

**The Impact Of Dividend Policy, Managerial Ownership, Institutional Ownership
To Capital Structure On Manufacturing Company In Indonesia Stock Exchange
(Idx) Period 2012-2016**

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ABSTRACT

This study aims to determine the effect of dividend policy, managerial ownership and institutional ownership on the capital structure of manufacturing companies listed on the IDX for the 2012-2016 period. The data used in this study is an annual report of the Manufacturing Sector listed on the IDX for the period 2012-2016. By using purposive sampling method, 56 companies were obtained and consisted of 280 observations. The model used in this research is panel data analysis using the Random Effect Model approach. The results of this study indicate that the dividend policy has a positive but not significant effect on DER, but has a significant positive effect on DAR. Moreover, managerial ownership is influential but not significantly negative on the capital structure (DER and DAR). Institutional ownership has a significant negative effect on DER, but has a negative but not significant effect on DAR. Profitability has a significant negative effect on the capital structure (DER and DAR), while the structure of assets and company size does not have a significant effect on the capital structure. (DER and DAR).

Keywords:

Capital Structure, Dividend Policy, Corporate Governance

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INTRODUCTION

The company's goal is to maximize the prosperity of shareholders or shareholders. For companies that have gone public, the higher the share price, the better the welfare of the company owner. In a company, shareholders and managers have different goals. The difference between these objectives can occur between shareholders and managers, managers and creditors and creditors with shareholders, so in this difference in objectives can cause agency problems.

There are several methods used to reduce agency problems and reduce costs associated with agencies. First, by increasing the dividend payout ratio, there will not be enough net cash flow available so that management is forced to seek outside funding to finance its investment. Second, by aligning the interests of management and shareholders by increasing managerial ownership in the company. Third, ownership of institutional investors will encourage more optimal supervision of management performance.

Agency problems are the ownership and management functions of the company which are separated so that they cause conflict. Therefore, to overcome the agency problem, corporate governance is also needed. Good corporate governance and capital structure are two basic components in the company's economic stability. Both of these components must be well maintained because if they are not properly maintained, it can cause the company's performance to decline and can cause bankruptcy. In order for these factors not to occur, the company must be controlled by competent people who can manage and take company policies appropriately.

There are two measurement patterns used in capital structure testing. First is the debt to equity ratio (DER) which means that the ratio of the ratio between total debt and equity. Second, the debt to assets ratio (DAR) is the ratio of the ratio between total debt and total assets. Dividend policy is one of the factors that influence the capital structure because the greater the company's ability to borrow, the greater the dividends paid to shareholders (Sudana, 2011: 170). In a study conducted by Wisnu et al. (2014), Laksana and Widayawati (2016), Eviani (2015), Atiqoh and Asyik (2016) said that dividend policy has a significant negative effect on capital structure. According to Wahyuni and Ardini (2017), Nainggolan (2017) and Sari (2014) say that dividend policy does not significantly influence the capital structure.

Managerial ownership is also one of the factors that can affect the capital structure. Maftukhah Research (2013), Nuraini et al. (2017) states that managerial ownership has a significant negative effect on capital structure. Research by Laksana and Widayawati (2016), Atiqoh and Asyik (2016), Bernice et al., (2015) stated that managerial ownership does not have a significant effect on capital structure. Institutional ownership is the proportion of shares held by institutions at the end of the year which are measured in percentages (Cahyani and Handayani, 2017). The results of the research are Maftukhah (2013), Laksana and Widayawati (2016), Cahyani and Handayani (2017), Atiqoh and Asyik (2016), Agyei and Owusu (2014), and Bernice et al. (2015) which states that institutional ownership has a significant positive effect on capital structure. Anindhita (2017) states that institutional ownership has no significant effect on the capital structure.

In addition to dividend policy, managerial ownership, and institutional ownership, there are several variables that influence the capital structure; these variables are used as control variables. Profitability affects the capital structure; if the company has high profitability, then the company has retained earnings which can be used as a source of internal funds for the company. If the Company uses retained earnings as additional capital, it can reduce the debt held by the company (Eviani, 2015). The structure of assets or tangibility also influences the capital structure. Companies that have large fixed assets can be used as collateral to be used as a loan in large amounts (Putri, 2012). Firm size is also one of the factors that must be considered in the capital structure decision. Companies that have a large company size will use substantial external funds because funding needs will increase along with the growth of the company (Andika and Fitria, 2016).

