

Managerial Ownership and Debt to Equity Ratios: A Study In Jakarta Islamic Index

Linda Wahyuni¹, Trie Nadilla², Ali Muhayatsyah³
^{1,2,3} Institut Agama Islam Negeri Lhokseumawe, Aceh, Indonesia

Email corespondent: trienadilla@iainlhokseumawe.ac.id

ABSTRAK: Faktor internal dan eskternal yang memicu naik turunnya harga saham dapat ditinjau dari bagaimana proyeksi kinerja sebuah perusahaan dan kebijakan pemerintahnya, dimana idealnya performa atau kinerja perusahaan dan kebijakan pemerintah dijadikan acuan bagi para investor maupun analis fundamental dalam melakukan pengkajian terhadap saham perusahaan. Terjadi penurunan yang signifikan pada perusahaan *Jakarta Islamic Index* salah satunya disebabkan karena ada beberapa saham kontruksi yang sangat membebani kinerja indeks seperti PTPP, WIKA, PGAS yang pelemahan sejak awal tahun (ytd) 2022 mencapai 30%. PT Wijaya Karya Tbk (WIKA) dan PT PP Tbk saat ini yang masih mempunyai arus kas yang negatif. Kas operasional PT Wijaya Karya Tbk (WIKA) tercatat negatif Rp 5,13 triliun, sedangkan PT PP Tbk (PTPP) negatif Rp 1,02 triliun. Penelitian ini bertujuan untuk menganalisis pengaruh kepemilikan manajerial terhadap *debt to equity ratio* pada perusahaan yang terdaftar di *Jakarta Islamic Index* (JII). Datanya yang digunakan dalam penelitian ini adalah data sekunder yang diperoleh dari laporan keuangan perusahaan yang terdapat di *Jakarta Islamic Index* (JII) diterbitkan oleh Bursa Efek Indonesia Sampel penelitian menggunakan metode *purposive sampling*. Pengujian dalam penelitian ini menggunakan metode analisis statistik deskriptif, pemilihan model regresi data panel, uji asumsi klasik, dan pengujian hipotesis. Hasil pengujian hipotesis menunjukkan bahwa kepemilikan manajerial tidak berpengaruh terhadap kebijakan utang.

Kata kunci: *Jakarta Islamic Index, Debt, Managerial Ownership*

ABSTRACT: *The internal and external factors that trigger the rise and fall of share prices can be seen from the projected performance of a company and its government policies, where ideally the company's performance or performance and government policies are used as a reference for investors and fundamental analysts in conducting studies on company shares. There was a significant decline in the Jakarta Islamic Index companies, one of which was due to several construction stocks which weighed heavily on the performance of the index, such as PTPP, WIKA, PGAS, which weakened since the beginning of 2022, reaching 30%. PT Wijaya Karya Tbk (WIKA) and PT PP Tbk currently still have negative cash flow. PT Wijaya Karya Tbk (WIKA)'s operational cash was recorded at negative IDR 5.13 trillion, while PT PP Tbk (PTPP) was negative IDR 1.02 trillion. This research aims to analyze the influence of managerial ownership on the debt to equity ratio in companies listed on the Jakarta Islamic Index (JII). The data used in this research is secondary data obtained from company financial reports contained in the Jakarta Islamic Index (JII) published by the Indonesia Stock Exchange. The research sample used a purposive sampling method. Testing in this research uses descriptive statistical analysis methods, panel data regression model selection, classical assumption testing, and hypothesis testing. The results of hypothesis testing show that managerial ownership has no effect on debt policy.*

Keywords: *Jakarta Islamic Index, Debt, Managerial Ownership*

1. INTRODUCTION

An important factor in efforts to achieve corporate prosperity is to increase the prosperity of the company above all as seen from the good management of the company. One of the indicators of progress in corporate management is the availability of sources of corporate funds which plays a key role in industrial sustainability. The source of funds in each company can come from internal and external sources of the company. Funds sourced from within the company are in the form of retained earnings, namely profits that have yet to be distributed by stock exchange or company losses that are still being retained. Meanwhile, funds from corporate finance are obtained from creditors who provide loans in the form of debt and from owners who receive capital (Ahyuni, 2018).

