders as providers and facilities for company operations while managers as company managers will receive salaries and various other forms of compensation so that the decisions taken by managers are expected to be the best for shareholders, namely increasing the prosperity of Stockholders through increasing company value (Jensen and Mekling, 1976)

It is not uncommon for manager actions not to maximize shareholder prosperity but to improve their welfare. Decisions taken tend to be in the interests of managers themselves, such as expanding to enhance status and salary. This condition will result in differences in interests between stockholders and shareholders called agency conflict. The conflict of interests between managers and shareholders can be minimized by a supervisory mechanism that can harmonize those interests. However, the existence of this oversight mechanism raises costs, which are called agency costs (Wahidahwati, 2002).

To reduce the conflict between agents (managers) and principals (shareholders) need to increase managerial ownership in the company so that managers will act for the benefit of the company because they share the consequences of their actions. With the existence of share ownership by the manager will motivate them to create optimal company performance and strive to reduce agency costs or agency cost of debt and agency cost of equity (Jensen and Meckling, 1976). Agency conflict can be reduced by using debt that will bind the company through periodic payment of interest and installments.

According to Rennata (2017), debt is a capital that comes from outside the company that is temporarily working within the company, which in time must be repaid. Debt is an instrument that is very sensitive to changes in company value. The higher the proportion of debt, the higher the stock price, but at a certain point, an increase in debt will reduce the value of the company because the benefits obtained from the use of debt are smaller than the costs incurred. The company owners prefer the company to create liability at a certain level to increase the value of the company. For owner's expectations to be achieved, the behavior of managers and commissioners must be controlled through participation in the company's share ownership. Therefore, share ownership by managers is a consideration. It is crucial to trying to increase the value of the company concerning the company's debt policy (Debt Financing). The proportion of share ownership controlled by managers can influence company policies. Also, managerial ownership will align the interests of management and shareholders, so that managers will experience the benefits of decisions taken correctly and will experience losses as a consequence of making the wrong decision (Wahidahwati, 2002).
In addition to managerial share ownership (insider), other structural ownership factors, namely institutional ownership, can also influence the company's debt policy. Wahidawati (2002) states that a monitoring mechanism that can be used to reduce the agency cost of debt is by increasing institutional ownership. In other words, ownership represents a source of power that can be used to support or otherwise reject the existence of management. Ownership by institutional investors will encourage more optimal supervision of management policies and performance.

If the company meets its funding needs from loans, it is said that the company is financing its debt (debt financing). A creditor or investor pays more attention to the company's asset structure that can be used as collateral because the company has a guarantee against liability, it is easier to get debt from companies that do not have assets as insurance. In general, companies that have collateral against debt will find it easier to get debt from companies that do not have collateral for the debt, besides that investors also pay attention to earning volatility in providing loans. The higher the earning volatility, investors will be reluctant to lend to the company (Jannah and Haridhi, 2016; Huq, 2016).

This study used several variables, including ownership structure – managerial ownership and institutional ownership, asset structure, and earning volatility based on the reason that the four variables are the most critical factors that affect the debt policy. Managerial ownership and institutional ownership can influence fundraising through debt or rights issues (Bernice, Nugrahanti, and Mahastanti, 2015; Akhbar, 2017; Hayat, Yu, Wang, and Jebran, 2018). If funding is obtained through debt means the ratio of debt to equity will increase so that it will increase financial risk. Asset structure is related to the number of assets that can be used as collateral for more flexible companies will tend to use debt more than companies whose asset structures are not flexible (Bereźnicka, 2013; Margaretha, 2014; Ariyani, Pangestuti, and Raharjo, 2018). The higher earning volatility will increase the cost of bankruptcy, which is nothing but the debt agency costs (Jannah and Haridhi, 2016; Huq, 2016). Debt is capital originating from outside the company that is recognized and measured under accounting principles commonly accepted.

