



## **DETERMINANT DEBT POLICY (STUDY IN MANUFACTURING COMPANY SUBSECTORS FOOD AND DRINK LIST IN INDONESIAN STOCK EXCHANGE)**

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### **Abstract**

The purpose of this research is to analyze the influence of institutional ownership, managerial ownership, Profit Margin on Sales, Return On Equity and Basic Earning Power on debt policy. The sampling technique utilized in this research is purposive sampling. There are 10 manufacturing companies in food and beverages sub sector which listed in Indonesia Stock Exchange period 2012-2016 taken as the samples of this research. Data analysis technique that used is multiple linear regression analysis. The results of statistical tests show that institutional ownership, Profit Margin on Sales and Basic Earning Power have a negative and significant effect on debt policy. Return On Equity has a positive and significant effect on debt policy. Managerial ownership has a positive and insignificant effect on debt policy.

Keywords: Institutional Ownership, Managerial Ownership, Debt Policy, Profitability Ratio.

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### **INTRODUCTION**

The global crisis is a financial crisis related to finance that occurs in a region or country that has a major impact for the whole world. The global crisis is the result of subprime mortgages from the US. The impact of the global crisis has resulted in an increase of external and domestic debt. The company takes the decision to debt to fulfill the company's capital needs. Debt is one of funding that done by the most companies in Indonesia. The company takes the decision to debt to meet the company's capital needs, if the company can not fulfill its capital needs with internal sources owned by the company. Long term or short term debt is the one of working capital as the funding resources. Short term debt (bank loan) is an important working capital that needed to seasonal finance, emergency finance, and other working capital needs of the company. Long term debt is a debt with a maturity of more than one year and payments are made periodically consisting of interest and loan principal [1]. Debt is included in short-term funding decisions to meet short-term needs. Short-term debt for short-term investments or working capital investment. The debt that used in funding decisions by firms is called debt policy.

Several studies have been conducted to analyze the determinants of debt policy. According to research that conducted by [2] showed that managerial ownership has no effect on debt policy (DER), while ROE has a positive effect on debt policy (DER). [3] showed that the institutional ownership of companies outside the financial field that listed on the IDX has a negative effect on debt policy, the managerial ownership of companies outside the financial field listed on the IDX has no effect on debt policy. Research [4] showed that profitability has a positive effect on debt policy. [5] showed that managerial ownership and profitability has negative effect on debt policy, Institutional Ownership has no effect on debt policy. [6] showed that profitability and managerial ownership have a significant and negative effect on capital structure. [7] indicated that the managerial ownership has a significant and negative effect on Debt Maturity. [8] showed that institutional profitability and ownership has a significant and negative effect on leverage. [9] indicated that managerial ownership has a significant effect on capital structure. [10] showed that Ownership has a positive effects on debt maturity. [11] showed that institutional ownership has a significant and positive effect on debt policy, profitability has a significant and negative effect on debt policy. [12] showed that managerial ownership has no effect on debt policy, institutional ownership and profitability has a effect on debt policy.

Based on the description, this research has purpose to analyze influence of determinant of debt policy at manufacturing company of food and beverage sub sector. Researcher choose manufacturing companies of food and beverages sub sector as a sample because they must remain survive in order to fulfill requirement of consumer because product that produced is necessary product. This research is almost the same as previous research, the difference lies in the independent variables that are more specific on the ownership proxied to managerial ownership and institutional ownership of stocks and profitability projected to Profit Margin on Sales, ROE (Return On Equity) and BEP (Basic Earning Power) [13] as well as the most recent year of research.

### **HYPHOTHESIS DEVELOPMENT**

Institutional ownership is the ownership of the company's shares by the institution such as insurance company, bank, investment or private company and endowment fund [14]. Institutional ownership generally has a large proportion that can easily supervise managers [15]. Based on previous research conducted by [5], it showed that

institutional ownership has no effect on debt policy (DER). According to [16], showed that institutional ownership has a significant and positive effect on debt policy. According to [12], it showed that institutional ownership has positive effects on debt policy. According to [11], it showed that institutional ownership has a significant and positive effect on debt policy. Based on the theory and previous research, the hypothesis in this study are:

H1 = Institutional ownership has a significant effect on debt policy.

