The Effect of Characteristics on Firm Debt of Property and Real Estate Companies Listed on the Indonesia Stock Exchange

by Rika Desiyanti

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Abstract

In the property and real estate subsectors listed on the IDX, this study seeks to gather empirical data on the impact of managerial ownership, institutional ownership, profitability, and size on debt policy (Period 2017-2020). According to a sampling technique called saturation sampling, the population in this study consists of property and real estate companies listed on the IDX for the years 2017 through 2020. With a total sample size of 65 companies, 15 final samples deserve observation. With the aid of the Eviews application, logistic regression analysis was employed for the study. The analysis's findings indicate that while size favors business debt, management ownership, institutional ownership, and profitability have little impact.

Keywords: Managerial Ownership, Institutional Ownership, Profitability, Size, Firm Debt

INTRODUCTION

Every organization needs to operate more effectively and be more competitive in the business sector, where there is growing competition due to the competition in the business world. The firm wants to grow stronger, make big profits, compete with other companies, and dominate the market [1]. Shareholders trust managers to manage, run the firm, and overcome various obstacles to achieve the firm's goals. Every financial decision will impact subsequent financial choices, which will affect the firm's value. The firm's management strives for the welfare of its shareholders by carrying out financial management functions carefully and correctly.

One way to get funds is by getting debt. A firm will have risks if it has a large composition of debt, but if it does not, it is believed that the company cannot utilize extra external funds to expand its business activities. As is known, the importance of careful use of debt can be seen in several companies in Indonesia that almost went bankrupt due to failure to use their debt.

Debt is one of the sources of external financing the firm uses to finance its funding needs, but the firm must pay back or fulfill the external bill. The satisfaction of this obligation may take the form of monetary payment, the provision of goods or services to persons who supplied loans to the business, or both. Debt is also an essential mechanism

for controlling the actions of managers and reducing conflicts of interest between a manager and holders. [2] interpreting debt as an economic sacrifice that the firm will make in the future due to transactions previously. The gift can manifest in money, assets, services, or doing specific jobs. Debt triggers the emergence of bonds that give creditors the right to claim the firm's assets.

The purpose of the firm having debt is to increase the amount of money available for business activities. Through debt, the firm's management determines how much debt will be used to finance the business. The firm's funding uses debt which can be measured using the debt-to-equity ratio (DER). Debt can be used by considering several things, including the size of the profitability and the structure of share ownership by managerial and institutional [3].

The following is data from the average DER of property and real estate sub-sector companies listed on the Indonesia Stock Exchange (IDX) for 2017-2020.

Figure 1 Average DER Level of Property and Real Estate Sub-Sector Companies Listed on the IDX in 2017-2020
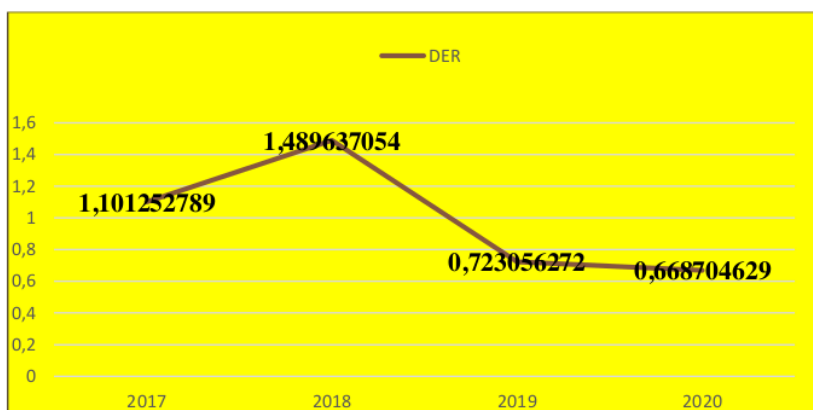
Source: www.idx.co.id

Figure 1 shows, it can be seen that the debt (DER) in the property and real estate sub-sectors listed on the Indonesian stock exchange in 2017 was 1.10. In 2018 increased significantly, namely 1.48.andin the next two years, 2019 & 2020 experienced a very significant decrease, with DER of 0.72 and 0.66. A firm that has decreased its DER for two consecutive years can be said to have been able to control its debt well, which indicates that the firm's health is good. Debt that is too large can cause agency costs. Agency cost is all expenses related to controlling undesired manager behavior, tracking manager actions, and missed opportunities due to shareholder restrictions on manager activity [4].