Based on the explanation above, the researcher is interested in conducting research entitled "The Effect of Dividend Policy, Managerial Ownership, Institutional Ownership To Capital Structure in Manufacturing Companies Listed on Indonesia Stock Exchange (IDX) Period 2012-2016."

PURPOSES

Based on the formulation of the problem above, the purpose of this study is to examine empirically the impact of dividend policy, managerial ownership, and institutional ownership on capital structure of the listed company in Indonesia Stock Exchange for the period 2012-2016.

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THEORITICAL FRAMEWORK

Good Corporate Governance

Good corporate governance is a principle that directs and controls the company to achieve a balance between the strength and authority of the company in giving its accountability to its stakeholders and stakeholders in general. There are four main components of the concept of good corporate governance, namely fairness, transparency, accountability and responsibility. These components are important because the application of the principles of good corporate governance is consistently proven to improve the quality of financial statements and can also be a barrier to performance engineering activities that result in financial statements not describing the company's fundamental value.

Trade-off theory

The general approach to understanding capital structure decision making is known as the static trade-off theory by following the intrinsic form label and the model is the present value of tax utilization derived from the increase in leverage is increased by the increase in the cost of possible financial difficulties and the increase in agency costs associated with increased debt. The trade-off theory explains the relationship between the tax risk of bankruptcy and the use of debt caused by the decision of the capital structure taken by the company. In accordance with the essence where the present value of the benefits of tax savings (tax shield) arising from increased use of financial leverage has a trade-off dilemma (Atiqoh and Asyik, 2016).

Pecking Order Theory

An alternative view to predicting how managers fund a company's capital budget in the financial literature is now known as the pecking order theory. In Myer's opinion, he summarizes the pecking order theory of capital structure in four points: (a) The company adjusts dividend policy with investment opportunities; (b) The company prefers to fund investment opportunities with the first funds generated internally, then external funds are sought; (c) When external funds are needed, the company first chooses to issue debt securities and the issuance of the securities type will be the last; (d) When more external funds are needed to fund projects with a positive NPV, pecking orders will be followed. This means preferring new-risk debt to convertible, preferred equity and ordinary equity as a last resort (Keown, 2010: 162).

Signal Theory

Signals are instructions directed at investors regarding the management's perspective on the company's development. Signal theory here is the step of management in giving explicit instructions to management about the development of the company. If the company is profitable, then the company will try to avoid selling shares and choosing to get funds in other ways (Wahyuni and Ardini, 2017).

Capital Structure

The capital structure is related to the long-term expenditure of a company which is measured by the comparison of long-term debt with own capital. An optimal capital structure is a capital structure that maximizes the company's stock price. Companies will usually study the situation and draw conclusions about the optimal capital structure and will determine the target capital structure which is a combination of debt, preferred stock and ordinary equity which will be the basis for capital accumulation by the company. Capital structure can be measured using financial ratios of debt to equity ratio and debt to assets ratio with the following formula:

$$DER = \frac{\text{total debt}}{\text{Total equity}} \quad \text{dan DAR} = \frac{\text{total debt}}{\text{total assets}}$$

Dividend Policy

Dividend policy is related to the determination of the amount of the dividend payout ratio, which is the percentage of net profit after tax distributed as dividends to shareholders. Dividend decisions are part of the company's spending decisions, especially internal corporate expenditures, because the size of the dividends distributed will affect the size of retained earnings. Dividend payout ratio has a relationship with capital structure. If the dividend payout ratio is high, then the net cash flow will be small and management will look for external funds through debt financing (Anindita, 2017) The dividend payout ratio formula can be described as follows:

$$\text{Dividend payout ratio (DPR)} = \frac{\text{dividend per share}}{\text{earning per share}}$$

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Managerial ownership

Managerial ownership is explained through an agency approach that considers managerial ownership as a tool used to reduce agency conflicts among several claims of a company and an explanation of managerial ownership through an imbalance approach which means that with increased managerial ownership, managers will be motivated to improve their performance so that they will have a good impact on company and fulfill the wishes of shareholders (Laksana and Widyawati, 2016). Managerial ownership can be formulated as follows:

$$\text{Managerial Ownership} = \frac{\Sigma \text{ managerial shares}}{\Sigma \text{ outstanding shares}}$$