Managerial ownership is ownership of shares by the managers. Managers have the power to make business decisions without special approval from the board of commissioners, so the main duty of the commissioners only monitors management to act in the interests of shareholders [17]. The agency cost can be reduced by one of its alternatives by giving ownership of the company's shares to the manager, with the ownership of the shares, the manager will feel the benefits directly on the decision that taken at the same time bear the consequences of the loss of his decision [6]. Based on the previous research of [3], it showed that managerial ownership has no effect on debt policy. According to [12], showed that managerial ownership has a positive effect on debt policy. Based on the theory and previous research, the hypothesis in this study are:

H2 = Managerial ownership has a significant effect on debt policy.

Profit Margin on Sales is a ratio that measures the company's net income that can be calculated by comparison between net income and sales [13]. Based on previous research that conducted by [18], it showed that profitability is the company's net income resulting from policies and decisions, profitability ratios are used to measure the company's ability to generate profit per rupiah on each sale. Profitability Ratio in this research is included by Profit Margin on Sales ratio, ROE (Return On Equity), ROA (Return On Asset) and BEP (Basic Earning Power). Based on previous research conducted by [19], it showed that profitability has a significant and negative effect on capital structure. According to [20], it showed that profitability has a significant effect on debt policy. Based on the theory and previous research, the hypothesis in this study are:

H3 = Profit Margin on Sales significant effect on debt policy.

According to [21], Return On Equity is a measurement of profitability that is more specific in measuring the company's ability to return shareholder equity. ROE is a ratio to measure the company's ability to generate profits with the total capital that owned by the company that is not from the capital of the creditor [6]. Based on previous research conducted by [4] showed that profitability had a significant negative effect on debt policy. According to [22], it showed that profitability has a negative effect on debt policy. Based on the theory and previous research, the hypothesis in this study are:

H4 = ROE (Return On Equity) has a significant effect on debt policy.

BEP (Basic Earning Power) is a ratio that measures a company's basic capability in generate operating profit that can be calculated by comparing between EBIT (Earning Before Interest and Tax) and total assets [13]. Based on previous research that conducted by [12], it showed that profitability has negative effect on the company's debt policy. According to [23], it showed that profitability has a negative effect on debt policy. Based on previous theories and research, the hypotheses in this study are:

H5 = BEP (Basic Earning Power) has an effect on debt policy.

## **RESEARCH METHODS**

### **Research design**

This research is quantitative and is an explanatory research that used to test a theory or research hypothesis in strengthening the hypothesis of previous research.

### **Types and Data Sources**

This study uses secondary data types, it is financial statements of food and beverage manufacturing companies that listed on the IDX period 2012-2016 when the level of debt of Indonesian companies continued to increase. Source of data obtained from [24] by downloading the financial statements of food and beverage manufacturing companies in 2012-2016.

### **Population and Sample**

This study uses the population of all food and beverage manufacturing companies that listed on the IDX period 2012-2016. This research using purposive sampling as the sampling technique by determining certain criteria that is manufacturing company of food and beverage sub sector that listed in IDX year 2012-2016 and publish annual financial report. The sample obtained in this research is 10 companies.

### **Data analysis method**

The method of analysis that used in this study is multiple linear regression analysis. Institutional Ownership, Managerial Ownership and Profitability Ratio are calculated by the following formula variables:

1. Dependent variable

Dependent variable in this research is debt policy. Debt policy is measured by Debt Equity Ratio (DER) is the ratio between debt and equity. Determine the value of determinant variable to measure the significant level of debt policy by using the following formula:

$$DER = \frac{\text{Total of Liabilities}}{\text{Total of Equities}} \times 100\%$$

2. Independent variables

a. Institutional Ownership

Institutional ownership is the ratio between the number of institutional shares to total shares outstanding multiplied by 100% which can be formulated as follows:

$$\text{Ownership Institutional} = \frac{\text{Share of institutional ownership}}{\text{Total shared issued}} \times 100\%$$

b. Managerial Ownership

Managerial ownership is the ratio of total managerial shares to total shares outstanding multiplied by 100% which can be formulated as follows:

$$\text{Managerial Ownership} = \frac{\text{Share of managerial ownership}}{\text{Total of shared issued}} \times 100\%$$

c. Profit Margin On Sales

Profit Margin on Sales is a comparison between net incomes to sales that can be formulated as follows:

$$\text{Profit Margin on Sales} = \frac{\text{Net income}}{\text{Sales}}$$

d. Return On Equity (ROE)

Return On Equity (ROE) is a comparison between net income to equity capital which can be formulated as follows:

$$ROE = \frac{\text{Net income}}{\text{Equity Capital}}$$

e. Basic Earning Power (BEP)