A firm may finance using debt to meet its operating demands by obtaining money from outside parties. A firm survives and increases its corporate value. Businesses are being encouraged by recent economic trends to expand. A company needs more money to grow, and if there aren't enough of them, they'll get into debt. Yet, debt can be dangerous, so businesses must conduct their operations effectively to minimize these risks. Debt management offers an option to sell shares on the stock market to finance a company [5].

Factors that affect debt companies are managerial ownership, institutional ownership profitability, and size. Low dividend payout to shareholders results from high managerial ownership [6]. Through an excellent corporate governance mechanism, which can align the interests of managers and owners, principals can indirectly use this mechanism to reduce agency costs incurred by agents. Utilizing the ownership structure, including management ownership and institutional ownership of the company, is one of the methods of excellent corporate governance. Because insiders share in the repercussions of their actions and tend to use low debt, the increase in insider ownership is a factor in the relationship between managerial ownership and debt. Insiders to be more cautious when using debt and prevent opportunistic conduct. [4].

Managerial ownership is the management party consisting of managers, directors, or commissioners of the firm who actively participate in making decisions related to the firm and have the opportunity to take part in the firm's share ownership or become shareholders [7]. According to research findings by [8,9], managerial ownership does not impact debt. Contrary to [10]'s research, managerial ownership favors debt.

Institutional ownership refers to the organization owning firm shares [11] in controlling the interests of managers, including shareholders. Institutional ownership, which is a significant shareholder, plays an important role. It can also help reduce agency disputes between management and shareholders. Managers' behavior can be better regulated through institutional leadership, which reduces the utilization of corporate debt. To maximize firm value, [12] display how the firm's ownership structure affects the firm's performance. The success of a Firm is influenced by its management, which in turn can increase its value. The more institutional ownership a firm has, the more effectively its assets are used. Management can prevent waste by acting early through institutional ownership. The results demonstrate that for 2017 through 2020, institutional ownership has no impact on debt owed by enterprises in the property and real estate subsector. The findings of this study are consistent with those of research by [13], which demonstrates that institutional ownership has a favorable impact on the debt. Moreover, a study by [14] discovered institutional ownership's considerable and advantageous effects on debt.

The third factor is profitability. Profitability a term used to describe how well a company manages its finances and creates profits. Profitability is a term used to describe how well a company works its finances and makes profits [15]. [16] states that profitable companies usually borrow only limited amounts because they fund their operations internally. According to agency theory, good businesses will use debt to minimize asset abuse by managers who do not consider the interests of shareholders. Profitability research on debt conducted by [9,17,18,19,20] found that profitability wa a significantly positive effect on debt.

The quantity of a company's debt is also influenced by the size of the company [21]. A firm's asset holdings can be used to determine its size. Due to the size of their assets being used as security and their greater trust in banks and creditors, large businesses will find it simpler to get loans. [22].

Hypothesis Development
Managerial Ownership's Impact on Business Debt

Management will have a stake in decisions made since managerial ownership will tie management's interests to those of shareholders. [11]. Managerial ownership refers to the percentage of shares owned by members of management who play an active role in decision-making, such as directors and commissioners. Managerial ownership is closely

related to firm debt. When share ownership is increased, managers will directly feel the consequences of making these decisions [23]. Managerial ownership will bear the results of the policies taken so that managers are more vigilant in making decisions regarding the use of debt. The existence of managerial rights can align the interests between management and shareholders [24]. To limit the level of risk the company faces, the level of debt decreases as the manager's share ownership percentage increases.

Since management ownership makes it easier for companies to make decisions, it plays an essential function in the organization, and managerial ownership has the power to influence a firm's financial policies and ensure that they reflect the wishes of shareholders. Managerial ownership also has a significant impact on debt policy. Through managerial ownership, management can choose the firm's debt policy level. Based on previous research conducted by (10) in his study, which states that managerial ownership has a positive effect on debt policy, research conducted by [25] and [26] shows that managerial ownership has a positive impact on debt policy. This indicates that managerial ownership can control agency costs using debt. Based on this, the following hypotheses can be formulated:

H1: Managerial ownership has a positive effect on Firm debt

Institutional Managerial Ownership's Impact on Business Debt

Institutional parties own a percentage of shares at the year's end, usually referred to as institutional ownership [23]. This variable will describe the level of institutional share ownership in the firm. The greater the level of institutional ownership, The more influence the institution has on management decisions. The more it is encouraged to do so, the more likely it is to urge management to maximize the firm's value and improve performance [27].