Institutional Ownership

Institutional Ownership is the ownership of a company's shares owned by institutions or institutions such as insurance companies, investment companies and other institutional ownership. Institutional ownership acts as the party that monitors the company. Companies that have profitable profits will borrow external financing less like debt issuance, because they do not need money from external parties. Conversely, companies that are less profitable will issue their debt because they do not have enough funds for their capital investment. Mathematically institutional ownership can be formulated:

$$\text{Institutional Ownership} = \frac{\Sigma \text{ institutional shares}}{\Sigma \text{ outstanding shares}}$$

Profitability

Profitability ratios can be calculated using return on assets (ROA) which shows the company's ability to use all assets owned to generate profit after tax. This ratio is important for managers to evaluate the effectiveness and efficiency of company management in managing all company assets. Returns on low assets can be caused by deliberate decisions to use large amounts of debt, high interest expenses cause net income to be relatively low. Debt is the cause of low ROA (Brigham and Houston, 2011: 148). ROA is formulated as follows:

$$\text{ROA} = \frac{\text{earning after tax}}{\text{Total asset}}$$

Assets Structure

Asset structure is a wealth owned by a company that is expected to provide benefits in the future. The company will choose external funding by using debt as collateral for the company's creditors to guarantee fixed assets to obtain debt. The greater the fixed assets owned by the company, the higher the company's debt. Therefore, the structure of assets has an influence on the capital structure. The greater the assets owned by the company, the greater the debt used by the company (Cahyani and Handayani, 2017). The asset structure formula can be stated as follows:

$$\text{Asset Structure} = \frac{\text{Total fixed assets}}{\text{Total Asset}}$$

Firm Size

The firm size has an influence on the capital structure, because the size of a large company is easier to get loan funds from outside the company with the tendency of companies that grow quickly must rely on external loans to meet the operational funding needs of the company (Atiqoh and Asyik, 2016). Mathematically, the firm size can be formulated as follows:

$$\text{SIZE} = \text{Ln}(\text{total asset})$$

Independent Variables

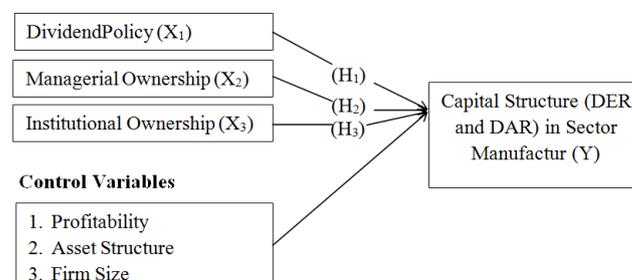


Figure 1. Research Model
 Source : data processed by reseachers (2018)

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HYPOTHESIS

- H₁: Dividend policy has a significant negative effect on capital structure in manufacturing companies for the 2012-2016 period
 H₂: Managerial ownership has a significant negative effect on the structure capital for manufacturing companies for the 2012-2016 period
 H₃: Institutional ownership has a significant positive effect on capital structure in manufacturing companies for the period 2012-2016

RESEARCH METHODS

The population in this study are manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2012-2016. Determination of company samples is done by purposive sampling method.

The following criteria must be owned to be included in this study:

- Manufacturing companies listed on the Indonesia Stock Exchange for the period 2012-2016;
- Manufacturing companies that report consecutive annual financial statements for the period 2012-2016;
- Manufacturing companies that conduct maximum IPOs in 2012;
- Manufacturing companies that pay dividends of at least one year during the 2012-2016 observation period.

Based on these criteria, 56 manufacturing companies paid a minimum dividend policy of one year. The number of samples used for this study were 56 companies. Furthermore, the analytical method used in this study is panel data regression analysis using the chow test and the Hausman test to analyze the effect of independent variables on the dependent variable proxied by Debt to Equity Ratio (DER) and Debt to Asset Ratio (DAR).

