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THE EFFECT OF CORPORATE GOVERNANCE MECHANISMS ON DEBT POLICY: EVIDENCE FROM INDONESIA'S CONSUMER NON-CYCLICAL COMPANIES

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ABSTRACT

This study examines the influence of good corporate governance mechanisms specifically institutional ownership and managerial ownership on debt policy in non-cyclical consumer sector companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2021. The research addresses a gap in previous studies that have shown inconsistent findings regarding the relationship between ownership structure and debt policy in emerging markets. Using a purposive sampling method, 217 firm-year observations were analyzed through linear regression analysis. The empirical results reveal that both institutional ownership and managerial ownership have no significant effect on debt policy, indicating that ownership structures do not play a dominant role in determining financing decisions. However, liquidity (measured by the current ratio) and firm size are found to have a positive and significant effect on debt policy, suggesting that companies with higher liquidity levels and larger firm sizes tend to utilize more debt in their capital structure. These findings contribute to the understanding of how corporate governance and firm characteristics influence debt financing behavior in Indonesia's non-cyclical consumer sector and offer practical implications for policymakers, investors, and corporate managers in enhancing governance and financial decision-making practices.
Keyword: Corporate Governance, Institutional Ownership, Managerial Ownership, Debt Policy, Indonesia Stock Exchange.

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ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh mekanisme *good corporate governance* khususnya kepemilikan institusional dan kepemilikan manajerial terhadap kebijakan hutang pada perusahaan sektor *consumer non-cyclical* yang terdaftar di Bursa Efek Indonesia (BEI) selama periode 2018–2021. Penelitian ini berangkat dari kesenjangan penelitian terdahulu yang menunjukkan hasil tidak konsisten terkait hubungan antara struktur kepemilikan dan kebijakan hutang pada pasar negara berkembang. Dengan menggunakan metode *purposive sampling*, sebanyak 217 observasi perusahaan dianalisis melalui teknik regresi linear. Hasil empiris menunjukkan bahwa kepemilikan institusional dan kepemilikan manajerial tidak berpengaruh signifikan terhadap kebijakan hutang, yang mengindikasikan bahwa struktur kepemilikan belum menjadi faktor utama dalam pengambilan keputusan pendanaan perusahaan. Namun, variabel likuiditas (yang diukur dengan *current ratio*) dan ukuran perusahaan terbukti berpengaruh positif dan signifikan terhadap kebijakan hutang. Hal ini menunjukkan bahwa perusahaan dengan tingkat likuiditas yang lebih tinggi dan ukuran perusahaan yang lebih besar cenderung menggunakan lebih banyak hutang dalam struktur modalnya. Temuan penelitian ini memberikan kontribusi terhadap pemahaman mengenai bagaimana tata kelola perusahaan dan karakteristik perusahaan memengaruhi kebijakan pendanaan melalui hutang, serta memberikan implikasi praktis bagi pembuat kebijakan, investor, dan manajemen perusahaan dalam memperkuat praktik tata kelola dan pengambilan keputusan keuangan yang efektif.
Kata Kunci: *Good Corporate Governance*, Kepemilikan Institusional, Kepemilikan Manajerial, Kebijakan Hutang, Likuiditas, Ukuran Perusahaan, Bursa Efek Indonesia.

Introduction

Financial reports are very important information for a company. It is very important for companies because, in its implementation, financial reports become

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a basis for companies in projecting complete data from the financial sector as well as the liquidation of the company's scores and assets.

In financial reports, profit or income is one of the components used to trigger the development of the company's long-term needs. In this case, of course the management of a company applies appropriate standards based on accounting norms as material for the results of evaluating financial reports in the form of certain adjustments as an effort to maximize the sustainability and health of the company.

Revenue or income is often a crucial output for a company to keep the company's business chain running and well organized and in line with the company's vision and mission. In this case, profit or profits must be maximized in such a way as to reach a point where the company can produce its best efforts for each relevant stakeholder. Apart from that, in carrying out company activities, companies often experience difficulties. These difficulties can be in the form of financial planning, financial distribution, market plans, and also other difficulties that are directly related to the supply and demand of the company. If the difficulties continue continuously and the resulting negative results are very significant, then this condition can affect the company's performance which then causes the company's business chain to be broken, and in the worst case the company can experience failure in the form of bankruptcy.

Departing from this, the company needs a secondary preventive visionary scheme in the form of investment in the company to strengthen the fundamental primary scheme in the form of maximizing the use of profits or income by using a debt policy that is conceptualized for the company's sustainability activities.

However, this can be achieved if the company has good capability and good corporate governance, as well as direct analysis of debt policy decisions that are relevant to the company's condition, as well as adequate liquidity and profitability ratios.

Good corporate governance is a reference for the continued implementation of good management in a company. And in its application, good corporate governance is often a benchmark for a company's liquidity and profitability ratios in terms of managing debt policies for investment purposes within the company. Ownership is an important part of the basis for decision making which assumes the strategic steps taken by the company in monitoring existing risk mitigation factors. As explained in previous research, managerial ownership and institutional ownership are important references where at the proxy level, institutional ownership and managerial ownership can be benchmarks for a company in taking good strategic steps for the sustainability of its business, this is in accordance with previous research by Sovi Azara and Ayu Ardaniati (2021), Lilis Ardiani (2021), Ratih Handayani, Rizka Putri Indahnigrum (2019) said that the existence of a significant level of ownership in a company has a positive influence on the company's debt policy. However, this is different from (Murtini, 2018), xxx, (Aini et al., 2021), (Anindhita & Niken, 2017), Asnawi (2019), (Dewi, 2021), , Widya Hestiningtyas and Nurul Destiwati (2021), Bimantara (2020), Evi Dwi Kartikasari (2022) who say that the level of ownership significance has no influence or is negative on debt policy within the company.

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The debt policy factor, according to (Junaidi, 2013), states that high debt will increase the risk of company bankruptcy if the income and capital owned are less than the company's total debt. Management publishes financial reports to provide information to share owners and users of financial reports. This is always an obstacle, namely the concept is different, and the money that should be distributed as dividends is instead used to pay debts and interest. Debt policy is always relevant to financing company operations, development and research, and to improve company performance. The greater the debt, the more likely it is that the company will be unable to pay the debt and thus be at risk of bankruptcy. Debt is very important for a company because if a company has large enough debt it is considered good and large.

An example of a case within the scope of debt policy in a company that does not take strategic steps into account when making debt policy decisions is the case of an Indonesian airline called Batavia Air, where in 2012 the Indonesian company was declared bankrupt by the court. This happened because in proportion, the Batavia Air Company stated that it could not pay the debt due on December 13 2012 with a score of U$$ 4.68 million. The suspicion that exists to date is that the management ranks are minimal in taking and focusing on risk considerations in making debt policy decisions, as well as the lack of control that is often exercised by share owners in terms of monitoring the performance of company management which results in the bankruptcy of large companies that.

The continuity that occurs between good corporate governance, liquidity and profitability can be expressed directly in the practice of debt policy which is no doubt a scheme adopted by companies to maintain their profits based on debt or capital from investors. In its actualization, the emphasis on the continuity of business investment capital investment which is the company's main source of income as a potential developer of its vital elements, can continue to be carried out if the company can maintain all elements related to the positivity of exact good corporate government, as well as a balance between liquidity and financial ratios. Profitability itself is the main key in investors' continuity in profitable company capital policy measures.