Hence, institutional ownership, that is, a significant shareholder, has a crucial role in controlling the interests of managers, including shareholders, and can minimize agency conflicts between managers and shareholders [11]. Institutional ownership is the ownership of a firm's shares by the institution at the end of the year, whose measurement can be observed from the percentage. Institutional investors are like investors, insurance companies, banks, and other owners. The higher institutional ownership can strengthen the firm's external control, which ultimately minimizes agency costs [28].

Institutional ownership refers to portion shares owned by an organization, such as an insurance firm, expressed as a percentage at the end of the year. Corporations will find it easier to manage management with better monitoring if institutional ownership is used. The number of shares owned by the constitution must be more significant to make supervision effective and efficient.

According to agency theory, the increase in capital turnover indicates to creditors that the firm can carry out operational activities optimally and that the firm's funds can be used to increase net sales, which, ultimately, does not have to make loans. From several previous studies, among others, research conducted by [4] shows that institutional ownership influences firm debt. Research conducted by [29] found that institutional ownership positively affects debt. In contrast, study [23] concluded that institutional ownership positively affects firm debt, which means that the greater the percentage of institutional ownership in the firm, the greater the debt policy; this is in line with research [14] which has a significant and positive effect of institutional ownership on corporate debt. The proposed hypothesis (H2) is:

H2: Institutional ownership has a positive effect on firm debt

The Effect of Profitability on Firm Debt

A firm's profitability is determined by its capacity to generate profits based on sales, total assets, and working capital [30]. Profitability can be used to measure a firm's capacity to generate profits and to assess how well its performance management system is working. A high level of profitability indicates that the firm is operating well and to its maximum potential. Profitability is the firm's ability to earn profits by selling its total assets or with its capital [31]. Companies with high levels of profitability will soon be able to create income that can be used to pay commitments, namely reducing debt [32].

The firm will use debt to finance its operations when profitability is low. However, when profitability is strong, a firm will limit its use of debt by allocating a portion of its profits to retained earnings, enabling it to finance its operations with internal resources and reduce debt. Several previous studies, including research conducted by [9, 18, 19], shows that profitability significantly improves the effectiveness of the debt policy. Research by [33] found that profitability positively correlates with debt policy. A study conducted by [20] shows that profitability significantly positively affects firm debt. The hypothesis can be inferred from the description as follows. The hypothesis can be assumed from the report as follows:

**H3: Profitability has a positive effect on the firm's debt**

### The Effect of Firm Size on Firm Debt

A company's need for cash to carry out its operational tasks increases with its size. The funding needs can be obtained from external funding, namely debt. According to agency theory, companies will use debt to reduce agency problems between management and shareholders [34]. The larger the size of a firm, will further increase the confidence of outsiders to lend funds to the firm. This theory is supported by research conducted by [22] and [34]. The results of his study state that firm size has a positive influence on debt policy. So the fourth hypothesis in this study is:

H4: Firm size has a positive effect on the firm's debt

Conceptual Framework

Figure 2 Conceptual Framework

Managerial Ownership (X1)

Institutional Ownership (X2)	
Profitability (X3)	Debt (Y)
Firm Size (X4)	
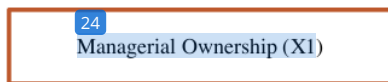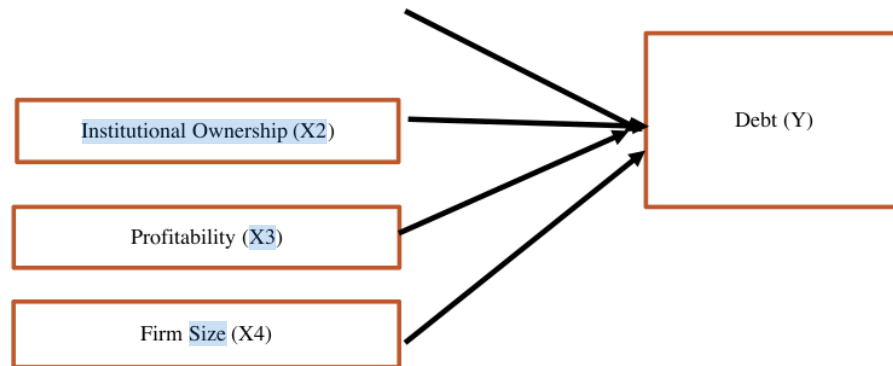
METHODOLOGY/ MATERIALS