Basic Earning Power (BEP) is the ratio of EBIT to total assets that can be formulated as follows:

$$BEP = \frac{EBIT}{\text{Total Assets}}$$

## RESULTS AND DISCUSSION

**Table 1. Selection of Samples**

Information	Number of Companies
Food and Beverages Manufacturing companies that listed on IDX (no changes )	15
Company that delisting and go private	(3)
Relisting firms	1
The firms that not published their financial statement period 2012-2016	(1)
The firms that have no completed data to support the research	(2)
<b>Total</b>	<b>10</b>

Source: [25]

Sampling technique in this study is purposive sampling method with predefined criteria. Based on the criteria, the manufacturing companies of food and beverage sub sector which are included in the sample are 10 companies.

**Table 2. List of sample companies**

No.	Firm Code	NAME OF FIRM
1.	AISA	Tiga Pilar Sejahtera Food, Tbk.
2.	DLTA	Delta Djakarta, Tbk.
3.	ICBP	Indofood CBP Sukses Makmur, Tbk.
4.	INDF	Indofood Sukses Makmur, Tbk.
5.	MLBI	Multi Bintang Indonesia, Tbk.
6.	PSDN	Prashida Aneka Niaga, Tbk.
7.	ROTI	Nippon Indosari Corporindo, Tbk.
8.	SKBM	Sekar Bumi, Tbk.
9.	SKLT	Sekar Laut, Tbk.
10.	ULTJ	PT Ultrajaya Milk Industry & Trading Company, Tbk

Source: [25]

Description of data statistics is used to conclude and represent data, to give description or explanation characteristics of data used.

**Table 3. Statistical Statement Results**

	N	Minimum	Maximum	Mean	Std. Deviation
Zscore(KPI)	50	-.71723	2.80948	.0000000	1.00000000
Zscore(KPM)	50	-.30204	4.72512	.0000000	1.00000000
PMS	50	-.0487	.3348	.093522	.0791325
Zscore(ROE)	50	-1.18010	3.46865	.0000000	1.00000000
Zscore(BEP)	50	-1.30649	3.94167	.0000000	1.00000000
Valid N (listwise)	50				

Source: Descriptive Statistics Output, 2017.

Table 3 shows that the lowest average Institute of Institutional Ownership (KPI) has a minimum value -0.71723 and a maximum value is 2.80948. The average is 0.0000 and standard deviation is 1. Managerial Ownership Variables (KPM) has a minimum value -0.30204 and a maximum value is 4.72512. The average is 0,0000 and standard deviation is 1.

Variable Margin on Sales (PMS) has a minimum value -0.0487 and a maximum value is 0.3348. Average is 0.093522 and standard deviation is 0.0791325. Variable Return On Equity (ROE) has a minimum value -1,18010 and a maximum value is 3.46865. Average is 0,000 and standard deviation is 1. Basic Earning Power (BEP) variable has a minimum value -1.30649 and a maximum value is 3.94167. The average is 0,000 and standard deviation is 1. Minimum, maximum, average and standard deviation values are obtained from data of all manufacturing companies of food and beverage sub-sectors that is sampled in this study.

**Table 4. Normality Test Results**

		One-Sample Kolmogorov-Smirnov Test					
		KPI	KPM	PMS	ROE	BEP	DER
N		50	50	50	50	50	50
Normal Parameters <sup>a,b</sup>	Mean	150,5973	14,5227	0,0935	0,2519	0,1803	0,9641
	Std. Deviation	198,5693	48,0824	0,0791	0,3376	0,1787	0,5660
Most Extreme Differences	Absolute	0,369	0,386	0,162	0,312	0,221	0,118
	Positive	0,369	0,386	0,162	0,312	0,221	0,118
	Negative	-0,237	-0,381	-0,098	-0,216	-0,160	-0,084
Kolmogorov-Smirnov Z		2609	2729	1144	2203	1560	0,831
Asymp. Sig. (2-tailed)		0,000	0,000	0,146	0,000	0,015	0,494

a. Test distribution is Normal.

b. Calculated from data.

Source: Normality Test Output, 2017.

Table 4 shows that Debit Equity Ratio (DER) and Profit Margin on Sales (PMS) are normal, this is because DER and PMS have significance level  $> \alpha$  while Institutional Ownership (KPI), Managerial Ownership (KPM), Return On Equity (ROE) and Basic Earning Power (BEP) are not normally distributed, this is because the KPI, KPM, ROE and BEP have a significance level  $< \alpha$  so that the non-distributed normal variables will be transformed into Z-Score [26].