Despite the growing number of studies on corporate governance and debt policy, previous research has produced inconsistent and sometimes contradictory findings, particularly regarding the influence of institutional and managerial ownership on firms' capital structure decisions. Some studies suggest that higher ownership concentration enhances monitoring and reduces debt usage, while others argue that ownership has no significant or even negative impact on leverage levels. This inconsistency indicates that the relationship between ownership mechanisms and debt policy remains inconclusive, especially in emerging market contexts where corporate governance systems and financial transparency are still developing. Therefore, this study aims to fill this gap by re-examining the effects of institutional and managerial ownership on debt policy within Indonesia's non-cyclical consumer sector an industry characterized by stable demand and resilience to economic fluctuations.

The focus on Indonesia's non-cyclical consumer sector is particularly relevant in today's regional and global financial environment. As one of Southeast

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Asia's largest consumer markets, Indonesia's consumer sector plays a crucial role in sustaining economic growth and attracting foreign investment. During periods of global uncertainty, companies in this sector tend to maintain steady revenue streams, making their capital structure and debt management decisions vital for long-term stability. Furthermore, Indonesia's implementation of corporate governance reforms aligned with ASEAN Corporate Governance Scorecard standards provides a unique context to examine how governance mechanisms operate in a rapidly developing economy. Thus, understanding the interplay between corporate governance structures and debt policies in this sector contributes not only to the academic discourse but also offers practical insights for policymakers and investors across emerging markets.

Literature review

Agency theory

Agency theory, as proposed by Jensen and Meckling (1976), explains the contractual relationship between the *principal* (shareholders) and the *agent* (management), where the agent is delegated authority to make decisions on behalf of the principal. However, this delegation often leads to agency conflicts due to divergent interests principals seek to maximize firm value and returns, while agents may prioritize personal benefits such as bonuses or job security. According to Eisenhardt (1989), agency theory is built upon three assumptions: individuals act in self-interest, possess bounded rationality, and are risk-averse. These behavioral assumptions highlight the potential for moral hazard when managers pursue their own interests at the expense of shareholders.

To mitigate agency conflicts, ownership structure becomes a central governance mechanism. Allocating equity to managers aligns their interests with those of shareholders, thereby reducing opportunistic behavior. However, Jensen and Meckling (1976) also note that increasing managerial ownership entails equity costs and may create new inefficiencies. Alternatively, debt financing can serve as a disciplinary mechanism to reduce free cash flow and limit managerial discretion. Empirical studies have demonstrated mixed results regarding this relationship. Some find that higher managerial ownership lowers debt levels due to reduced agency costs, while others show the opposite effect or no significant relationship, indicating that agency alignment mechanisms may operate differently across institutional contexts and industries.

Signal Theory

Signaling theory (Godfrey, 2010) posits that firms convey private information to external stakeholders through financial reporting and disclosure practices. High-quality, transparent financial statements act as credible signals to investors and creditors, reducing information asymmetry and financing costs (Orazalin & Akhmetzhanov, 2019). From a debt policy perspective, firms with better disclosure quality can obtain loans at lower interest rates because creditors can assess repayment risks more accurately. Conversely, firms with poor transparency face higher debt costs and restricted access to external financing.

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Empirical research supports this theoretical prediction but also presents contrasting findings. While several studies report that stronger financial disclosure and profitability reduce firms' reliance on debt, others argue that firms may still prefer debt as a signal of financial strength and market confidence. These conflicting results suggest that the signaling effect of financial information depends on contextual factors such as industry risk, governance quality, and investor behavior highlighting the need to explore these dynamics further in emerging markets like Indonesia.

Debt policy

Debt policy is a condition in which a company makes strategic decisions to obtain funding or capital, whether through debt instruments, equity issuance, or retained earnings. According to Modigliani and Miller (1963) in Mulianti (2010), the higher the debt ratio, the higher the firm's value, mainly due to the tax shield benefit derived from interest expenses that reduce taxable income. This rationale supports the trade-off theory, suggesting that companies balance the tax advantages of debt against the potential costs of financial distress.

Debt policy can also be viewed from the shareholder (*principal*) perspective. When ownership is dispersed and individual shareholders hold small ownership stakes, their ability to monitor management becomes limited. In such situations, creditors or other external institutions may act as monitoring agents to reduce equity-based agency costs. This aligns with the view that debt can serve as an external control mechanism in minimizing agency conflicts between shareholders and management (Jensen & Meckling, 1976).

Debt policy is crucial because it represents a core element of the company's financial strategy. Sartono (2000) defines debt as all obligations owed by the company to external parties that have not yet been settled. Debt thus constitutes the heart of the company's capital structure, sourced primarily from creditors. The decision to fund operations through debt financing directly affects the company's capital structure and cost of capital. As Pitaloka (2009) notes, external funds especially debtplay an important role in supporting operational activities and strategic expansion.

Using the Debt to Equity Ratio (DER) as a proxy for debt policy reflects the company's proportion of debt relative to equity. A lower DER indicates that the company relies more on internal financing, consistent with the *pecking order theory*, which suggests that firms prefer internal funds over debt and equity to minimize information asymmetry and financing costs. Conversely, a DER greater than one implies that the company's debt exceeds its equity, signaling higher financial leverage and potentially greater bankruptcy risk (Mogdiliani & Miller, 1963; Sartono, 2000; Pitaloka, 2009).

Empirical studies provide differing perspectives on the optimal debt level. While some research suggests that moderate debt enhances firm value by exploiting tax benefits and disciplining management, others caution that excessive leverage increases financial risk and constrains managerial flexibility. These inconsistencies reveal that debt policy is context-dependent, influenced by industry dynamics, ownership structure, and governance quality. Therefore,

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analyzing debt policy within Indonesia's non-cyclical consumer sector provides important insights into how firms balance growth, control, and financial stability in an emerging market setting.

Good Corporate Governance

Corporate governance is the relationship between stakeholders and the objectives of managing a company. The main participants in corporate governance are shareholders, management and the board of directors. Stakeholders include employees, suppliers, customers, banks and other creditors, regulators, the environment and society.

Management ownership is management's ownership of company shares. Management ownership is an important internal monitoring tool for resolving agency conflicts between external shareholders and management (Chen and Steiner, 1999). Weston and Brigham (1999) point out the potential for conflict in large agency relationships, namely when company management does not control its shares in the company, so the possibility of conflict will arise. Conflicts arise because agents want to be paid well or have access to some of the same facilities as the principal for personal convenience. Jensen and Meckling (1976) found that managerial ownership is successful by aligning the interests of managers with those of shareholders, and is a determining factor in minimizing managerial agency problems.

Institutional ownership is ownership of shares in a company by other institutions in the company. Institutional ownership is a direct measure used to minimize agency conflicts. Institutional ownership itself can be managed through an effective monitoring process. In direct application within the company, institutional ownership is a requirement for the institution to own shares in the company. These institutions can be government agencies, private agencies, domestic or foreign.