The theory that underlies funding through debt is a capital structure theory called pecking order theory (Myers, 1984; Tayyab, 2017). This theory is based on asymmetric information, a term that indicates that management has more information about prospects, risks, and company value than public financiers (Gunarsih, 2011). Management has more information from investors because they are the ones who make financial decisions, who create various company plans, and so on.

The term ownership structure is used to show that the essential variables in the capital structure are not only determined by the amount of debt and equity, but also by the percentage of managerial ownership and institutional ownership (Wahidawati 2002). Managerial ownership is the ownership of the company by those who participate and are active in managing and running the company (commissioner and manager). According to agency theory, Jensen and Meckling (1976) state that companies that separate management functions from ownership functions will be vulnerable to agency conflict. The cause of the conflict between managers and shareholders is making decisions related to fundraising activities and making decisions regarding how the funds obtained are invested. In this context, managers tend to use excess benefits to consume other opportunistic behaviors. They receive full benefits but do not bear the risks or costs called the agency cost of equity. According to Brigham and Houston, (2001: 23-25) managers can be
motivated to act in the interests of shareholders through the provision of incentives in the form of rewards for excellent performance and penalties for poor performance.

The theory underlying the relationship between managerial ownership and debt policy is the expectancy theory proposed by Victor H. Vroom in 1964. According to this theory, a person's behavior is influenced by the motivation that the person attaches to the effort needed to achieve personal goals. Managers tend to use high debt not based on maximizing corporate value, but on opportunistically. This interest will lead to bankruptcy because of the interest on the loan and will also reduce the value of the company. To emphasize this, Jansen and Meckling (1976) suggest that if managers have high share ownership in the company, they will reduce the level of debt optimally, thereby reducing debt agency costs. The presence of agency costs because debt can be reduced by aligning the interests of shareholders by increasing the company's share ownership by management. Management will directly feel the benefits of decisions taken and also incentives for managers to improve company performance.

From this explanation, it can be concluded that the behavior of a manager's person also has a tendency to use high debt not on the basis of maximizing the value of the company, but for opportunistically purposes that lead to bankruptcy because of the interest expense of the loan and also decrease the value of the company. To suppress this is done by reducing the level of debt optimally. **H1: Managerial ownership influences debt policy**

Institutional ownership describes the level of ownership held by institutional parties in the company. Investors of institutions or companies are investors who carry out their investment activities on behalf of institutions such as insurance companies, banks, cooperatives, pension fund foundations, and others. Shareholders in the name of the institution and all the benefits and risks that arise are the rights and burdens of the institution. Ownership by institutional investors will encourage more optimal supervision of management performance so that management will work for the benefit of shareholders.

The creation of institutional ownership will help in strengthening the management desire to work effectively for the company so that the use of debt will decrease. Institutional ownership can control the behavior of company managers, so that management will work for the benefit of shareholders and the role of debt as one of the monitors Ownership institutions will thus reduce the agency cost of debt (Wahidahwati, 2002) besides increasing institutional ownership needs, it can offset the demand for debt as an external control.

From this explanation, it can be concluded that owner will try to create delegation of authority to the manager because he believes that the manager will try his best in carrying out the duties and authority delegated to him and active monitoring by Institutional Ownership can reduce the agency cost of debt. **H2: Institutional ownership influences debt policy**

The asset structure describes the amount of wealth or capital owned by the company. In the company's balance sheet there will be two pictures of capital or wealth, namely that the balance sheet, on the one hand, shows capital according to its form called working capital which is located next to the debit, and on the other hand according to its source or passively located next to credit. The amount of wealth owned by the company can be used as collateral for the company.
Companies that have a more flexible wealth structure will tend to use debt more than companies that have a rigid wealth structure because investors will always give loans if there are guarantees. As explained by Brigham and Gapenski, it was demonstrated that in general, companies that have collateral for debt would get more mortgage than companies that have no insurance for liability (Wahidahwati, 2002).