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

Coefficients <sup>a</sup>					
Model	Understandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1539,000	.138		11187,000	.000
Zscore(KPI)	-.151	.048	-.266	-3109,000	.003
Zscore(KPM)	.021	.046	.037	.458	.649
PMS	-6148,000	1396,000	-.860	-4404,000	.000
Zscore(ROE)	.947	.108	1674,000	8740,000	.000
Zscore(BEP)	-.279	.091	-.493	-3083,000	.004

a. Dependent Variable: DER

Source: Results of Multiple Linear Regression Analysis, 2017.

Based on the results of multiple linear regression analysis in table 5, then obtained the regression equation as follows:

$$DER = 1,539 - 0,151 KPI + 0,021 KPM - 6,148 PMS + 0,947 ROE - 0,279 BEP + e$$

where:

DER = Debt Equity Ratio  
 KPI = Institutional Ownership  
 KPM = Managerial Ownership  
 PMS = Profit Margin on Sales  
 ROE = Return On Equity  
 BEP = Basic Earning Power  
 e = Error

**Table 6. Multicollinearity Test Results**

Coefficients <sup>a</sup>								
Model	Understandardized Coefficients		Standardized Coefficients		t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta				Tolerance	VIF
(Constant)	1539,000	.138			11187,000	.000		
Zscore(KPI)	-.151	.048	-.266		-3109,000	.003	.819	1.221
Zscore(KPM)	.021	.046	.037		.458	.649	.914	1.094
PMS	-6148,000	1396,000	-.860		-4404,000	.000	.158	6.348
Zscore(ROE)	.947	.108	.1674,000		8740,000	.000	.164	6.111
Zscore(BEP)	-.279	.091	-.493		-3083,000	.004	.234	4.266

a. Dependent Variable: DER

Source: Multicollinearity Test Output, 2017.

Table 6 shows that all variables do not occur multicollinearity, this is because all independent variables have tolerance values > 0.10 or VIF < 10. These results indicate that there is no multicollinearity between independent variables.

**Table 7. Heteroscedasticity Test Results**

Coefficients <sup>a</sup>						
Model	Understandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
(Constant)	.234	.057			4.078	.000
Zscore(KPI)	-.039	.020	-.296		-1.932	.060
Zscore(KPM)	.014	.019	.109		.752	.456
PMS	-.384	.582	-.231		-.660	.513
Zscore(ROE)	.015	.045	.113		.329	.743
Zscore(BEP)	-.011	.038	-.087		-.302	.764

a. Dependent Variable: ABS\_Ui

Source: Heteroskedasticity Test Output, 2017.

Table 7 shows that independent variables are not statistically significant affecting the dependent variable of Absolute Ui value (ABS\_Ui) so it can be concluded that there is no heteroscedasticity.

**Table 8. Autocorrelation Test Results**

<b>Model Summary<sup>b</sup></b>						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	
1	.858 <sup>a</sup>	.736	.706	.3069195	1.047	

a. Predictors: (Constant), Zscore(BEP), Zscore(KPM), Zscore(KPI), Zscore(ROE), PMS

b. Dependent Variable: DER

Source: Autocorrelation Test Output, 2017.

Table 8 shows that the DW value of 1.047 with a significance level is 5%, the sample number 50 and the number of independent variables 5 (dU equal to 1.7708 and dL 1.3346) to obtain  $0 < 1.047 < 1.3346$  belonging to category  $0 < DW < dL$  concluded that there is a positive autocorrelation which means that the autocorrelation where the error when a previous period is positive then the next error will be positive.

**Tabel 9. Statistical Test**

Variable	Sig.	test results
Zscore(KPI)	0,003	Significant
Zscore(KPM)	0,649	Not Significant
PMS	0,000	Significant
Zscore(ROE)	0,000	Significant
Zscore(BEP)	0,004	Significant

$\alpha = 5\%$

Source: Statistical Test Output, 2017.