The objectives of GCG implementation according to Arsanto Teguh Utomo (2014) are:

1. Facilitate access to domestic and foreign in-vestment.
2. Get cheaper capital costs.
3. Providing better decisions in improving the company's economic performance.
4. Increase confidence and trust from stakeholders in the company.

The mechanism of good corporate governance is grouped into two, namely the external and in-ternal mechanisms of the company, namely:

a. External Mechanism
   It is the influence of external factors of the company including investors, public ac countants, lenders and legality certification institutions.
b. Internal Mechanism
   It is the influence of internal factors ac-cording to this research, the internal mechanism used consists of institutional ownership, as well as managerial.

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Integration of Theory and Empirical Research

Both agency and signaling theories provide the conceptual foundation for understanding the link between corporate governance and debt policy. From an agency perspective, ownership mechanisms managerial and institutional serve as control tools to align managerial incentives and reduce agency costs associated with debt financing. From a signaling perspective, firms use debt and disclosure quality as signals of financial health to external stakeholders. The integration of these theories allows this study to explain how governance structures influence managerial decisions on debt policy within Indonesia's non-cyclical consumer sector, where firms must balance stable demand with efficient financial management. By combining theoretical reasoning with empirical investigation, this study aims to clarify the mixed evidence in prior research and contribute to a deeper understanding of corporate financial behavior in emerging markets.

Hypothesis Development

The Influence of Institutional Ownership on Debt Policy

In its management, an institution can generally control the majority of shares because it has greater funding sources than other share owners. Institutional ownership allows for better oversight in terms of control. Because, in terms of economies of scale, institutional parties have the advantage in accessing information and analyzing all matters related to organizer policies. Apart from that, the institutional side pays more attention to income stability or long-term profitability, so that the company's important assets can be better monitored (Bimantara, 2019).

The higher the proportion of institutional ownership, the smaller the company's use of debt. It is assumed that institutional ownership can reduce the company's use of debt financing (Anindhita & Niken, 2017). Institutional ownership is found to have a negative impact on debt policy. The results of these two studies explain that the existence of a system can effectively monitor company management behavior and make management serve the interests of shareholders. From the description above, the hypothesis of this research is:

H1: Institutional Ownership Has a Negative Influence on Debt Policy.

The Influence of Managerial Ownership on Debt Policy

According to (Murtini, 2018) in his research, the use of debt minimizes the need for outside equity and increases the proportion of management ownership. Excessive use of debt increases bankruptcy costs, minimizing managers' interest in increasing ownership. Considering this, management ownership and debt have a significant correlation. Increasing management ownership can minimize the use of debt. Conversely, a decrease in management ownership increases the use of debt. Using a high debt ratio projection will result in the company's burden increasing. In this situation, the company becomes increasingly risky, so managers tend to minimize equity to reduce risk.

H2 Managerial ownership has a negative effect on debt policy

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Research Methode

Type of Research

This type of research uses a quantitative approach. Researchers also used non-probability sampling techniques along with purposive sampling methods. Purposive sampling is a way of taking samples that is applied using certain reasons, where the selection must be balanced with research needs.

Definition of Operational Variables

In this research, there are several variables that will be tested and can be grouped into:

Dependent Variable

Dependent Variable: Debt Policy

The dependent variable is a variable that causes a cause and effect relationship and cannot be separated from the independent variable itself, where this influence will produce projected data (Sugiyono, 2015). The Dependent Variable in this research is Debt Policy which has been discussed previously that the definition of debt policy itself is a condition where a company takes steps, decisions, in obtaining funds or capital details obtained from debt securities, shares, or retained earnings (Sugiyono, 2015).

According to Kasmir (2016), debt policy can be measured using the formula:

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

Independent Variabel

Independent variables are types of variables that are capable of being the basic basis without the influence of dependence on certain other factors and the dependent variable (Sugiyono, 2015). The independent variables in this research are:

Independent Variable: Institutional Ownership

Institutional ownership represents a form of equity participation by institutional investors that can play a crucial role in minimizing agency conflicts. Institutional investors such as mutual funds, insurance companies, and pension funds have both the resources and expertise to monitor management effectively, ensuring that managerial decisions, including those related to debt and dividend policies, align with the interests of shareholders. According to Financial Services Authority Regulation Number 11/POJK.04/2017, institutional ownership in publicly listed companies must be at least five percent of the total outstanding shares, and any changes of 0.5% or more must be disclosed in the company's annual report. This regulation underscores the strategic significance of institutional shareholders in enhancing governance transparency and accountability.

Institutional investors can influence corporate decision-making through voting rights and their ability to provide funding or facilitate access to capital markets. Their active involvement may lead to more prudent financing decisions and optimal debt management, as firms under strong institutional monitoring tend to reduce opportunistic behavior and excessive risk-taking by managers. This

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aligns with *Agency Theory*, which posits that concentrated institutional ownership can mitigate agency costs by enhancing supervision and aligning management actions with shareholder interests. As noted by Selly Anggraeni Haryono et al. (2017), institutional investors often use their financial expertise and networks to help companies secure additional capital when needed, thereby improving financial flexibility and stability.

Furthermore, Boediono (2005) explains that institutional ownership can be quantitatively measured using the proportion of shares owned by institutional parties relative to the total number of outstanding shares in the company, expressed as a percentage. The inclusion of institutional ownership as an independent variable in this study is thus justified by its theoretical and empirical relevance to debt policy: companies with higher institutional ownership are expected to have more disciplined management and adopt more balanced debt policies that support sustainable corporate growth while minimizing agency conflicts. institutional ownership can be measured using indicators of the number of shares owned by institutional parties as a percentage of all shares in the company, namely:

$$\text{Institutional Ownership} = \frac{\text{Total of Share Owned by institutional}}{\text{Total of Outstanding Share of The Company}} \text{X } 100\%$$

Independent Variabel : Managerial Ownership

Managerial ownership refers to the proportion of company shares owned by members of management, including directors and executive officers who are actively involved in making strategic and financial decisions. This ownership structure functions as an essential internal monitoring mechanism to mitigate agency conflicts between external shareholders and management (Chen & Steiner, 1999). When management holds shares in the company, their personal interests become aligned with those of shareholders, thereby encouraging managers to make decisions that maximize firm value and long-term financial stability.

In accordance with Financial Services Authority Regulation Number 11/POJK.04/2017, managerial share ownership must be disclosed in a company's annual report if the amount reaches at least 5 percent of total shares, with every change of 0.5 percent or more also required to be reported. This regulation underscores the importance of transparency in ownership structure and aims to strengthen good corporate governance practices within publicly listed companies in Indonesia.

Managerial ownership has a direct relationship with debt policy because it influences managerial attitudes toward financial risk and leverage. Managers with higher ownership stakes tend to adopt more prudent debt policies, as excessive borrowing may increase bankruptcy risk and negatively affect their personal wealth tied to company equity. Conversely, low managerial ownership may weaken alignment and lead to higher debt usage due to overconfidence or short-term performance pressure. This relationship reflects the essence of *Agency Theory* (Jensen & Meckling, 1976), which posits that ownership structure serves as a mechanism to control managerial behavior and reduce agency costs associated with financing decisions.