The asset structure is the amount of wealth owned by the company. The asset structure also affects the company's debt policy. According to Wahidahwati (2002), the number of assets can be used as collateral for the company. Companies whose asset structures are more flexible will tend to use more debt than companies whose asset structures are not compliant because investors will always provide loans if there is a guarantee. Brigham and Gapenski also expressed this statement in 1996, which stated that in general companies that have collateral for debt would be easier to obtain debt than those who have no guarantee for debt.

From this explanation it can be concluded that the actions of companies that choose asset structures are more flexible, it will be easy to get a loan because investors will always give loans if there is a guarantee of money borrowed from companies that do not have collateral so that the company can continue production activities.

**H3: Asset structure influences debt policy**

Earning volatility reflects the rate of return (rate of return) of the company's total investment before deducting taxes and loan interest. Earning Volatility is very useful for measuring the operational effectiveness of the company's management and is one of the considerations for investors to give credit to the company because companies that have relatively stable earnings can have a better chance to make loans or withdrawal of foreign capital compared to companies that have unstable incomes.

Every company that has stable earnings will always be able to fulfill its financial obligations as a result of the use of foreign capital. Conversely, companies that have unstable and unpredictable earnings will run the risk of not being able to pay interest expense or not be able to pay their installments in years or adverse conditions, or other words, the company suffers significant losses.

Companies that suffer from continuous losses or in substantial amounts will put the company in financial difficulties, so that the company cannot pay its interest expense, pay its debts that have matured, all of which will harm the creditors. According to Atmajaya (2003), the company's ability to generate profits for a certain period is called profitability. The way to assess the profitability of a company is varied and depends on which profits and assets or capital will be compared. Is what will be compared profit derived from operations or business, or net profit after tax with operating assets, or net profit after tax compared with the overall assets or what will be analyzed is net profit after tax with the amount of own capital.

The amount of profitability of the capital itself is influenced not only by economic rentability but also by the debt ratio. The effect of economic rentability on the profitability of its equity is always positive, namely the higher the economic rentability, the greater the profitability of the capital itself. In making funding policies, the sample companies have made a combination of funding policies from their capital debt. By considering managerial ownership and institutional ownership, the company will fulfill its funds with its capital, especially internal funds from
retained earnings. Furthermore, if the source of its equity is insufficient, taking into account the structure of asset variables and earning volatility still allow the company to fulfill part of its funding needs through the use of debt. With this balance, it can minimize the total agency costs in the company (Wahidahwati, 2002).

**H4: Earning volatility influences debt policy**

From Figure 1 it can be explained that managerial ownership (X1), institutional ownership (X2), asset structure (X3), and earning volatility (X4), can affect debt (Y). The relationship between the independent variables and the dependent variable is tested using Stepwise Regression Test.

![Figure 1. Research Model](image)

**RESEARCH METHOD**

The population in this study is Pharmaceutical companies listed in Indonesia Stock Exchange of 2013-2017. This study uses purposive sampling method, namely the technique of determining the sample with specific considerations, namely:

1. Companies whose shares are actively traded on the IDX are included in pharmaceutical companies, and those companies have Managerial Ownership and Institutional Ownership of 2013-2017 at the same company and do not suffer losses or are positive earnings.
2. The sample is the companies with financial statements for the period of 2013-2017 that have been audited by public accountants.
3. Has a long-term debt for over three years.

Based on the sampling criteria, the companies are PT Bristol-Myers Squibb Indonesia Tbk, PT Prydam Farma Tbk, PT Tempo Scan Pacific Tbk, and PT Kimia Farma Tbk.
This study uses one dependent variable and four independent variables. The dependent variable is a debt policy. Four independent variables are managerial ownership, institutional ownership, asset structure, and earning volatility, as presented in table 1.