**Table 9 shows the results of statistical tests as follows:**

- 1. Variable Institutional Ownership (KPI)**  
 The variable of KPI has negative and significant effect on DER with significant value  $0,003 < \alpha = 5\%$  and negative regression coefficient (-0,151), according to H1 that Institutional Owners have significant influence to debt policy, if KPI is higher then DER is lower.
- 2. Managerial Ownership Variables (KPM)**  
 The variable of KPM has positive and not significant effect to DER with significant value  $0,649 > \alpha = 5\%$  and positive regression coefficient (0,021), result not match with H02, this means H02 rejected that Managerial Ownership has no significant effect on debt policy.
- 3. Variable Profit Margin on Sales (PMS)**  
 PMS variable has negative and significant effect on DER with significant value  $0.000 < \alpha = 5\%$  and negative regression coefficient (-6,148), according to H03 that Profit Margin on Sales have significant influence to debt policy, if PMS is higher then DER is lower.
- 4. Return On Equity (ROE)**  
 ROE variable has positive and significant effect to DER with significant value  $0.000 < \alpha = 5\%$  and positive regression coefficient (0,947), according to H04 that Return On Equity have significant effect to debt policy, if ROE is higher then DER is higher.
- 5. Basic Earning Power (BEP)**  
 BEP variable has negative and significant influence to DER with significant value  $0,004 < \alpha = 5\%$  and negative regression coefficient (-0,279), according to H05 that is Basic Earning Power have significant influence to debt policy, if BEP is higher then DER is lower.

**Table 10. Results of Coefficient of Determination (R<sup>2</sup>)**

<b>Model Summary<sup>b</sup></b>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.858 <sup>a</sup>	.736	.706	.3069195

a. Predictors: (Constant), Zscore(BEP), Zscore(KPM), Zscore(KPI), Zscore(ROE), PMS

b. Dependent Variable: DER

Source: Output Coefficient of Determination, 2017.

Value of R<sup>2</sup> close to 0, the influence of independent variable to the dependent variable is smaller, if the value of R<sup>2</sup> close to 1 then the influence of independent variable to the dependent variable is greater. Table 10 explains that R<sup>2</sup> shows a number of 0.706 or 70.6%, which means independent variables (ZScoreKPI, ZScoreKPM, PMS, ZScoreROE and ZscoreBEP) are able to explain the dependent variable (DER) of 70.6%.

## DISCUSSION

### **The Effect of Institutional Ownership (KPI) on Debt Policies in Food and beverage Manufacturing Companies**

The results of statistical tests show that institutional ownership has a negative and significant effect on DER, this means the higher the KPI then the DER is lower. The results of this study are consistent with research conducted by [3] which stated that institutional ownership has a negative effect on debt policy, proving that when the use of debt is low, the percentage of institutional share ownership will be higher. The results of this study contradict with [11] study which argues that institutional ownership has a positive and significant effect on DER, meaning that institutional ownership of the stock can not effectively monitor the funding policy performed by managers because managers will use debt for the benefit of management in order to be seen to perform well by shareholders. This study is contradictory because the research conducted [11] used 12 property companies and real estate listed on the Stock Exchange period 2005-2009 as a sample.

### **The Effect of Managerial Ownership (KPM) on Debt Policy (DER) in Food and beverage Manufacturing Companies**

The result of statistical test shows that managerial ownership has positive and insignificant effect to DER. The significance value listed in table 9 of 0.649 at  $\alpha$  (= 5%) and H<sub>2</sub> is rejected. The results of this study is supported by packing order theory which states that the company likes internal funding because the funds are collected without sending a reverse signal that can reduce stock prices. The results of research also in line with the results of research conducted by [16]; [12] showed that managerial ownership has no effect on debt policy, which means that managers are not the determinants of debt policy because there are still at least shares owned by corporate managers. The results of this study are contradicted by the results of research conducted by [5] which showed that the managerial ownership has a negative and significant effect on debt policy, it means that shareholders will be motivated to maximize shareholder value by balancing the interests of shareholders and the interests of managers so as to reduce agency cost. This study is contradictory because the research conducted by [5] used 83 manufacturing companies of all sectors listed on the BEI period 2009-2013 as sample.

### **The Effect of Profit Margin on Sales (PMS) on Debt Policy (DER) in Food and beverage Manufacturing Companies**

The results of statistical tests shows that Profit Margin on Sales has a negative and significant effect on debt policy, if the PMS gets higher then the DER is lower. This research is consistent with research conducted by [11]; [12] indicated that profitability has a negative and significant effect on debt policy, this means that if a company has a high profitability then the company will be able to cover the obligation or funding so that will reduce the level of debt use. Profit Margin on Sales is one that is in the profitability ratio, if the greater the profit then the debt policy will decrease because the company will choose internal funding first in accordance with the theory of packing orders. The results of the study contradict the results of research conducted by [4], which showed that profitability has a positive and significant effect on debt policy, this meant that when the company produces a small profit then the company will tend to use debt as the fulfillment of funding needs. This study is contradictory because of research conducted by [4] used 30 manufacturing companies of all sectors listed on the IDX for 2010-2014 period as sample.