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According to Boediono (2005), managerial ownership can be quantitatively measured using the proportion of company shares owned by management compared to the total outstanding shares, expressed as a percentage. The inclusion of managerial ownership as an independent variable in this study is therefore justified by both its theoretical foundation and empirical significance. It represents a critical dimension of corporate governance that affects debt policy formulation, capital structure management, and the balance between financial flexibility and risk control in maintaining corporate sustainability.

$$\text{Managerial Ownership} = \frac{\text{Total of Share Owned by Management}}{\text{Total of Share Managed}} \text{X } 100\%$$

Control Variables

Control Variable: Profitability

According to Petronila and Mukhlasin (2003) profitability is a description of management performance when holding a mandate of power in the company. Profitability can be measured in various ways through measuring net profit, operating profit, rate of return on investment, or company assets. With maximum profitability, the company's performance policy will be much higher, which will have a direct impact on the company's operational activities. In terms of investing, companies can make profits based on investments that have been made previously which can be stated in the following formula:

$$\text{Return On Equity Ratio} = \frac{\text{Net Profit}}{\text{Equity}} \text{X } 100\%$$

A good ROE value is 100%. If in this case the company wants to maximize its investment profits, it must be influenced by at least an ROE figure that is close to 100%.

Control Variable: Liquidity

A company's ability to pay off part of its long-term obligations will mature in a specified year. According to Handono Mardiyanto in Inti Sari Financial Management (2009). In this case liquidity can be measured using a formula:

$$\text{Current Ratio} = \frac{\text{Current Asset}}{\text{Current Liability}} \text{X } 100\%$$

Control Variable: Growth Company

Growth is the prospect of growth of a company in the future. Investors will assess the company's possible growth opportunities, which can be seen from the share price it will obtain. In this approach, the company's future profit prospects will be greater as room for expansion opens up.

$$\text{Growth} = \frac{\text{Total Asset} - \text{Total Asset t} - 1}{\text{Total Asset t} - 1}$$

Control Variable: Size Company

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The indicator of total company assets, including current and non-current assets, is used to represent company size, so that company size can be formulated as follows:

$$SIZE = Ln\ (Total\ Asset)$$

Research Data

Population and sample. The population of this research was taken and used from secondary data on Consumer Non Cyclical sector companies listed on the Indonesia Stock Exchange (BEI) for the 2018 - 2021 period. The samples used in this research were Consumer Non Cyclical sector companies listed on the IDX in the 2018 - 2021 period. 2021.

Data Analysis Method

The data analysis methods used in this study include classical assumption tests and hypothesis testing. The classical assumption tests consist of normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test, which are performed to ensure that the regression model satisfies the basic assumptions of the *Ordinary Least Squares (OLS)* method. Hypothesis testing is conducted through the adjusted R^2 test, individual significance test (t-test), and simultaneous significance test (F-test), to evaluate both the explanatory power of the model and the statistical significance of each independent variable.

The use of multiple linear regression analysis in this study is considered appropriate because the research aims to examine the simultaneous and partial effects of several independent variables namely institutional ownership, managerial ownership, liquidity, profitability, and firm size on a single dependent variable, debt policy. The OLS regression technique allows for estimation of the linear relationship between these variables while controlling for potential multicollinearity and heterogeneity across observations.

This analytical approach is also consistent with prior empirical studies in corporate finance and governance that have investigated the determinants of debt policy using regression-based models. Regression analysis enables the identification of both the direction and strength of influence of each governance-related variable, thereby providing a robust framework for hypothesis testing. Moreover, given that the dataset used in this study is panel data (covering multiple firms across the 2018–2021 period), the regression model was designed to capture variations across companies and over time, ensuring that the analysis accurately reflects firm-level characteristics within Indonesia's non-cyclical consumer sector.

Thus, the application of multiple linear regression analysis is theoretically justified and methodologically appropriate for testing the research hypotheses and explaining the relationship between good corporate governance mechanisms and debt policy in the observed sample.

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Result and Discussion

Statistik Descriptive

The following are the results of data processing. The maximum score is the largest number and the minimum score is the smallest number in the research.

Table 1. Descriptive Test Results

Descriptive Statistics					
	N	Minumum	Maxium	Mean	Std. Deviation
Der	217	-2.59	7.12	0.6571	1.01127
KI	217	0.00	80.00	24.2075	28.16708
KM	217	0.00	66.00	4.8439	14.42930
ROE	217	-484.88	10348.01	274.1120	741.35272
CR	217	0.00	20.11	1.7602	1.87149
SZ	217	0.00	19.00	13.4169	4.25786
GR	217	-27.29	69.58	6.9486	15.77275
Valid N (listwise)	217				

Source: Processed by the author

The table above shows that the research object is 217 observations. The following is an explanation of the analysis results based on the table presented:

a. Debt to Equity Ratio (DER)
   Based on the processed data in the table above, companies with a Debt to Equity Ratio with a score of 7.12 in the 2019 period. Companies with a Debt to Equity Ratio with the lowest score are -2.59 in the 2021 period. The mean of the DER score is 0.6571. Apart from that, the standard deviation score is 1.01127, indicating that the DER score is heterogeneous and for the company studied is close to the minimum score. With this, the company in fulfilling its responsibilities is funded by debt during the 2018 - 2021 period.
b. Institutional Ownership (KI).
   Based on the processed data in the table above, companies that have an institutional ownership score with the highest score are 73.27 or 73.27% for the 2018-2019 period. Meanwhile, companies with the lowest Institutional Ownership score are 0.00 or 0%. The mean score for Institutional Ownership is 24.2075 with a standard deviation value of 28.16708. So, it can be stated that the higher the score of Institutional Ownership in a company will indicate that there is strong control over external parties which results in minimal expenditure on agency costs so that it can increase the company's score for the relevant year period.
c. Managerial Ownership (KM)
   Based on the processed data in the table above, companies that have a Managerial Ownership score with the highest score are 66.00 or 66%% for the 2018 - 2019 period. Companies with a Managerial Ownership score with the lowest score are 0.00 or 0%. The mean score for the Management Ownership variable is 4.8439 with a standard deviation value of 14.42930. Therefore, it can be concluded that the higher the number of Managerial Ownership in the company's financial structure, the higher the

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opportunistic behavior of management who own shares. Meanwhile, if the Managerial Ownership score in the company's financial structure is smaller, the lower the opportunistic behavior of management who own shares in the company.

d. Return on Equity (ROE)
Based on the processed data in the table above, the company that has the highest ROE score is 10348.01 in 2019. The lowest ROE score is -484.88 in 2019. Apart from that, this ROE score has an average score of 274.1120 with a standard deviation of 741.25272. . From the application of this managed data, it is known that the ROE score itself has an industry standard of 8.32%. If < 8.32% it is concluded that the ROE score reflected in the company is bad and can mean that the company had poor financial performance in that year. . On the other hand, if the ROE score is more than 8.32%, it can be said that the company is in good financial performance.

e. Current ratio (CR)
Based on the processed data in the table above, the company that has the highest CR score is 20.11 or 20.11% in 2021. The lowest CR score is 0.00 or 0% in 2018. The Current Ratio score itself has an average score of 1.7602 with a standard deviation of 1.87149. a company is said to have an Ideal score of 2 (two) times the company's own score, if the score is equal to 1 (one) times the company's score then it can be said that the company's liquidity score is in a low position, and also if the liquidity score exceeds 2 (two) times the company's score, it can be said that the company has a liquidity score that is too high. The perceived impacts of ideal and non-ideal liquidity scores will affect the cycle efficiency of the company's operations itself.