The Indonesian Stock Exchange has three indexes that are the home for sharia shares, namely the Indonesian Sharia Stock Index, the Indonesia Sharia Stock Index (ISSI), the Jakarta Islamic Index 70 (JII70) and the Jakarta Islamic Index (JII). This research only examines the Jakarta Islamic Index (JII). The Jakarta Islamic Index (JII) is one of the alternative benchmarks of choice for investors who are interested in the capital market but have sharia principles, namely that investors can buy shares that are categorized as sharia in the JII constitution. This index can be used as a basis for an investment portfolio, with the regularity of looking more specifically at the JII constituent shares and the performance of the company itself.

In 2023 Director of Development of the Indonesian Stock Exchange (BERI) Jerffrey Herndrik said that the decline in various sharia indexes on the Indonesian stock market during the beginning of this year was caused by market mechanism. BERI noted that various sharia indexes on the Indonesian stock market experienced weakness. Among them, Jakarta Islamic Index (JII) was recorded at 7.16 per cent (ytd), Indonesia Sharia Stock Index (ISSI) was at 7.74 per cent (ytd), Jakarta Islamic Index 70 (JII70) was at 5.49 per cent, IDX Sharia Growth average 5.94 percent (ytd). The Gaburan Stock Price Indicator (IHSG) year to date (ytd) is 150.90 points or 2.20 per year to 6,699.72.

Many companies are struggling and growing due to financial failures, but there are also many companies that are experiencing bankruptcy due to large debts and bankruptcies. Corporate turnover refers to the choice between debt and capital (debt or capital) which will influence the company's capital structure which will reflect the motivation of managers of the current structure to increase the value of the company. Capital structure fluctuations are very important for companies because there is a difference between the rate of return and the risk in debt utilization.

The choice of alternatives for increasing capital originating from debt is generally based on cheap considerations, it is said to be cheap because the burnt costs that must be borne by the company are smaller than the profits obtained from utilizing the debt. Trader-off theory predicts that in looking for a relationship between capital structure and company value, there is an optimal level of leverage (debt ratio). The decline in debt will increase the value of the company to the regular (optimal) leverage limit, and the level of debt reduction will reduce the value of the company, because the use of debt to the optimal leverage will result in greater bankruptcy costs (Myres, 1984).

Managers have the ability to exploit high debt not on the basis of maximizing the value of the company but rather on the basis of their opportunistic interests. This will result in an increase in the company's burnt costs because the risk of bankruptcy is higher, so debt management costs are higher.

The increase in manufacturing costs will have an impact on the decline in company value. Managerial ownership in its relationship with debt and dividend policies plays an important role in controlling company losses so that they are compensated by the desires of stock exchange (bonding merchandise). Low leverage is expected to reduce the risk of bankruptcy and financial distress, which can give rise to managerial conflicts, such as through assertive turnover and bankruptcy, so that managerial ownership is linked to the risk of bankruptcy. Research suggests that managerial ownership has a significant influence and has a negative impact on debt policy (Putri, et al. 2018).

Research from Dersi Nurr Amiliyah, "The Erfferct Of Frerer Cash Flow, Company Sizer, Institutional Ownership, Managerial Ownership, Profitability And Assert Structure On Ther Derbt Policy Of Manufacturing Companies". The results of the hypothetical study suggest that cash flow, corporate size, institutional ownership and managerial ownership have a positive influence on debt policy.

The percentage of share ownership by the managerial party or often referred to as a situation where the manager owns company shares or in other words the company manager is also a shareholder of the company will be able to align the interests of management and shareholders, so that the manager will experience the benefits directly and decisions are taken correctly and feel a loss if the decision taken is wrong, especially when making decisions regarding the disbursement of funds whether through debt or rights issues. If funding is obtained through debt, it means the debt to equity ratio will increase, which will ultimately increase risk.

2. METHOD

This research is a causative quantitative research, which is a type of research that aims to understand the extent of the independent variables (based variables) to determine the dependent variables (bound variables) in a system or phenomenon. The method used is panel data regression. With a total sample in the research of 30 samples from 5 companies and a 6 year period (2019-2023) with a list of companies as follows :

ANTM	PT Aneka Tambang Persero Tbk
ICBP	PT Indofood Cbp Sukses Makmur Tbk
INDF	PT Indofood Sukses Makmur Tbk
PGAS	PT Perusahaan Gas Negara Persero Tbk
PTBA	PT Tambang Batubara Bukit Asam Persero Tbk
UNRV	PT Unilever Indonesia Tbk

Previously, this research used purposive sampling with criteria :

- a. Companies registered sequentially in the Jakarta Islamic Institute for the 2019-2023 period.
- b. Reports of corporate deficiencies that have been audited and present a fair opinion report without irregularities (WTP)

- c. Companies that have positive cash flow

Managerial Ownership

Managerial ownership is measured in accordance with the proportion of share ownership owned by the managerial manager. Management ownership is a change in shares from management who actively participate in making corporate governance (directors and commissioners), changes reduce the nominal scale.