RESULTS AND DISCUSSION

Descriptive statistics

**Table 1. Descriptive Statistics
 Manufacturing Companies on the Indonesia Stock Exchange**

	DER	DAR	DPR	KM	KI	ROA	SA	Size (in million rupiah)
Mean	0.7656	0.3792	0.3275	0.0270	0.6895	0.0995	0.3568	12.194.096
Median	0.5932	0.3723	0.2904	0.000024	0.7075	0.0837	0.3165	2.208.313
Maximum	2.7257	0.7315	1.1012	0.3732	0.9974	0.4037	0.8431	261.855.000
Minimum	0.0224	0.0184	0	0	0.0180	-0.1584	0.0402	128.547
Std. Dev	0.5900	0.1725	0.2656	0.0634	0.2036	0.0932	0.1862	32.748.090
Observation	280	280	280	280	280	280	280	280

Source : Data processed by researchers (Output Eviews 10 Results)(2018)

Based on the results in table 1 which shows descriptive statistics of manufacturing companies as much as 280 units of analysis with DER and DAR as a proxy of the capital structure, shows the average value of DER is 0.7656 or equal to 76.56% standard deviation is 0.5900 or 59%. This shows that the manufacturing companies on the IDX have low variability because the average DER value is higher than the standard deviation.

The debt to assets ratio (DAR) variable has an average DAR value is 0.3792 or 37.92% with a standard deviation value is 0.1725 or 17.25%. Smaller standard deviation values indicate companies that are observations have low DAR variability. This means that the total assets exceed the total equity owned by the company.

The dividend payout ratio (DPR) variable has a mean value is 0.3275 or 32.75% with a standard deviation is 0.2656 or 26.56%. The standard deviation value smaller than the average value indicates that the variability of dividend payout ratio (DPR) is low in the sample of manufacturing companies during the study period. Managerial ownership (KM) variables show the average value of managerial share ownership is 0.0270 or 2.7%. This means that the managerial shares owned by the manufacturing company are less than the number of shares outstanding by the company in other sectors listed on the

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IDX. The standard deviation of the KM variable is 0.0634 or 6.34%, greater than the mean value during the study period, manufacturing companies have high KM variability. The average value of institutional ownership (KI) in a manufacturing company is 0.6895 or 68.95%, the standard deviation of the KI variable is 0.2036 or by 20.36%. The standard deviation value smaller than the average value indicates that the low variability of institutional ownership (KI) in the sample of manufacturing companies during the study period.

The average value of return on assets (ROA) in manufacturing companies is 0.0995 or 9.95%, the standard deviation of the ROA variable is 0.093 or 9.3%. The standard deviation value smaller than the average value indicates that the low variability of return on assets (ROA) in the sample of manufacturing companies during the study period. The average value of asset structure (SA) in a manufacturing company is 0.3568 or 3.56%, the SA standard deviation is 0.1862 or 18.62%. The standard deviation value smaller than the average value indicates that the asset structure (SA) variability is low in the sample of manufacturing companies during the study period. The average value of the company size (SIZE) in a manufacturing company is Rp. 12,194,096, the standard deviation of the SIZE variable is Rp. 32,748,090. The standard deviation value greater than the mean value indicates that the variability of firm size (SIZE) in the sample of manufacturing companies during the study period.

Estimation Model

Based on the chow test results in table 2 and table 3 produce a probability value of 0.000 smaller than 0.05. In tables 4 and 5 produce a probability value of 0.000 smaller than 0.05. So, the results show that the best model for this research is to use the fixed effect model approach.

Table 2. Chow Test Results With Control Variables (DER)

Effectd Test	Statistic	d.f.	Prob.
Cross-sectio f	31.447001	(55.218)	0.0000
Cross-section Chi-square	613.158110	55	0.0000

Source : Data processed by researchers (Output Eviews 10 Results)(2018)

Table 3. Chow Test Results Without Control Variables (DER)

Effectd Test	Statistic	d.f.	Prob.
Cross-sectio f	33.548099	(55.221)	0.0000
Cross-section Chi-square	625.877658	55	0.0000

Source : Data processed by researchers (Output Eviews 10 Results)(2018)

Table 4. Chow Test Results With Control Variables (DAR)

Effectd Test	Statistic	d.f.	Prob.
Cross-sectio f	34.456293	(55.218)	0.0000
Cross-section Chi-square	635.996043	55	0.0000

Source : Data processed by researchers (Output Eviews 10 Results)(2018)

Table 5. Chow Test Results Without Control Variables (DAR)

Effectd Test	Statistic	d.f.	Prob.
Cross-sectio f	40.428365	(55.221)	0.0000
Cross-section Chi-square	672.968171	55	0.0000

Source : Data processed by researchers (Output Eviews 10 Results)(2018)