f. Size (SZ)
From the data processing results in the table above, the Size score is the highest with a score of 19.00 for the 2021 period. The lowest Size score is with a score of 0.00 for the 2018 period. In the tabulation, this company's size score itself has an average score of 13.4169 with a standard deviation of 4.25786. It can be concluded that the higher the number on the size score of a company, the better the investment management and asset management with comparison of market demand data, and of course this will affect the company's profitability in running its business. However, if the company has a poor size score, then it can be ascertained that there is the possibility of minimal or poor management of assets and investments which will result in a decrease in the company's profitability in running its business.

g. Growth (GR)
From the processed data in the table above, the Growth score is the highest with a score of 69.58 or 69.58 in 2020. Then the Growth score is the lowest with a score of -27.29 or -27.29% in 2021. For the Growth variable with an average of 6.9198 and a standard deviation score of 15.74190. In its role, company growth is an absolute score that the company uses to

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measure the extent of the company's own growth milestones. The higher a company's score in the relevant year can reflect how big the company's growth pattern is from various business sides as measured by the score of total assets owned by the company in the current year. The bigger the number, it can be said that the better the company's score. On the other hand, a company's score decreases when its score goes down. However, in real conditions, the reduction in total assets could be caused by several factors, and the main factor during the year this research took place was the Covid-19 pandemic which had an impact on income patterns and measurable company assets.

Classic Assumption Test

Descriptive statistical analysis, hypothesis research, multiple linear regression analysis, and hypothesis research. The following are the research results used:
Normality test

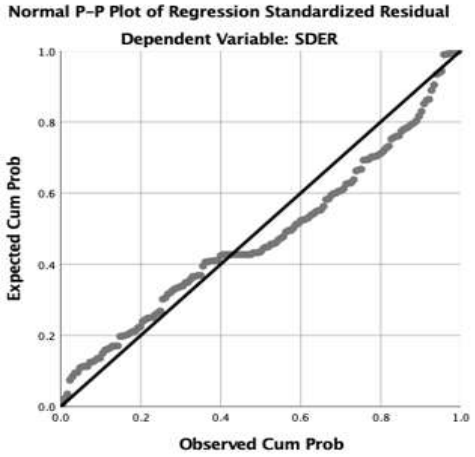

Figure 2. Normality Test

It can be concluded that the graph presented is in the Moderate Positive Skewness position towards the right with normal graph moderation depicting the direction of distribution of the points along the line. By presenting this graph, it can be concluded that there are research limitations in the realm of testing classical assumptions on data normality.

Multicollinearity Test

This test is intended for regression models with the aim of output in the form of relationships between tabulated independent variables. This is tested with the Variance Inflation Factor. If the score is <10, it means that there are no symptoms of multicollinearity in the data. However, if the VIF score is > 10, it means that there are symptoms of multicollinearity in the data. The results of the multicollinearity test are:

Table 2. Multicollinearity Test

DOI: https://doi.org/10.20473/jraba.v10i1.62905

Coefficients[a]				
Model		Collinearity Statistics		Kesimpulan
		Tolerance	VIF	
1	(Constant)			
	KI	0.736	1.358	Tidak terjadi multikolinearitas
	KM	0.898	1.113	Tidak terjadi multikolinearitas
	ROE	0.984	1.016	Tidak terjadi multikolinearitas
	CR	0.901	1.110	Tidak terjadi multikolinearitas
	SZ	0.775	1.291	Tidak terjadi multikolinearitas
	GR	0.968	1.034	Tidak terjadi multikolinearitas
	AGE			

Keterangan :
KI : Kepemilikan Independen sebagai variabel independent.
KM : Kepemilikan Manajerial sebagai variabel independent.
CR : *Current Ratio* sebagai variabel control.
ROE : *Return On Equity* sebagai variabel control.
SZ : *Size* Perusahaan sebagai variabel control.
GR : *Growth* perusahaan sebagai variabel control
DER: *Debt to Equity Ratio* sebagai variabel dependent

It can be seen that if the Tolerance score is > 0.1 and VIF < 10, it is free from multicollinearity.

Autocorrelation Test

This research emerged as a result of there being consecutive observations over a period of time related to the tabulated data. to find out whether the liner regression model can show a correlation between confounding errors in this period and looking at confounding errors in the previous year. This test uses the Durbin Watson (DU) test and treatment is carried out using The Cochran-Orcutt method. The results of the atocorrelation test are:

Table 3. Autocorrelation Test

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.324[a]	0.105	0.080	0.970	1.522

Keterangan :
KI : Kepemilikan Independen sebagai variabel independent.
KM : Kepemilikan Manajerial sebagai variabel independent.
CR : *Current Ratio* sebagai variabel control.
ROE : *Return On Equity* sebagai variabel control.
SZ : *Size* Perusahaan sebagai variabel control.
GR : *Growth* perusahaan sebagai variabel control
DER : *Debt to Equity Ratio* sebagai variabel dependent

Referring to the DW results, we obtained a result of 1.522 using a significance score of 5% to conduct research and obtain dL and dU results by referring to the Durbin Watson table with the number of variables denoted by (k) totaling 6 variables including independent variables and control variables with the number of samples research as many as 217, namely dU score = 1.522. Thus, it can be interpreted that autocorrelation symptoms occur because it does not meet the criteria dU < dW < 4-dU, so that the model meets the criteria in terms of the Best Linear Unbias Estimator (BLUE), so treatment is carried out using The Cochran-Orcutt method so that the data The results obtained are valid and there is no autocorrelation interference. With the Cochran-Orcutt method, this can be done

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ISSN 2548-1401 (Print) ISSN 2548-4346 (Online)

using data transformation in the form of Lag on all research variables. The following is an explanation of The Cochran-Orcutt test table.

Data can be said to have passed the autocorrelation test if the DW score meets the equality requirements DU < DW < 4-DU. The DW score from the data above is 1.522, while the Durbin Watson table depicts the DU score from 217 samples and 2 independent variables is 1.783. This equation can be used to produce 1.783 < 1.988 < 4-1.783. This equation leads to the conclusion that the data does not show symptoms of autocorrelation.

Heteroscedasticity Test

In this research, data can be said to not experience heteroscedasticity if it produces a significance score of >0.05. On the other hand, if this research produces a significance score of <0.05, it means that the research has heteroscedasticity. The following are the results of the research:

Table 4. Heteroscedasticity Test

Coefficients[a]							
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	KESIMPULAN
		B	Std. Error	Beta			
1		.300	.177		1.696	.091	Tidak Terjadi Heteroskedastisitas
	KI	-0.001	0.002	-0.049	-0.620	0.536	Tidak Terjadi Heteroskedastisitas
	KM	-0.004	0.002	-0.113	-1.587	0.114	Tidak Terjadi Heteroskedastisitas
	ROE	0.000	0.000	0.125	1.842	0.067	Tidak Terjadi Heteroskedastisitas
	CR	-0.014	0.030	-0.033	-0.470	0.639	Tidak Terjadi Heteroskedastisitas
	SZ	0.026	0.014	0.142	1.857	0.065	Tidak Terjadi Heteroskedastisitas
	GR	-0.003	0.003	-0.063	-0.928	0.355	Tidak Terjadi Heteroskedastisitas

a. Variabel dependen: ABSRES7

Looking at the processing in the table, it can be stated that all Sig scores are in a position above a score of 0.05, which means the data is free from heteroscedasticity.