The normality test is used to determine whether a data follows a normal distribution or not. To find out whether the data follows a normal distribution or cannot be done with various methods, including the Kolmogorov Smirnov method (Ghozali, 2011). The regression equation above must be BLUE (Best Linear Unbiased Estimator), which means that the decision of the F test and t-test cannot be biased. In producing a BLUE decision, three classic assumptions must be fulfilled, namely Non-Autocorrelation, Non-Multicollinearity, and Homocedasticity (no heteroscedasticity).

Table 1. Operational Definition and Variable Measurement

<table>
<thead>
<tr>
<th>No</th>
<th>Variables</th>
<th>Variable Definition</th>
<th>Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Debt policy (Y)</td>
<td>Debt policy is the ratio of long-term debt to total capital which shows how much the company uses long-term debt to finance its fixed.</td>
<td>Ratio scale</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$Debt Policy = \frac{Long term debt}{Total Capital} \times 100%$</td>
</tr>
<tr>
<td>2.</td>
<td>Managerial Ownership (X₁)</td>
<td>a shareholder of management who actively participates in corporate decision making</td>
<td>Ratio scale</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>This variable is measured by the proportion of shares held by managers measured in percentages</td>
</tr>
<tr>
<td>3.</td>
<td>Institutional Ownership (X₂)</td>
<td>the level of institutional ownership in the company.</td>
<td>Ratio scale</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>This variable is measured by the proportion of institutionally owned shares measured in percentages</td>
</tr>
<tr>
<td>4.</td>
<td>Asset Structure (X₃)</td>
<td>the amount of wealth owned by the company.</td>
<td>Ratio scale</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$Asset Structure = \frac{Fixed Asset}{Total Asset} \times 100%$</td>
</tr>
<tr>
<td>5.</td>
<td>Earning Volatility (X₄)</td>
<td>ratio of net operating income to total assets.</td>
<td>Ratio scale</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$Earning Volatility = \frac{Net Income}{Total Asset} \times 100%$</td>
</tr>
</tbody>
</table>

Source: Author summary

To estimate and analyze the relationships proposed in the hypothesis, managerial ownership and institutional ownership influence on the corporate debt will be carried out several analyses that support the objectives of this study. Following the objectives of the research hypothesis proposed, the link between the research variables can be described specifically into the multiple linear regression analysis models as follows:

\[ Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + e \] \hfill (1)

The test of the hypothesis uses the F test and t-test with the criteria if the p-value is > 0.05, then the hypothesis is rejected, vise Versa.
RESULTS AND DISCUSSION

Results
Before the data is processed, the normality and classical assumption tests are carried out first. The test results show that the data processed is normally distributed and free from classical assumptions. The Stepwise Regression stages are to insert variables one by one until satisfying regression equations are obtained. Following are the steps in The Stepwise Regression (Draper & Smith, 1998).

Step 1:
Calculate all independent variable variables (managerial ownership, institutional ownership, asset structure, income volatility) with the expected variables. As the first independent variable entered into the regression is the independent variable, which has the highest value with the conversion variable. The following are the expected results between independent variables (managerial ownership, institutional ownership, asset structure, income volatility) with the expected variables:

<table>
<thead>
<tr>
<th>No</th>
<th>Independent Variables</th>
<th>Correlation Coefficient between X and Y</th>
<th>Significant Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Managerial Ownership (X1)</td>
<td>-0.343</td>
<td>0.193</td>
</tr>
<tr>
<td>2</td>
<td>Institutional ownership (X2)</td>
<td>0.529</td>
<td>0.035</td>
</tr>
<tr>
<td>3</td>
<td>Assets structure (X3)</td>
<td>-0.358</td>
<td>0.174</td>
</tr>
<tr>
<td>4</td>
<td>Earning volatility (X4)</td>
<td>0.594</td>
<td>0.015</td>
</tr>
</tbody>
</table>

Source: Data Processed

Based on table 2, it shows that there is a significant relationship between institutional ownership (X2) and debt (Y) and there is a meaningful relationship between earning volatility (X4) and debt (Y), this is because the significant level produced is less than 5% (sig <5%). While managerial ownership variables (X1) and assets structure (X3) there is no significant relationship with debt (Y), this is because the significant level produced is higher than 5% (sig >5%). The independent variable that was first entered into the regression is the independent variable, which has the highest correlation with the dependent variable. In this study, the independent variable that has the highest correlation with the dependent variable is the earning volatility variable (X4) with a correlation coefficient of 0.594 so that the variable earning volatility (X4) is the first variable entered into the regression model.