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The Hausman test are then carried out to determine the exact estimation model

Table 6. Hausman Test Results With Control Variables (DER)

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	8.434685	6	0.2080

Source : Data processed by researchers (Output Eviews 10 Results)(2018)

Table 7. Hausman Test Results Without Control Variables (DER)

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	5.517843	3	0.1376

Source : Data processed by researchers (Output Eviews 10 Results)(2018)

Table 8. Hausman Test Results With Control Variables (DAR)

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	8.693650	6	0.1916

Source : Data processed by researchers (Output Eviews 10 Results)(2018)

Table 9. Hausman Test Results Without Control Variables (DAR)

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	6.310018	3	0.0975

Source : Data processed by researchers (Output Eviews 10 Results)(2018)

Based on the results of the Hausman test in tables 6 and 7 produce probability values of 0.2080 and 0.1376 so that the best model is a random effect model and based on tables 8 and 9 produce probability values of 0.1916 and 0.0975 also found the random effect model is the best model.

Multicollinearity Test

In table 10, there is no correlation coefficient between variables that is more than 0.80, which indicates that there is no correlation between independent variables or free from multicollinearity.

Tabel 10. Multicollinearity Test Results

	DPR	KM	KI	ROA	SA	SIZE
DPR	1.000000	-0.238838	0.336626	0.563359	-0.097132	0.290223
KM	-0.238838	1.000000	-0.496941	-0.102810	0.008661	-0.257519
KI	0.336626	-0.496941	1.000000	0.240729	-0.079818	-0.003573
ROA	0.563359	-0.102810	0.240729	1.000000	-0.277456	0.065656
SA	-0.097132	0.008661	-0.079818	-0.277456	1.000000	0.281891
SIZE	0.290223	-0.257519	-0.00357	0.065656	0.281891	1.000000

Source : Data processed by researchers (Output Eviews 10 Results)(2018)

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Table 11. Recapitulation t-test Results

	(Y= DER)		(Y=DER with control variables)		(Y = DAR)		(Y = DAR without control variables)	
	Coeff.	Prob.	Coeff.	Prob.	Coeff.	Prob.	Coeff.	Prob.
C	0.2276	0.8314	1.176	0	0.044743	0.8841	0.4029	0
DPR	0.048566	0.5655	0.024	0.7793	0.048337	0.0411	0.0453	0.0569
KM	-0.386654	0.2658	-0.308	0.3897	-0.058324	0.547	-0.0398	0.6826
KI	-0.499612	0.0239	-0.595	0.0089	-0.037323	0.5484	-0.0543	0.3896
ROA	-1.305214	0	0	0	-0.22942	0.0061	0	0
SA	-0.03373	0.888	0	0	0.047271	0.4844	0	0
SIZE	0.035592	0.3428	0	0	0.012292	0.254	0	0
Adjusted R-squared	0.07702		0.014202		0.03692		0.004999	
Observation	280		280		280		280	
Regression Model	Random Effect		Random Effect		Random Effect		Random Effect	

Source : Data processed by researchers (Output Eviews 10 Results)(2018)

Hypothesis Testing Results

The Effect of Dividend Policy To Capital Structure

Table 11 in the DER column shows that the coefficient of dividend policy is 0.04856 and the probability value is 0.5655 greater than 0.05, while in table 11 in the DER column without the control variable states that the dividend policy coefficient is 0.024 and the probability value is 0.7793 greater than 0.05. This means that the dividend policy has a non-significant positive relationship to the capital structure (DER) in manufacturing companies listed on the Stock Exchange in 2012-2016. This indicates that the size of the dividend policy does not affect the capital structure decision, so the first hypothesis (H1) states that the dividend policy has a significant negative effect on the capital structure. This is in line with the results of research conducted by Sari (2014) which states that dividend policy has a positive and not significant effect on the capital structure. This shows that the companies sampled in this study do not distribute dividends every year even though the company has an advantage, they prefer to use their profits for the needs and development of the company as well as retained earnings rather than paid as dividends.