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Bivariate Pearson Analysis

Table 5. Bivariate Pearson Analysis

Correlations								
		KI	KM	ROE	CR	SZ	GR	DER
KI	Correlation Pearson	1	-.023	-.013	-.012	-.002	-.026	.006
	Sig two (2) tailed		.737	.851	.866	.980	.699	.932
	N	217	217	217	217	217	216	217
KM	Correlation Pearson	-.023	1	-.051	.092	.020	.085	-.079
	Sig two (2) tailed	.737		.453	.177	.768	.215	.248
	N	217	217	217	217	217	216	217
ROE	Correlation Pearson	-.013	-.051	1	-.048	.052	-.025	.100
	Sig two (2) tailed	.851	.453		.484	.442	.719	.142
	N	217	217	217	217	217	216	217
CR	Correlation Pearson	-.012	.092	-.048	1	.242**	.154*	-.210**
	Sig two (2) tailed	.866	.177	.484		.000	.023	.002
	N	217	217	217	217	217	216	217
SZ	Correlation Pearson	-.002	.020	.052	.242**	1	.081	.168*
	Sig two (2) tailed	.980	.768	.442	.000		.234	.013
	N	217	217	217	217	217	216	217
GR	Correlation Pearson	-.026	.085	-.025	.154*	.081	1	-.062
	Sig two (2) tailed	.699	.215	.719	.023	.234		.368
	N	216	216	216	216	216	216	216
DER	Correlation Pearson	.006	-.079	.100	-.210**	.168*	-.062	1
	Sig two (2) tailed	.932	.248	.142	.002	.013	.368	
	N	217	217	217	217	217	216	217
** Correlation 0.01 level (2 – tailed)								
* Correlation 0.05 level (2 – tailed)								

Based on the scores from the table above, it can be explained as follows:

1. Sig value. (2-tailed) in the output table results state that the scores for the KI, KM, ROE, SZ, and GR variables were recorded at 0.932, 0.248, 0.148, 0.168, and 0.368 with the DER variable > 0.05, meaning there is no correlation between the KI variables, KM, ROE, SZ, and GR with DER variable. Meanwhile, the CR variable score is 0.002 <0.05, meaning that there is a correlation between the CR variable and the DER variable.
2. The Pearson Correlation value for KI is 0.006, ROE is 0.100, SZ is 0.168 with an r table score of 0.133, meaning that the relationship between KI, ROE and SZ has a correlation with the DER variable with a calculated r score > r table and has a positive direction which means Increasing KI, ROE, and SZ will increase DER in the company. Meanwhile, KM is -0.079, CR is -0.210, and GR is -0.062 and the r table is 0.133, there is no correlation between variables and has a negative score so that the decreasing KM, CR and GR will have an effect on the smaller the DER.
3. Based on the table output results, the variables KI, KM, ROE, and GR do not have an asterisk which indicates that there is no correlation between the variables, SZ has one asterisk (*) which means there is a correlation in the sig. 1% or 0.01 and CR has two asterisks (**) having a correlation at significance of 5% or 0.05.

Hypothesis Testing

There are several research stages in hypothesis testing, namely Multiple Linear Regression, Coefficient of Determination Test, statistical F Test, and statistical T Test.

Multiple Linear Regression Test

The following are the research results obtained from multiple linear regression:

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Jurnal Riset Akuntansi dan Bisnis Airlangga Vol. 10. No. 1 (2025) 79-105
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Table 6. Multiple Linear Regression

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1		0.173	0.222		0.779	0.437		
	KI	0.000	0.002	-0.004	-0.047	0.963	0.736	1.358
	KM	-0.002	0.003	-0.054	-0.790	0.430	0.898	1.113
	ROE	9.825E-5	0.000	0.072	1.095	0.275	0.984	1.016
	CR	-0.136	0.037	-0.252	-3.662	0.000	0.901	1.110
	SZ	0.055	0.018	0.231	3.111	0.002	0.775	1.291
	GR	-0.002	0.004	-0.035	-0.521	0.603	0.968	1.034

Keterangan
KI ... Kepemilikan Independen sebagai variabel independent
KM ... Kepemilikan Manajerial sebagai variabel independent
CR ... *Current Ratio* sebagai variabel control.
ROE ... *Return On Equity* sebagai variabel control.
SZ ... *Size* Perusahaan sebagai variabel control.
GR ... *Growth* perusahaan sebagai variabel control
DER: '*Debt to Equity Ratio*' sebagai variabel dependent

From the results of processing the table, it can be formulated as follows:
DER = 0.173+ 0.000 KI -0.002 KM +9.825E-5 ROE -0.136 CR +0.055 SZ -0.002 GR + e
Based on this equation, it can be explained as follows:

1. The value for Constant is positive 0.173, which indicates that institutional ownership and managerial ownership as independent variables are directly influenced by the dependent variable DER. the dependent variable score is 0.173 if the independent variable score is 0.
2. The independent variable, namely Institutional Ownership, has a coefficient score of 0.000, which states that Institutional Ownership has an influence in the same direction as the dependent variable DER. When there is an increase of 1%, institutional ownership will increase by 0.000 so that 1% with other variables is considered constant.
3. The independent variable, namely Managerial Ownership, has a coefficient score of -0.002, which states that Managerial Ownership has the opposite direction to the dependent variable. If Managerial Ownership increases by 1%, the DER will decrease by 0.002 so that 0.998 is explained by other factors that are not in this research and other variables are considered constant.
4. The control variable, namely ROE, has a score value with a coefficient of 9.825E-5, which states that Return On Equity has an influence in the same direction as the dependent variable. If Return On Equity increases by 1%, the DER will increase by 9.825E-5 so that 8.825E-5 is explained by other factors that are not in this research and other variables are considered constant.
5. The control variable, namely Current Ratio, has a coefficient score of -0.136, which states that Current Ratio has the opposite effect to the dependent variable. If the Current Ratio increases by 1%, the DER will decrease by 0.136 so that 0.864 is explained by other factors that are not in this research and the other variables are considered constant.
6. The control variable, namely Company Size, has a coefficient score of 0.055, which states that Company Size has an influence in the same direction as the dependent variable. If the Company Size increases by 1%,

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the DER will increase by 0.055 so that 0.945 is explained by other factors that are not in this research and other variables are considered constant.

7. The control variable, namely Company Growth, has a coefficient score of -0.002, which states that Company Growth has the opposite effect to the dependent variable. If the company's growth increases by 1%, the DER will decrease by 0.005 so that the amount of 0.998 is explained by other factors that are not in this research and other variables are considered constant.

Coefficient of Determination Test

Table 7. Coefficient of Determination Test

Model Summary[b]			
Model	R	R Square	Adjusted R Square
1	0.324[a]	0.105	0.080

From this data, the Adjusted R Square is 0.105 or 10.5%. This means that the correlation between the independent variables, namely Institutional Ownership, Managerial Ownership, control variables, namely Return On Equity, Current Ratio, Size, and Growth, influences the dependent variable, namely DER, of 10.5%, while the remaining 89.5% comes from other existing variables. outside the model.