Step 2:
Regress the variable earning volatility (X4) on the debt variable (Y). The following are the results of simple linear regression analysis between the earning volatility variable (X4) and the debt variable (Y):

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>t_count</th>
<th>Significant Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earning volatility (X4)</td>
<td>2.765</td>
<td>0.015</td>
</tr>
</tbody>
</table>

Source: Data Processed
Based on table 3, shows that earning volatility (X4) affect the debt variable (Y), this can be seen from the t_count of 2.765 with a significant level of less than 5% which is equal to 0.015 so that earning volatility (X4) are maintained.

**Step 3:**
Calculate the partial correlation coefficient of all independent variables outside the regression (X1, X2, and X3) with the dependent variable. As the second independent variable to be included in the regression is the independent variable, which has the highest parity correlation coefficient. The following are the results of the partial correlation between managerial ownership variables (X1), institutional ownership (X2), and assets structure (X3) with the debt variable (Y):

**Table 4. Partial Correlation Test Results**

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Partial Correlation coefficient</th>
<th>Significant Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managerial Ownership (X1)</td>
<td>0.7406</td>
<td>0.002</td>
</tr>
<tr>
<td>Institutional ownership (X2)</td>
<td>0.8269</td>
<td>0.000</td>
</tr>
<tr>
<td>Assets structure (X3)</td>
<td>-0.4921</td>
<td>0.074</td>
</tr>
</tbody>
</table>

Source: Data Processed

Based on the results of partial correlation on table 4 shows that there is a partial correlation between managerial ownership (X1) and institutional ownership (X2) variables with debt variable (Y), this is because the significant level produced is less than 5% (sig <5%). While the assets structure variable (X3) does not have a partial correlation with the debt variable (Y), this is because the significant level produced is greater than 5% (sig > 5%). The independent variable that has the highest partial correlation coefficient is the institutional ownership variable (X2) so that the institutional ownership variable (X2) is the second variable included in the regression.

**Step 4:**
Regress earning volatility variable (X4) and institutional ownership (X2) to debt variable (Y). The following are the results of multiple linear regression analysis of earning volatility (X4) and institutional ownership (X2) variables on the debt variable (Y):

**Table 5. Results of Multiple Linear Regression Tests**

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>t_count</th>
<th>Significant Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earning volatility (X4)</td>
<td>1.674</td>
<td>0.118</td>
</tr>
<tr>
<td>Institutional ownership (X2)</td>
<td>1.088</td>
<td>0.296</td>
</tr>
</tbody>
</table>

Source: Data Processed

Based on table 5 shows that earning volatility (X4) and institutional ownership (X2) do not affect the debt variable (Y), this can be seen from the significant level produced greater than 5% so that the institutional ownership variable (X2) is not maintained.

**Step 5:**
Calculate the partial correlation coefficient of all independent variables outside the regression (X1 and X3) with the dependent variable. As the second independent variable to be included in the regression is the independent variable, which has the highest parity correlation coefficient. The
following are the results of the partial correlation between managerial ownership variables (X1) and assets structure (X3) with the debt variable (Y):

Table 6. Partial Correlation Test Results

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Partial Correlation coefficient</th>
<th>Significant Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managerial Ownership</td>
<td>0.0282</td>
<td>0.921</td>
</tr>
<tr>
<td>Assets structure</td>
<td>-0.1122</td>
<td>0.691</td>
</tr>
</tbody>
</table>

Source: Data Processed

Based on the results of partial correlation in Table 6 shows that there is no partial correlation between managerial ownership variables (X1) and assets structure (X3) with the debt variable (Y), this is because the significant level produced is greater than 5% (sig> 5%), so that no more independent variables are included in multiple linear regression.