Dihitung menggunakan rumus :

$$\text{Managerial Ownership} = \frac{\text{Managerial share ownership}}{\text{Outstanding share}}$$

Managerial ownership is measured in terms of the proportion of share ownership owned by the manager. Management ownership is a change of shares from management parties who actively participate in taking over the turnover of the company (directors and commissioners), the change reduces the nominal scale.

Debt to Equity Rasio (DER)

Debt policy is a comparison between total debt and total debt, determining the amount of company operations financed from external parties. Debt to Equity Ratio (DER) which is a comparison between total debt and total security of shares.

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

Selection of Panel Data Regression Model

Modern selection (estimation techniques) for testing the regression equations to be estimated can be used, namely the stationary test, Chow test, Hausman test and Lagrange Multiplier test. Meanwhile, the estimation method used uses three alternative approaches to the processing method, namely the Common Effect Model method or Pooled Least Squares (CEM), Fixed Effect Model (FEM) method, and Random Effect Model (REM) method.

3. RESULT AND DISCUSSION

Ownership structures are very important in influencing debt policy. In the managerial ownership structure, the company's insiders (insiders) have a large degree of authority to implement debt policies. The higher the managerial ownership, the higher the managerial policy in utilizing debt. This is because the greater control of managers makes them able to carry out investments better so that they can use additional funds through financial losses.

Company managers who own shares can directly feel the benefits of making a mistake and can also feel the loss and suffer the consequences if the mistake they take is wrong, so that company managers will try their best to manage the company and be more careful in making decisions turtursan. Usually company managers are more likely to take advantage of low debt and minimize the level of risk.

Statistic Descriptive Analysis

	X	Y
Mean	19.01458	1.228046
Median	18.41893	0.860612
Maximum	24.18051	3.928398
Minimum	16.62877	0.374953
Std. Dev.	2.439130	1.042133
Skewness	1.019900	1.552299
Kurtosis	2.546541	4.001685
Jarque-Bera	5.458011	13.30238
Probability	0.065284	0.001292
Sum	570.4375	36.84139
Sum Sq. Dev.	172.5313	31.49518
Observations	30	30

- Debt to Equity Ratio (DER) is a dervardern variable which has a minimum value of 0.374, a maximum value of 3.928, a mean (average) value 1.228, and a standard deviation value of 1.042.
- Managerial ownership is an internal variable that has a minimum value of 0, a maximum value of 0.650, a mean (average) of 0.108, and a standard deviation of 0.246.

Tabel 1
Hasil Uji *Stasioner* Variabel X

Null Hypothesis: D(X2,2) has a unit root
Exogenous: Constant
Lag Length: 3 (Automatic - based on SIC, maxlag=7)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-10.38726	0.0000
Test critical values:		
1% level	-3.737853	
5% level	-2.991878	
10% level	-2.635542	

Based on table 1, the results of the stationary test of variable constant serberar 0.00 at level 2 (different sercond level) then the data has become stationary and can be continued to search for the best model for the next survey.

The influence of managerial ownership on the Debt to Equity Ratio

Based on the results of the regression coefficient calculations, it can be concluded that managerial ownership has a probability value of 0.27 which is greater than 0.05 and with a value of 1.119 which is smaller than t_{table} 2.055, then the variable of managerial ownership has no influence on Debt to Equity Ratio in companies registered in Jakarta Islamic Index year 2019-2023.

Managerial ownership does not affect the debt policy on corporate securities because the company uses debt not only for the company's productive matters but also for the company's productive matters which can reverse the company's losses so that the company can pay its obligations. Apart from that, debt instruments are used by companies to expand the scope of company operations, such as acquiring companies or merging company branches.

Managerial ownership also has a large amount of control and is brave enough to take risks and reduce investment capital losses with a high expectation of failure, however, in this case, managerial ownership cannot always take part in taking risks. Managerial ownership does not have a significant influence on debt policy, because the proportion of share ownership by general managers is relatively small compared to other share trading groups so that the manager's vote does not have an influence in the General Meeting of Shareholders (RUPS).

CONCLUSION

Managerial ownership has no influence on the Debt to Equity Ratio. The higher the managerial ownership of the company's documents, the greater the level of debt policy in his employment.

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