Statistical F Test

Table 8. Simultaneous Test

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23.237	6	3.873	4.115	0.001[b]
	Residual	197.661	210	0.941		
	Total	220.898	216			

Keterangan :
KI : Kepemilikan Independen sebagai variabel independent.
KM : Kepemilikan Manajerial sebagai variabel independent.
CR : *Current Ratio* sebagai variabel control.
ROE : *Return On Equity* sebagai variabel control.
SZ : *Size* Perusahaan sebagai variabel control.
GR : *Growth* perusahaan sebagai variabel control
DER : *Debt to Equity Ratio* sebagai variabel dependent

Based on the data above, it can be seen that the Sig score in the ANOVA table is less than 0.05. This means that the hypothesis in this research model is accepted, namely Institutional Ownership, Managerial Ownership, Return On Equity, Current Ratio, Size, and Growth have an influence on the Debt to Equity Ratio (Debt Policy).

Statistical T Test

Table 9. Partial Test

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Jurnal Riset Akuntansi dan Bisnis Airlangga Vol. 10. No. 1 (2025) 79-105
ISSN 2548-1401 (Print) ISSN 2548-4346 (Online)

Coefficients[a]

Model		Nilai Coefficients Unstandardized		Coefficients Standardized		
		Beta	Standar error	Beta	Nilai t	Nilai Sig.
		0.173	0.222		0.779	0.437
	KI	0.000	0.002	-0.004	-0.047	0.963
	KM	-0.002	0.003	-0.054	-0.790	0.430
	ROE	9.825E-5	0.000	0.072	1.095	0.275
	CR	-0.136	0.037	-0.252	-3.662	0.000
	SZ	0.055	0.018	0.231	3.111	0.002
	GR	-0.002	0.004	-0.035	-0.521	0.603

Keterangan :
KI : Kepemilikan Independen sebagai variabel independent.
KM : Kepemilikan Manajerial sebagai variabel independent.
CR : *Current Ratio* sebagai variabel control.
ROE : *Return On Equity* sebagai variabel control.
SZ : *Size* Perusahaan sebagai variabel control.
GR : *Growth* perusahaan sebagai variabel control
DER : *Debt to Equity Ratio* sebagai variabel dependent

Based on the data above, the hypothesis conclusion is explained as follows:

1. *Institutional Ownership has a negative effect on Debt Policy (DER)*
   From the data above, the significance score for Institutional Ownership (KI) in Debt Policy (DER) is 0.963 > 0.05 with a coefficient of 0.000. Thus, H1 is rejected, meaning that institutional ownership has no significant effect on debt policy.
   This finding suggests that institutional investors in Indonesia's non-cyclical consumer sector may not actively influence firms' debt decisions, possibly due to limited monitoring effectiveness or a passive investment orientation. From the *Agency Theory* perspective (Jensen & Meckling, 1976), institutional ownership is expected to reduce agency conflicts by monitoring management. However, the absence of a significant effect indicates that institutional ownership alone may not be sufficient to influence leverage behavior in emerging markets, where governance enforcement mechanisms are relatively weaker.
   Practical implication: Regulators and investors should encourage greater institutional participation in corporate decision-making to enhance oversight on financing policies, while firms should improve transparency to attract more active institutional shareholders.
2. *Managerial Ownership (KM) has a negative effect on Debt Policy (DER)*
   The significance score for Managerial Ownership (KM) in Debt Policy (DER) is 0.430 > 0.05 with a coefficient of -0.002. Hence, H2 is rejected, indicating that managerial ownership has no significant effect on debt policy.
   This finding aligns with the notion that, in some firms, managerial shareholding levels may not be sufficient to alter financing preferences or control leverage decisions. According to *Agency Theory*, managerial ownership should theoretically align managers' interests with shareholders, leading to more prudent debt management. However, the absence of significance here may reflect the possibility that other governance mechanisms such as board oversight or institutional control play a more dominant role.

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Practical implication: Companies should design ownership-based incentives that are large enough to influence managerial decision-making, ensuring alignment between ownership and financial policy behavior.

3. *Profitability (ROE) has a negative effect on Debt Policy (DER)*
   The significance score for Profitability (ROE) on Debt Policy (DER) is 0.275 > 0.05 with a coefficient of 9.825E-5. Thus, it can be concluded that profitability has no significant effect on debt policy.
   This result indicates that profitable firms in the non-cyclical consumer sector may rely more on internal funds rather than external borrowing. This is consistent with *Agency Theory*, where higher retained earnings reduce dependency on debt and, consequently, agency costs related to external financing. Although some studies have found a negative relationship between profitability and debt levels, the lack of significance in this study suggests that profit stability alone may not drive financing structure decisions in this industry.
   Practical implication: Managers should integrate profitability analysis into debt management planning, ensuring that internal funds are used optimally before considering external financing, particularly in industries characterized by stable cash flows.
4. *Liquidity (CR) has a positive effect on Debt Policy (DER)*
   The significance score for Liquidity (CR) on Debt Policy (DER) is 0.000 < 0.05 with a coefficient of -0.136. Therefore, Liquidity (CR) has a significant positive effect on debt policy.
   This result supports the *Signaling Theory* (Godfrey, 2010), which posits that firms with higher liquidity use debt strategically as a signal of financial strength and creditworthiness. High liquidity enables firms to meet short-term obligations and lowers the perceived risk for creditors, allowing greater access to debt financing at lower costs. From the *Agency Theory* perspective, sufficient liquidity also reduces conflicts between management and shareholders by ensuring adequate debt repayment capacity. This result is consistent with recent empirical evidence. Elisabeth (2024) found that liquidity has a positive and significant influence on debt policy in manufacturing firms listed on the Indonesian Stock Exchange, indicating that firms with stronger liquidity positions tend to use more leverage to support operations. Similarly, Angela and Daryanti (2023) confirmed that liquidity contributes to financial stability and indirectly influences leverage decisions through its effect on capital structure. Liu, Liang, and Liu (2024) further highlighted that effective liquidity management lowers debt risk and enhances a firm's capacity for growth, particularly in large firms with stable financial structures. Supporting these findings, Sunardi, Husain, and Kadim (2023) emphasized that liquidity plays a pivotal role in determining firms' debt levels by improving repayment capacity and reducing the probability of financial distress.
   Practical implication: Financial managers should maintain optimal liquidity levels to enhance credit ratings and investor confidence while using leverage as a tool for sustainable expansion.