The Stepwise Regression Analysis and Hypothesis Test

The following is the final result of the Stepwise Regression:

Table 7. Results of the Stepwise Regression

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Regression coefficient</th>
<th>t_count</th>
<th>Significant Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.317</td>
<td></td>
<td>0.015</td>
</tr>
<tr>
<td>Earning volatility</td>
<td>0.275</td>
<td>2.765</td>
<td>0.015</td>
</tr>
</tbody>
</table>

F_count = 7.645
Significant Level = 0.015
R^2 = 0.353

Source: Data Processed

Based on the results of The Stepwise Regression in table 7 shows that the value of F_count is 7.645 with a significant level of less than 5% which is equal to 0.015, it can be concluded that the resulting regression model is suitable or suitable to determine the effect of earning volatility (X4) on debt (Y). The simple linear regression equation used is as follows:

Y = 0.317 + 0.278 X4 ................................................................. (2)

The constant (a) generated is 0.317; this indicates that the amount of debt of 0.317% if the variable earning volatility (X4) is zero. The regression coefficient of earning volatility variable (X4) is 0.278, and this shows that the relationship pattern of earning volatility variable (X4) with debt (Y) is in the same direction, meaning that if earning volatility (X4) rises one percent, debt (Y) will increase by 0.278%.

The significance of the effect of earning volatility (X4) on debt (Y), the t-test can be carried out. The value of t_count in the variable earning volatility (X4) is 2.765, with a significant level of less than 5%, which is equal to 0.015. This level shows that earning volatility (X4) have a significant effect on debt (Y). The magnitude of the influence of earning volatility variable (X4) on debt (Y) can be seen from the coefficient of determination (R2) that is equal to 0.353. This R2 shows that the earning volatility variable (X4) can influence or explain the debt variable (Y) of
35.3%, while other variables explain the remaining 64.7%. Based on the analysis, it can be concluded that only the earning volatility influence on corporate debt policy.

Discussion
The results of the Stepwise Regression show that the variables entered into the regression model are earning volatility, while other variables such as managerial ownership, institutional ownership, assets structure are not included in the regression (The Stepwise Regression). The earning volatility variable is entered first in the regression, due to the earning volatility variable, which has the highest correlation with the debt variable, compared to other independent variables. Pearson Correlation results show that institutional ownership and earning volatility have a significant relationship/correlation with debt, while managerial ownership variables and asset structures have no significant relationship/correlation with debt.

The t-test results show that earning volatility has a significant positive effect on debt, this is indicated by the resulting regression coefficient value that is equal to 0.278 which means that if the earning volatility rises by one percent, then the debt will increase by 0.278%. Likewise, the resulting \( t_{\text{count}} \) is 2.765, with a significant level of 0.015, which means that earning volatility has a significant effect on debt. The results of this study support the research of Wardhana and Tandelilin (2011), Bernice et al. (2015), Huq (2016), and Akhbar (2017) which stated that earning volatility have a significant effect on debt so that it can be used as a determinant in corporate debt policy.

Institutional ownership variable is the second independent variable, which is included in the regression model after earning volatility. However, the results of the t-test show that institutional ownership \((X_2)\) does not affect the debt variable \((Y)\), this can be seen from the significant level produced greater than 5% so that the institutional ownership variable \((X_2)\) is not maintained. The results of this study do not support research Wahidawati (2002), which states that institutional ownership has a significant influence on the debt ratio. Likewise, the research of Bernice et al. (2015) which noted that institutional ownership has a significant impact on the debt. However, the results of this study support the research of Gunarsih (2011), which stated that the ownership structure didn't affect the pecking order theory. It indicated that institutional ownership does not significantly influence the company’s debt ratio.