Population and Sample

The term "population" refers to a category of things or persons the researcher has chosen to study and then generalize based on predetermined numbers and attributes [35]. The property and real estate sub-sector companies registered on the IDX for 2017 to 2020 make up the study's population. There were 65 companies in the study's total population.

According to [35], the sample reflects the size and features of the population. The researcher can use samples gathered from the people if the population is significant and it is not feasible for the researcher to investigate every member of the population, for instance, owing to a lack of resources (money, labor, or time). In this study, saturated sampling, which is the method of ascertaining

Data Types and Data Collection Methods

Quantitative data are the type that was employed in this study. A collection of numerical data constitutes quantitative data [36]. Quantitative data is information that relies on numbers to provide knowledge or insight into a subject. Secondary data were employed as a source of information in this investigation. Secondary data is research information researchers have acquired through unofficial channels, such as the www.idx.com website. The Indonesia Stock Exchange annual report data are collected as part of the data collection process for research using documentation techniques, which are then recorded through recording. The necessary information includes total assets, debt, equity, net income, and the number of shares that managers and institutions possess. The number of outstanding shares of property and real estate sub-sector companies listed on the Indonesia stock exchange for the 2017-202 period is then processed through tabulations and compiled according to the researcher's needs.

Variables And Operational Definitions
Corporate debt
DER (Debt to Equity Ratio), which is derived by dividing total debt by total equity, can be used to calculate the debt of a company [37]:

$$DER = \frac{Total\ Debt}{Total\ Equity}$$

Managerial ownership

Ownership of shares by the management, which takes part in business decision-making, is known as managerial ownership (MWON) [38]. The ratio scale formula is the measurement scale that is utilized [38]:

$$MWON = \frac{Total\ Managerial\ Share\ Ownership}{Number\ of\ shares\ outstanding}$$

Institutional Ownership

The proportion of institutions shares can be used to gauge institutional ownership, a minimum of 10% of the number of companies with the calculation [14], namely:

$$INS = \frac{Total\ Institutional\ Share\ Ownership}{Number\ of\ shares\ outstanding} \times 100$$

Profitability

The profitability ratio gauges the firm's capacity to turn a profit using its own resources, such as capital, sales, or assets. Return on Assets (ROA) is the ratio employed in this study (ROA) [39].

$$ROA = \frac{Net\ Income}{Total\ Asset}$$

Firm Size

A firm's size can be categorized or ranked using a scale that considers total assets, sales steadiness, and stock market value. The following formula [40] was used to calculate the size of each firm [40]:
Firm Size = Ln Total Assets

Data analysis method

The research's analytical approach is multiple linear regression analysis. Examine the impact of two or more independent factors on a single dependent variable, and multiple linear regression was used. Perform multiple linear regression analysis. The conditions must be met to test the classical assumptions. Hypothesis testing is done by using statistical test tools. Data processing in this study was carried out using the help of the Eviews 12 program.

Descriptive Statistical Analysis

Provide valuable information; descriptive statistics use methods that characterize the state of the data collected. Using descriptive statistics helps researchers better understand, analyze, and interpret research variables, which can be represented numerically with each variable's mean, maximum, minimum, and standard deviation [41].

Classic Assumption Test

Before conducting multiple linear regression testing, the classical assumption test must be passed for the model to be considered valid or researchable. The classical assumption test's primary goal is to confirm that the derived regression equation is accurate in estimation, does not depart from the expected value, and is consistent. Assumption tests depend on normality, multicollinearity, heteroscedasticity, and autocorrelation tests.