In table 11 in the DAR column shows that the coefficient value is 0.048377 and the probability value is 0.0411 smaller than 0.05, whereas in table 11 in the DAR column without the control variable states that the dividend policy coefficient is 0.0453 and the probability value is 0.05 equal to 0.05. This means that the dividend policy has a significant positive effect on the capital structure (DAR) in manufacturing companies listed on the Stock Exchange in 2012-2016 so that the first hypothesis (H1) states that dividend policy has a significant negative effect on capital structure rejected. This is in line with the results of research conducted by Maftukhah (2013) which states that the existence of dividend payments that continue to cause a fixed need for funds every year so that the company's funding needs will increase. Companies that distribute large amounts of dividends in financing their investments require additional funds through debt to total assets because the internal funds owned by the company are insufficient so the dividend policy affects the capital structure.

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The Effect of Managerial Ownership To Capital Structure

Table 11 in the DER column shows that the coefficient of managerial ownership is -0.38665 and the probability value of 0.2658 is greater than 0.05, whereas in table 11 in the DER column without the control variable states that the coefficient of managerial ownership is -0.308 and a probability value of 0.3897 is greater from 0.05. In table 11 in the DAR column shows that the coefficient of managerial ownership is -0.05832 and the probability value is 0.5470 greater than 0.05, whereas in table 11 in the DAR column without the control variable states that the coefficient of managerial ownership is -0.0398 and the probability value is 0.6826 more large from 0.05. Indicates that managerial ownership has a significant negative effect on the capital structure (DER and DAR). This indicates that the managerial ownership or size will not affect the company's capital structure, so the second hypothesis (H2) which states that managerial ownership has a significant negative effect on capital structure is rejected. This is in line with the results of research conducted by Atiqoh and Asyik (2016), Bernice et al. (2015) which states that managerial ownership has no significant negative effect on capital structure, this indicates that the ownership of shares by insider in manufacturing companies in Indonesia is still low compared to other share ownership, so managerial ownership of manufacturing companies in Indonesia is not a factor determinants in capital structure policy.

The Effect of Institutional Ownership To Capital Structure

Table 11 in the DER column shows that the Institutional Ownership coefficient is -0.49961 and the probability value is 0.0239 less than 0.05, whereas in table 11 in the DER column without the control variable states that the institutional ownership coefficient is -0.595 and the probability value is 0.0089 smaller from 0.05. This means that institutional ownership has a significant negative effect on capital structure (DER) in manufacturing companies listed on the Stock Exchange in 2012-2016. This indicates that the size of institutional ownership has an effect on the company's capital structure, so the third hypothesis (H3) which states that institutional ownership has a significant positive effect on capital structure is rejected. This is in line with the results of research conducted by Nuraini et al. (2017). The greater proportion of the company's shareholding by the institution indicates that there will be an agency from the monitoring institution to see the management's performance so that management will be more careful in placing its investment activities to use its debt policy and cause the company's debt to decline. Institutional investors play a role but are not actively involved in making decisions regarding debt to total equity.

Furthermore in table 11 column DAR shows that the coefficient value of -0.03732 and the probability value of 0.5484 is greater than 0.05, while in table 11 in the DAR column without the control variable states that the institutional ownership coefficient is -0.054 and the probability value is 0.3896 greater than 0.05. This means that institutional ownership has no significant negative effect on the capital structure (DAR) in manufacturing companies listed on the Stock Exchange in 2012-2016. This indicates that the size of institutional ownership does not affect the company's capital structure, so the third hypothesis (H3) which states that institutional ownership has a significant positive effect on capital structure is rejected. This is in line with the results of research conducted by Anindhita (2017) which states that institutional ownership has a significant negative effect on the capital structure. This is because the institutional side is not actively involved in the company's operational activities. The capital structure decision becomes the right of the managerial in deciding the use of funds for company operations so that an institutional shareholder does not have the right to make decisions on the use of the company's operational funds in the form of debt to total assets.

The Effect of Profitability as Control Variables To Capital Structure

In table 11 of the DER column shows the coefficient of return on assets (ROA) of -1.3052 with a probability value of 0, while in table 11 column DAR shows the coefficient of return on assets (ROA) of -0.22942 with a probability value of 0.0061. This means that return on assets has a significant negative effect on the capital structure, the greater the ROA, the lower the company's capital structure. These results are consistent with the results of research conducted by Maftukhah (2013), Laksana and Widayawati (2016), Eviani (2015), Cahyani and Handayani (2017), Atiqoh and Asyik (2016), Agyei and Owusu (2014) which state that profitability has negative and significant influence on the company's capital structure. Significant negative relations on profitability of the capital structure indicate that companies with a high level of profitability will reduce capital dependence from outside parties, because with a high level of profit, the company will obtain funding generated internally in the form of retained earnings before the company uses debt.