The ineffectiveness of institutional ownership on debt policy is following the results of research by Wardhana and Tandelilin (2011), which stated that when institutional shareholders have a significant number of shares, they will actively monitor managers to ensure managers increase the value of the company. However, when ownership is not significant, controlling shareholders will harm the value of the company due to the takeover of the controlling shareholder. Institutional ownership is less useful in monitoring the behavior of company managers who do not carry out their duties and authority properly, can cause the use of debt to rise or agency cost of debt to grow so that the existence of institutional ownership does not affect the company's liability.

Regarding managerial ownership variables, the results of this study support the research of Bernice et al. (2015) which stated that even though managerial ownership has a negative effect on debt policy, the impact did not make significant. Unlike the research of Wahidawati (2001) which indicated that managerial ownership has a significant influence on the debt ratio. Managerial ownership does not have a significant relationship/correlation with debt, not under the expectancy theory proposed by Victor H. Vroom (1964) which stated that a person's behavior is influenced by
the motivation that the person attaches to the effort needed to achieve personal goals. Managers who intentionally use high debt not based on maximizing company value, but for opportunistic interests can lead to bankruptcy due to the interest of the loan and reduce the value of the company, and this can be a reason for the absence of managerial ownership relations with debt.

The results of this study indicate that the assets structure has no significant relationship/correlation with debt. This study turned out to support the research of Ariyani et al. (2018), which states that assets structure does not affect liability. Unlike the analysis of Wahidahwati (2002) which said that assets structure has a significant effect on the debt ratio. Assets structure does not have a significant relationship/correlation with debt, not in accordance with the decision theory put forward by Revered Thomas Bayes (1763) which states that actions or alternatives exist then we can estimate the risks that will arise (profit or loss) or responses from every situation that will occur in the future. The amount of wealth can be used as collateral for the company. Companies whose asset structures are more flexible will tend to use debt more than companies whose asset structures are not feasible because investors will always provide loans if there is a guarantee. (Wahidahwati, 2002). Based on this description, it is possible that the Assets structure does not have a significant relationship/correlation with debt because the company does not have a sound asset structure, so investors are reluctant to provide loans because the company has no guarantee of debt.

The results of this study have implications for companies in making funding policies, and companies should consider more earning volatility to meet their funding needs through the use of debt. Besides, companies should find institutional ownership and managerial ownership, namely the fulfillment of funds with their capital, especially internal funds from retained earnings, as well as asset structure should also be considered to meet funding needs through the use of debt.

CONCLUSION

The results of the regression analysis (The Stepwise Regression), shows that the variables that entered into the regression model are only earning volatility. Other variables such as managerial ownership, institutional ownership, asset structures are not included in the Stepwise Regression, so that conclusions are it can be taken is that there is a managerial ownership effect, institutional ownership, asset structure and the volatility of the company's debt policy is not validated, because only the earning volatility variable influences the debt policy. Variable earning volatility is the only variable that influence debt policy.

Suggestions for companies, companies should consider more earning volatility to meet their funding needs through the use of debt. Also, companies should find institutional ownership and managerial ownership, namely the fulfillment of funds with their capital, especially internal funds from retained earnings, as well as asset structure should also be considered to meet funding needs through the use of debt. Suggestions for future research should add other independent variables such as firm size and stock volatility because the results of this study prove that only the earning volatility variable that affects debt policy is equal to 35.3% while other variables outside the research explain the remaining 64.7%.

Some limitations in this study that have an impact on the results of the research are that most pharmaceutical companies do not have long-term debt in the periods of 2013 to 2018. The
samples used in this study are relatively few; namely, four pharmaceutical companies go public on the Indonesia Stock Exchange, which can have an impact on the generalization of research results.

REFERENCES