Data Analysis Technique

Multiple Linear Regression Analysis

A statistical method called multiple linear regression analysis examines the impact of numerous independent variables (independent) on the dependent variable (dependent). The following is the multiple regression model used in this investigation. [42]:

$$DER = \alpha + \beta 1\, MWON + \beta 2\, INS + \beta 3\, ROA + \beta 4 Size + e$$

Information:

DER	: *Debt to Equity Ratio*
MOWN	: *Managerial Ownership*
INS	: *Institutional ownership*
ROA	: *Return On Assets*
α	: Constant
$\beta 1$	: Regression coefficient of managerial ownership variable
$\beta 2$	: Institutional ownership variable regression coefficient
$\beta 3$	: Profitability variable regression coefficient
$\beta 4$	: Firm Size variable regression coefficient
e	: error

Coefficient of Determination Test (R^2)

This test will determine how well the model can account for the associated variances. Here, the corrected R^2 [36] value is employed.

T-test

The assessment criteria with this method are if the value of the t count is more significant than the t table, then the research hypothesis is accepted, and vice versa. The t-test examines the relationship between the independent and dependent variables [43].

RESULTS AND DISCUSSIONS

Object of research

The financial statements of the companies in the property and real estate sub-sector listed on the Indonesia Stock Exchange provided the information used in this study. The data used include managerial ownership of the firm as measured by the percentage of the number of shares owned by management and institutional ownership. Measured by the percentage of voting rights or shares owned by the institution, profitability is measured by return on assets, and debt policy is calculated using total debt divided by total equity. The research period covers the years 2017 to 2020. In this study, the sampling procedure that has been carried out is shown in Table 1:

Table 1 Sampling Procedure

Information	Amount
Number of real estate and property firms listed on IDX from 2017 to 2020	65
Businesses that don't release their complete financial statements for the years 2017 through 2020	(15)
Businesses that don't fully provide information about research variables	(32)
Companies that were delisted from the IDX from 2017-2020	(3)
Number of selected companies	15

Source: Data processed, 2022

Table 1 shows the data identification process. It is known that the number of property and real estate businesses on the Indonesia Stock Exchange amounted to 65 companies. After observations, it was known that 15 companies did not publish audited financial statements in a row from 2017 to 2020, besides that 32 other companies did not provide complete information about the research variables. Used and three delisted companies from the IDX during the observation period, so the number of companies selected as samples was 15 from all companies engaged in the property and real estate sub-sector on the Indonesia Stock Exchange.

Descriptive Analysis Results

The mean, standard deviation, maximum, and minimum of the study's variables are all described using descriptive analysis. Table 2 below provides the descriptive statistics for the research variables:

Table 2 Descriptive Statistics of Research Variables

	DER	MWON	INS	ROA	Total Assets
Mean	0.7146	0.1183	0.5830	0.0295	27.2265
Std. Dev	0.7034	0.1557	0.2391	0.0523	1.8252
Maximum	3,7000	0.4800	0.9700	0.1700	30,2125
Minimum	0.0600	0.0000	0.0000	-0.0600	25,2323
Observation	60	60	60	60	60

Source: Data processed, 2022

Following descriptive statistics, Table 2 shows that 60 observations were processed. According to the data tabulation, the debt policy's lowest value is 0.0600, and its most significant value is 3.7000. The average firm value of debt insurance policies owned generally in the property and real estate sub-sectors is 0.7146, and the standard deviation is 0.7034. The average value obtained leads to the conclusion that the debt situation of the enterprises in the property and real estate sub-sector is relatively low. By descriptive statistics, Table 2 shows that 60 observations were processed. According to the data tabulation, the debt policy's lowest value is 0.0600, and its most outstanding value is 3.7000. The average firm value of debt insurance policies owned generally in the property and real estate sub-sectors is 0.7146, and the standard deviation is 0.7034. The average value obtained leads to the conclusion that the debt situation of the enterprises in the property and real estate sub-sector is relatively low.

A minimum value of 0.0000 and a maximum value of 0.4800 are available for the management ownership variable. The standard deviation is 0.1557, while the mean value is 0.11833. The minimum score of 0 shows that most companies in the property and real estate sub-sector place high importance on management ownership. A situation that is not

too excellent is indicated by a standard deviation bigger than the mean because of the significant variations in the value of management ownership.

A minimum value of 0.0000 and a maximum value of 0.9700 are available for the institutional ownership variable. The standard deviation is 0.2391, and the mean value is 0.5830. The property and real estate sub-sector companies' minimal value of 0 denotes that the majority of them have a positive value. In addition, a lower standard deviation compared to the mean indicates a good condition due to the absence of large fluctuations in the value of institutional ownership.