### **The Effect of Return On Equity (ROE) on Debt Policy (DER) in Food and beverage Manufacturing Companies**

The results of statistical tests shows that Return On Equity has a positive and significant impact on debt policy, if ROE is higher then the higher DER. The result of this research is consistent with research conducted by [2] which stated that profitability has a positive and significant effect on debt policy, it means that if the level of profitability is high then the company's debt level will tend to be high due to the difference of desire between shareholders and managers. The difference in desire involves shareholders who have the expectation of being able to receive dividends while managers want to capitalize on such high profitability in order to invest in improving corporate value. The problem can be solved by the company by financing the debt so that shareholders can receive dividends and managers can invest to increase the value of the company. The results of this study contradict the results of research [5] which showed that profitability has a negative and significant effect on debt policy, this means that when profitability is higher then the debt is lower. This study is contradictory because the research conducted by [5] uses 83 manufacturing companies of all sectors listed on the BEI period 2009-2013 as sample.

### **Influence of Basic Earning Power (BEP) on Debt Policy (DER) in Food and beverage Manufacturing Companies**

The results of statistical tests show that Basic Earning Power (BEP) has a negative and significant effect on debt policy, if the higher the BEP then the DER is lower. The results of this study support the pecking order theory that prioritizes internal funding. Basic Earning Power (BEP) is one of the profitability ratios which means the ratio that measures the basis of the company in generating operating profit. The results show that if the BEP is higher then the DER will be lower, this is because if the company's ability in generating higher operating profits then the company will tend to reduce debt obligations. The results of this study are consistent with research conducted by [22] stated that profitability has a negative effect on debt policy, this means if the company's profitability is high then the company will tend to use internal funding rather than external. The results contradict the results of research conducted by [2] which stated that profitability has a positive effect on debt policy, this is because of the difference between the desire of shareholders and managers of companies that require companies to do funding through debt in order to achieve the wishes of the shareholders and corporate managers. This research is contradictory because the research conducted by [2] used 135 manufacturing companies of all sectors listed on the Indonesia Stock Exchange 2007-2011 period as sample.

## **CONCLUSIONS AND LIMITATIONS**

### **Conclusion**

Based on the results of data analysis, discussion and research objectives to analyze the influence of institutional ownership, managerial ownership, Profit Margin on Sales (PMS), Return On Equity (ROE) and Basic Earning Power (BEP) to debt policy at food and beverage manufacturing sub- in the period 2012-2016 the following conclusions are obtained:

Institutional ownership (KPI) partially has a negative and significant effect on debt policy, this means when the KPI is higher then the DER will be lower. Companies with higher institutional shareholdings than share ownership by others will be more effective at controlling the use of funds by corporate managers.

Managerial ownership (KPM) is partially positive and insignificant to debt policy, this means that managerial ownership has no effect on debt policy. Food and beverage sub-sector manufacturing companies still have relatively small number of managerial ownership shares.

Profit Margin on Sales (PMS) partially has a negative and significant effect on debt policy, it means that the higher the PMS the lower the DER. the greater the profit the debt policy will decrease because the company will choose internal funding first.

Return On Equity (ROE) partially have a positive and significant impact on debt policy, if ROE is higher then DER will be higher. The company's ability to restore equity / shareholder capital is high then debt policy will be higher. When the company experiences high profits, the company will pay dividends to shareholders, the higher the company's ability to recover the less equity, because the amount of profit used to reinvest in order to raise the value of the company so that the company will tend to borrow or debt to increase capital for invest.

Basic Earning Power (BEP) partially have a negative and significant effect on debt policy, if the BEP is higher then DER is lower. The results of this study support the pecking order theory that prioritizes internal funding. The company's ability to generate higher operating profits then the company will tend to reduce its debt obligations.

### **Limitations**

This study has the limitations of the research period that is only 5 years back (2012-2016) moment after the global crisis, if the research done before, after and after the global crisis then the results will be better. Difficulty

in searching stock ownership data, if the stock ownership data is good then the result will be better. The few variables so that the results less reflect the determinants of debt policy as well as data still occur positive autocorrelation.

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