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The Effect of Asset Structure as Control Variables To Capital Structure

Table 11 in the DER column shows that the asset structure (SA) coefficient is -0.0337 and the probability value is 0.888 greater than 0.05. This means that the asset structure (SA) has no significant negative effect on capital structure (DER) in manufacturing companies listed on the Stock Exchange in 2012-2016. This indicates that the size or size of the asset structure does not affect the capital structure decision. These results are consistent with the results of a study conducted by Kartika (2016) which states that the asset structure has no significant negative effect on the capital structure, this is because the asset structure of a manufacturing company is capital intensive so that the priority in corporate funding is equity financing or financing with own capital, meaning that loan capital is only a supplement, especially to meet the funding needs for working capital.

Table 11 in the DAR column shows that the asset structure (SA) coefficient is 0.04727 and the probability value is 0.4844 greater than 0.05. This means that the asset structure (SA) has no significant positive effect on the capital structure (DAR) in manufacturing companies listed on the Stock Exchange in 2012-2016. This indicates that the size or size of the asset structure does not affect the capital structure decision. This is in line with the results of research conducted by Kanita (2014) which argued that the structure of assets that have a positive relationship with the capital structure but does not have a significant effect due to the possibility of the company using its own capital to fund the needs of its assets.

The Effect of Firm Size as Control Variables To Capital Structure

Table 11 in the DER column shows that the coefficient of firm size is 0.03559 and the probability value is 0.3428 greater than 0.05. In table 11 in the DAR column also shows that the coefficient of company size is 0.01229 and the probability value of 0.2540 is greater than 0.05. Indicates that the size of the firm has a positive and not significant effect on the capital structure (DER and DAR). This indicates that the size or size of the company will not affect the company's capital structure. This result is in accordance with the results of research conducted by Atiqoh and Asyik (2016) and Nainggolan (2017) which states that the size of the company has no significant positive effect on the capital structure. The size of the company in this study is not a determining factor in the rise of the company's capital structure because large companies and small companies will take careful consideration if they want to make loans. Large loans in the company will provide future expenses in the form of loan interest. Therefore, large companies and small companies will prioritize using internal funds rather than borrowing funds from external parties.

Determination Coefficient

In table 11 in column A shows the results of adjusted R2 from DER that is 0.07702 with the success rate of the regression model that is equal to 7.71%, the meaning is that by 7.71% the dependent variable capital structure proxied by DER can be explained by the independent variables DPR, KM, KI and control variables, namely profitability, asset structure and company size. while the remaining 92.3% is explained by other factors. The adjusted R2 results from DAR in table 11 column C are 0.03697, the success rate of the regression model is 3.7%, meaning that 3.7% of the dependent variable capital structure proxied by DAR can be explained by the independent variables DPR, KM, KI and the control variables namely profitability, asset structure and company size. While the remaining 96.3% is explained by other factors. In table 11 in column B, the adjusted R2 DER results without the control variable is 0.014, the regression model level of 1.4% means that 1.4% of the dependent variable capital structure proxied by DER can be explained by the independent variable DPR, KM, KI. While the remaining 98.6% is explained by other factors. In table 11 in column D, the adjusted R2 DAR results without a control variable of 0.004, the regression model level of 0.4% mean that as much as 0.4% the dependent variable capital structure proxied by DAR can be explained by the independent variable DPR, KM, KI. While the remaining 99.6% is explained by other factors. The results of this study indicate that if you do not use a control variable consisting of variables ROA, SA, SIZE then the adjusted R2 value produces a smaller value than using the control variable. Therefore, in this study it is better to use the control variable ROA, SA, SIZE rather than not using the control variable.

CONCLUSIONS AND RECOMMENDATIONS

In conclusion, the study finds the impact of institutional ownership on capital structure proxied by debt to equity ratio (DER). The greater proportion of the institutional ownership indicates that there will be more monitoring role on the management's performance. So that management will be more careful in placing its investment activities to use its debt policy and cause the company's debt to decline. In addition, some suggestions for the future research are including: build the model that put some corporate governance variables such as board of directors, audit committee; the liquidity risk variable as well

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as the variation of debt period are also interesting to explore regarding both liquidity and profitability are crucial factor for the survival firms.

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