The profitability variable assigns a minimum value of -0.0600 and a maximum value of 0.1700. The standard deviation is 0.0523, while the mean value is 0.0295. The minimal value of -0.0600 shows that most property and real estate subsector businesses have negative profitability values. In addition, a standard deviation more significant than the mean indicates a condition that is not too good due to a reasonably substantial fluctuation in the profitability value. The firm size variable also has a minimum value of 25.2323, and the maximum value is 30.2125. The average value (mean) is 27.2265, and the standard deviation is 1.8252.

Classic Assumption Test Results

The classical assumption test is a condition for multiple regression analysis. Ensuring the research's goal and the outcomes of the processed data are accurately described.

Normality Test Results

A technique known as the normality test is performed to establish the data distribution pattern is normal. The Jarque-Bera test is applied when doing normalcy testing, according to [41]. It can be claimed that the probability value was regularly distributed if it was more significant than alpha = 0.05. The following are the outcomes of Table 3:

Table 3 Normality Test Results

Variable	Probability	Alpha	Conclusion
Corporate debt	0.0000	0.05	Not Normal
Managerial ownership	0.0003	0.05	Not Normal
Institutional Ownership	0.2609	0.05	Normal
Profitability	0.2990	0.05	Normal
Firm Size	0, 3887	0.05	Normal

Source: Data processed, 2022

Based on normality's findings in Table 3, two variables have a small probability value of 0.05, namely debt policy and managerial ownership, so it can be concluded that some of the research variables used has not been normally distributed. Therefore, further processing steps cannot occur before all research variables are normally distributed.

According to [41], data that are generally not distributed can be modified to be typically distributed. Nevertheless, to establish the shape of the data transformation, we must first know the shape of the histogram graph of the data on each study variable. After testing, it was found that the histogram graph for each research variable was in the form of moderate positive skewness, so the form of data transformation to be carried out was a transformation to the SQRT (x) value. The residual value (RESI) of the four variables will be transformed by SQRT (x). The second stage of normality testing after data transformation shows results as shown in Table 4 below:

Table 4 Normality Test Table after Normalizing

Variable	Probability	Alpha	Conclusion
Corporate debt	0.4570	0.05	Normal
Managerial ownership	0.1218	0.05	Normal
Institutional Ownership	0.2609	0.05	Normal
Profitability	0.2990	0.05	Normal
Firm Size	0, 3887	0.05	Normal

Source: Data processed, 2022

Table 4 shows the output results after SQRT (x) transformation is carried out on the residual value of the research variables. Namely debt policy, managerial ownership, institutional ownership, and profitability; the probability value is more significant than alpha 0.05, so it can be concluded that the assumption of normal distribution of data is met so that the analysis can be completed.

Multicollinearity Test Results

This multicollinearity test was carried out to determine whether the regression model discovered a correlation between the independent variables. It can be inferred that the regression model had a multicollinearity issue if there is a significant correlation. The variance inflation factor is a test tool that can be used to identify multicollinearity symptoms (VIF). The VIF score is less than 10, suggesting that the model does not have multicollinearity symptoms, meaning there is no link between the independent variables. Table 5 below contains the findings of multicollinearity testing:

Table 5 Multicollinearity Test Results (VIF)

Variable	VIF (Variance inflation factors)
Managerial ownership	1.2208
Institutional Ownership	1.3397
Profitability	1.4740
Firm Size	1. 3422

Source: Data processed, 2022

The three variables (managerial ownership, institutional ownership, and profitability) have a VIF value of less than ten according to the result of data processing utilizing Eviews Table 5, so it can be inferred that this study data is free of multicollinearity [43].

Heteroscedasticity Test Results

The heteroscedasticity test determines a variance inequality between the residuals observation and another in the regression model. One technique to detect the existence or absence of heteroscedasticity is to execute the Breush-Pagan-Godfrey test. The probability result is considered significant if the significance value exceeds the 5% confidence level (0.05). The decision is that H0 is approved if the significance value exceeds 0.05 (alpha). On the other hand, H0 is rejected if the significance is less than 0.05

(alpha) (43). The following are the findings of the tests for heteroscedasticity in Table 6 below:

Table 6 Breush-Pagan-Gofrey . Test

(Heteroscedasticity Test)

Obs* R-Squared	Alpha	Conclusion
0.2405	0.05	There is no heteroscedasticity

Source: Data processed, 2022

The variables in the regression model in this study do not have any issues, as shown by the heteroscedasticity testing findings from Table 6 utilizing the Breush-Pagan-Gofrey test, where the F-Statistic value is 0.2405 and is more than alpha 0.05. heteroscedasticity.