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Jurnal Riset Akuntansi dan Bisnis Airlangga Vol. 10. No. 1 (2025) 79-105
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5. *Firm Size (SZ) has a positive effect on Debt Policy (DER)*
   The significance score of Size (SZ) on Debt Policy (DER) is 0.002 < 0.05 with a coefficient of 0.055. Therefore, firm size has a positive and significant effect on debt policy.
   Larger firms tend to have greater access to credit markets and lower perceived default risk due to their established reputation and asset base. This finding aligns with *Signaling Theory*, as firm size signals operational stability and repayment capacity to lenders. It also supports *Agency Theory* predictions that larger firms can use debt strategically to discipline management and reduce agency costs. This conclusion is supported by multiple recent studies. Elisabeth (2024) demonstrated that firm size significantly influences debt policy, with larger companies being more likely to utilize debt financing due to stronger bargaining power with lenders. Angela and Daryanti (2023) also found that larger firms possess more stable liquidity and asset structures, which improve their access to capital and enhance leverage management. Liu, Liang, and Liu (2024) explained that firm size amplifies the effects of liquidity on financing decisions, as large firms are better positioned to convert liquidity advantages into growth-oriented leverage. Likewise, Sunardi, Husain, and Kadim (2023) confirmed that firm size contributes positively to debt policy by enhancing financial credibility and minimizing bankruptcy risk.
   Practical implication: For large-scale companies, maintaining a balanced leverage strategy can enhance capital efficiency and investor trust, while for smaller firms, building credibility and asset strength is essential to improve access to external financing.
6. *Growth (GR) has a positive effect on Debt Policy (DER)*
   The significance score for Growth (GR) on Debt Policy (DER) is 0.603 > 0.05 with a coefficient of -0.002. Thus, it can be concluded that growth has no significant effect on debt policy. This indicates that growth opportunities in non-cyclical consumer companies do not necessarily translate into higher debt usage. From an *Agency Theory* standpoint, growing firms may avoid debt to retain managerial flexibility and prevent financial constraints. However, the result diverges from certain empirical studies that link higher growth with increased debt, suggesting that firms in this sector may rely on equity or retained earnings to finance expansion.
   Practical implication: Companies experiencing growth should prioritize funding diversification to avoid overreliance on debt while sustaining financial stability. For policymakers, this finding highlights the importance of supporting equity-based financing alternatives to facilitate sustainable corporate expansion.

Conclusion

This study aimed to examine the influence of good corporate governance structures specifically institutional ownership and managerial ownership on debt policy among non-cyclical consumer sector companies listed on the Indonesia Stock Exchange (IDX) during the 2018–2021 period. The independent variables tested were institutional ownership and managerial ownership, while the control

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variables included profitability, liquidity, firm size, and company growth. The findings indicate that both institutional and managerial ownership have no significant effect on corporate debt policy. Meanwhile, liquidity and firm size were found to have a significant positive influence on debt policy, suggesting that firm-level financial characteristics play a stronger role than ownership structures in determining leverage decisions.

From a theoretical perspective, these findings contribute to the refinement of *Agency Theory* and *Signaling Theory* in the context of emerging markets. The insignificance of ownership structure variables suggests that traditional governance mechanisms may not function effectively in influencing financial policy decisions when institutional enforcement and monitoring systems are weak. Conversely, the positive effects of liquidity and firm size confirm the *Signaling Theory* proposition that strong liquidity and firm scale act as credible signals of financial stability, influencing firms' ability to access and manage debt efficiently.

In terms of managerial implications, the results highlight the need for managers to focus on maintaining an optimal balance between liquidity and leverage. Effective liquidity management enhances a company's credibility with creditors and investors while providing flexibility in capital structure decisions. Additionally, large firms should leverage their reputational and asset-based advantages to secure more favorable financing terms, while smaller firms should improve financial transparency and governance practices to strengthen their borrowing capacity.

From a policy perspective, regulators and policymakers are encouraged to strengthen corporate governance enforcement and monitoring systems in Indonesia's capital market. Enhancing the role of institutional investors and promoting transparency in ownership structures could improve market discipline and reduce the agency costs associated with debt decisions. Moreover, developing a more robust regulatory framework that incentivizes good governance practices can help align corporate financing behaviors with sustainable growth objectives.

In summary, this research not only broadens the understanding of the relationship between ownership structure and debt policy in Indonesia's non-cyclical consumer sector but also provides actionable insights for corporate managers, investors, and policymakers to optimize capital structure strategies, improve governance quality, and strengthen financial system resilience.

Limitation

Despite providing valuable insights into the relationship between good corporate governance mechanisms and debt policy, this study is subject to several limitations that should be acknowledged.

First, the study focuses exclusively on non-cyclical consumer sector companies listed on the Indonesia Stock Exchange (IDX) over the 2018–2021 period. While this scope provides a concentrated view of an essential industry within Indonesia's economy, it limits the generalizability of the findings to other sectors or to firms operating under different macroeconomic and regulatory conditions. Future research may expand the sample to include multiple industries or cross-country comparisons to better capture institutional and market variations.

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Second, the study employs secondary data obtained from publicly available financial reports on the IDX. Although such data ensure reliability and consistency, they may not fully capture qualitative aspects of corporate governance such as managerial behavior, ownership motivation, or internal decision-making processes that could influence debt policy decisions. Incorporating qualitative methods or primary data collection (e.g., executive interviews or survey-based governance assessments) could offer richer contextual understanding.

Third, the variables used Institutional Ownership, Managerial Ownership, Liquidity, Profitability, Firm Size, Growth, and Debt Policy represent only a subset of potential determinants influencing corporate financing behavior. Other relevant factors, such as board composition, audit quality, market volatility, or macroeconomic indicators, were not included in the model and may provide additional explanatory power in future studies.

Lastly, the use of multiple linear regression, while appropriate for analyzing linear relationships, may not fully capture potential non-linear or dynamic effects among governance variables and debt structure over time. Future research could adopt advanced econometric approaches such as panel data regression with fixed or random effects, or structural equation modeling, to enhance robustness and causal inference.

Overall, acknowledging these limitations provides avenues for future studies to extend the theoretical and empirical understanding of corporate governance and debt policy dynamics, particularly within the evolving context of emerging markets like Indonesia.

Sugestions

Building upon the limitations identified in this study, several directions for future research are recommended to deepen the understanding of the relationship between corporate governance mechanisms and debt policy in emerging markets.

First, future studies should consider expanding the research scope beyond the non-cyclical consumer sector to include other industries such as the consumer cyclical, financial, and manufacturing sectors to capture broader variations in governance structures, risk exposure, and capital structure decisions. Cross-sectoral comparisons could reveal how industry characteristics and market dynamics influence the interaction between ownership structures and debt policies.

Second, future research could adopt a longitudinal or cross-country approach to analyze how macroeconomic stability, regulatory enforcement, and institutional quality affect the governance debt policy nexus. Comparative analysis across ASEAN or other emerging economies would allow for a more comprehensive evaluation of contextual differences in governance effectiveness.

Third, it is recommended that future researchers incorporate additional governance-related and firm-specific variables such as board composition, audit committee independence, firm age, and market volatility to provide a more holistic view of the determinants of corporate financing decisions. Including such variables could help refine the predictive power of governance models.

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Fourth, to overcome the methodological limitations of this study, future studies may employ advanced econometric models such as fixed-effects or random-effects panel regressions, generalized method of moments (GMM), or structural equation modeling (SEM) to strengthen causal inference and address potential endogeneity issues between governance variables and financing outcomes.

Finally, future research could integrate qualitative approaches, such as interviews with financial executives or case studies, to explore managerial perceptions, governance practices, and decision-making processes that are not fully captured by quantitative data. Combining both quantitative and qualitative insights would enrich theoretical understanding and improve the practical relevance of future findings.

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