Autocorrelation Test Results

the test for autocorrelation aims to ensure that the variance of each research variable used is not correlated with one another in each observation period. Autocorrelation testing is carried out using the Durbin-Watson (DW) test. DW value is -2, and then there is a positive autocorrelation. There is no autocorrelation if the DW value is between -2 and +2, and there is a negative autocorrelation if the DW value is +2 [43]. The findings of the autocorrelation test in Table 7 are as follows:

Table 7 Autocorrelation Test Results

Test Tool	Coefficient	Information
Durbin Watson (DW)	(-2) 1.944914 (+2)	There is no autocorrelation

Source: Data processed 2022

The Durbin Watson (DW) value is 1.944914, as observed from the autocorrelation test findings in Table 7. This study can be autocorrelation-free because the data collected satisfy the criterion of two squares -2 1.944914 +2.

Data analysis technique

Multiple Linear Regression Analysis Results

ll research variables are normally distributed and free from symptoms of classical assumptions such as multicollinearity, heteroscedasticity, and autocorrelation the multiple linear regression testing stages can be done immediately. The results of the regression of managerial ownership variables, institutional ownership, and profitability as independent variables on debt policy as the dependent variable can be seen in the following table:

Table 8 Results of Multiple Regression Analysis

Variable	Regression Coefficient
Constant	0.3335
Managerial ownership	0.2642
Institutional Ownership	0.7127
Profitability	-2.2235
Firm Size	3.2278

Source: Data processed, 2022

Table 8, it can be seen that, in general, the multiple linear regression equations that can be made based on the resulting regression coefficients are as follows:

$$Y = 0.333574 + 0.264217X1 + 0.712704X2 - 2.223557X3 + 3.2278X4 + e$$

Coefficient of Determination (R^2)

The coefficient of determination analysis aims to ascertain the percentage contribution made by the independent variable. Table 9 below provides an overview of the findings based on the results of assessing the coefficient of determination:

Table 9 Coefficient of Determination (R^2)

Variable	R-squared
Corporate debt	0.3235

Source: Data processed, 2022

Table 9 shows that the coefficient of determination (R2) is 0.3235. According to the data, managerial ownership, institutional ownership, profitability, and firm size can affect debt policy in the property and real estate sub-sector enterprises by 32.35%, with other variables impacting the remaining 67.65% and utilized not in this study.

Test Result

The t-test is used to assess the contribution of each independent variable to the variation in the dependent variable. It can be concluded that the independent variable impacts the dependent variable if the calculated probability value is smaller than alpha 0.05 and H0 is rejected, and Ha is accepted. Likewise, if the estimated probability value is higher than alpha 0.05, H0 is accepted, and Ha is rejected, indicating no relationship between the independent and dependent variables. Table 10 below summarizes the findings of the model feasibility test using the T-statistic test:

Table 10 T-Test Results

Variable	Regression coefficient	Significant	Alpha	Conclusion
Constanta	0.3335			
Managerial ownership	0.2642	0.6858	0.05	Not significant
Institutional ownership	0.7127	0.1134	0.05	Not significant
Profitability	-2.2235	0.3007	0.05	Not significant
Firm Size	3.2522	0.0350	0.05	Significant

Source: Data processed 2022

Based on the output above, it can be concluded that managerial ownership, institutional ownership, and profitability have a partially insignificant impact on firm debt because their probabilistic t-statistics values are 0.6858 for managerial ownership, 0.1134 for institutional ownership, and 0.300 for profitability. This value is more significant than alpha 0.05. However, the firm's debt is positively impacted by its size.

Results and Discussion of Hypotheses

Effect of Managerial Ownership on Firm Debt

Managerial ownership has a positive regression coefficient value of 0.2642 and a significant value of 0.6858 with an error rate of 0.05, according to the findings of the t-statistical test in Table 11. These findings disproved the first hypothesis (H1), which also shows that the significant value of 0.6858 is bigger than alpha 0.05. In conclusion, managerial ownership has no appreciable impact on debt policy because the average value of managerial shareholdings in companies in the property and real estate subsector is deficient, making it impossible to share the interests of owners and managers.

Managerial ownership that is still familiar causes managers to act detrimental to shareholders, such as committing accounting fraud because managers protect their interests that differ from the owners'. Due to the relatively small managerial ownership, the owner and manager remain in a conflict of interest. The manager's interests cannot be equated. It can be said that the property and real estate sub-sector companies still have low managerial ownership. Therefore, it has been unable to lessen the manager's activities in carrying out firm debt.

The findings of this study are consistent with research by [44, 45], which discovered that managerial ownership has no appreciable impact on corporate debt. Consistent with research [46, 4] that determined managerial ownership has no discernible effect on corporate debt.

The Effect of Institutional Ownership on Firm Debt Policy

Institutional ownership has a coefficient value of 0.7127, a significant value of 0.1134, and an error rate of 0.05. The results show second hypothesis (H2) is rejected due to these findings, which show that the significant value of 0.1134 is more than 0.05. Therefore, institutional ownership has no discernible impact on corporate debt. Demonstrates institutional share ownership by an institution or an institution can be measured based on the proportion of institutional shares owned to total institutional shares. In this situation, the institution might oversee the manager's financial statement preparation to reduce debt usage.

The findings of this study are consistent with those of research by [47], which found that institutional ownership had little impact on corporate debt. However, research findings by [48, 8, 49] indicate that the institutional ownership variable has no appreciable effect on business debt.

The Effect of Profitability on Firm Debt

Profitability has a coefficient value of 0.0162 and a significant value of 0.9912 with an error rate of 0.05, according to the results of the hypothesis testing in table 4.11. These findings disproved the third hypothesis (H3), which also shows that the significant value of 0.9912 is more than 0.05, concluding that profitability has no discernible impact on business debt. Illustrates that the higher or lower level of profitability in the property and real estate sub-sector companies does not affect the firm debt. The findings of this study are consistent with research by [4], which demonstrates that profitability has no

bearing on debt policy. Moreover, studies by [50] indicate that profitability has no significant effect on debt policy.

The Effect of Firm Size on Corporate Debt

The study's results found that the coefficient of the firm size variable was negative and with a significance value of 0.0350 <0.05, as shown in Table 11. Thus the fourth hypothesis in this study was accepted because firm size affected firm debt in property and real estate subsector companies listed on the Indonesia stock exchange. The larger the firm's size, the more creditors will be willing to lend their funds because large companies can repay debts in the form of principal loans and interest payments on time. This research was supported by the research conducted by [50, 34, 22], who found that firm size had a positive effect on firm debt.

CONCLUSION AND RECOMMENDATION

Conclusion

1. This study will analyze the Effect of managerial ownership, institutional ownership, profitability, and size on firm debt in property and real estate sub-sector companies listed on the Indonesia Stock Exchange in 2017-2020. Based on the research results and discussion in the preceding chapter, it can be concluded that: 1. Managerial ownership has no significant effect on the debts of property and real estate sub-sector businesses listed on the Indonesia Stock Exchange for the 2017-2020 period.
2. Institutional ownership does not substantially affect the business debts, property, and real estate sub-sector companies listed on the Indonesia Stock Exchange for the 2017-2020 term.
3. Over the 2017–2020 timeframe, profitability has had no appreciable impact on the firm debt of companies in the property and real estate subsector listed on the Indonesia Stock Exchange.
4. Over the 2017–2020 timeframe, the firm size of companies in the property and real estate subsector listed on the Indonesia Stock Exchange has a considerable impact on the firm debt of such companies.

Recommendation

Based on the conclusions and limitations of the study, the researcher proposes several suggestions that can be used as a reference for the future based on the limitations of the research conducted:

1. More sample companies should be employed in future research, it is suggested. Increase the number of variables from the study, such as public ownership, Firm size, good governance, net profit margin, leverage, and so on.
2. Extend the research period and at least add new variables that have not been used in this study to increase the accuracy of future research results.
3. For further research, researchers should look for fully published IDX data or by visiting the official website of the firm that they want to research to make it easier for researchers to conduct research.
4. Investors, in this case, are expected to be vigilant in reading and using the information in the firm's financial statements so as not to experience errors in making decisions. It is hoped that investors will be more careful in assessing the

firm's financial statements. They should not only pay attention to assets but also to other aspects such as liabilities and Firm equity.

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