



The Analysis of Financial Performance in Moderating Determinant of Company Debt Policy

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Abstrak

Tujuan penelitian adalah mengkaji peran kinerja keuangan dalam memoderasi pengaruh kepemilikan manajerial, kebijakan dividen, pertumbuhan perusahaan, dan ukuran perusahaan terhadap kebijakan hutang. Populasi penelitian sejumlah 138 perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia (BEI) periode 2013-2015. Pemilihan sampel menggunakan metode purposive sampling yang diperoleh sejumlah 333 unit analisis. Teknik analisis menggunakan analisis regresi moderasi dengan uji nilai selisih mutlak. Pertumbuhan perusahaan dan ukuran perusahaan berpengaruh positif signifikan terhadap kebijakan hutang. Kebijakan dividen berpengaruh negatif signifikan terhadap kebijakan hutang, sedangkan kepemilikan manajerial tidak berpengaruh terhadap kebijakan hutang. Kinerja keuangan memoderasi secara signifikan pengaruh kepemilikan manajerial dan ukuran perusahaan terhadap kebijakan hutang, namun tidak memoderasi pengaruh kebijakan dividen dan pertumbuhan perusahaan terhadap kebijakan hutang. Berdasarkan hasil penelitian, dapat disimpulkan bahwa kebijakan hutang perusahaan dipengaruhi oleh kebijakan dividen, pertumbuhan perusahaan, dan ukuran perusahaan, serta kinerja keuangan dapat memoderasi pengaruh kepemilikan manajerial dan ukuran perusahaan terhadap kebijakan hutang.

Abstract

The aims of the study are to examine the role of financial performance in moderating the influence of managerial ownership, dividend policy, firm growth, and firm size towards debt policy. The populations of the study are 138 companies which are listed in the Indonesia Stock Exchange (BEI) during 2013-2015 period. Data were selected by purposive sampling method obtained by 333 unit of analysis. Moderated regression analysis by difference absolute value test was used to analyse data. Firm growth and firm size had a significant positive effect on debt policy. Dividend policy had a significant negative effect on debt policy, while managerial ownership didn't have significant effect on debt policy. Financial performance moderates significantly the effect of managerial ownership and firm size on debt policy, but unable to moderate the influence of dividend policy and corporate growth on debt policy. Based on the research result, it can be concluded that the company's debt policy is influenced by dividend policy, firm growth and firm size, and financial performance can moderate the effect of managerial ownership and firm size on debt policy.

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INTRODUCTION

Company is established with the purpose of maximalizing the prosperity of shareholder by maximalizing the price of company's common share (Brigham and Houston, 2013). The purpose can be achieved depends on the company's policy including debt policy. Debt policy is a part of company funding policy which is set by management to use external funding resource in order to fund company activities. Kieso et al. (2008) explain that debt selection compared to share issuance make the company possible to increase equity without giving too much ownership control unless if it is needed. Brigham and Houston (2013) explain that debt financing has two eminences: (1) the interest paid for the debt can reduce tax and (2) return on debt to the creditor is fixed so that it will be profitable for the shareholder if the company performance increases. Simanjuntak and Kiswanto (2015) propose the consequence of the use of debt fund resources that the company should obey the debt agreement. Therefore, debt policy should be managed well to achieve the company goals and to avoid the company from financial difficulty so that it is expected to increase the value of the company.

The phenomenon finds that there are several companies went bankrupt and had to be liquidated as they suffered financial difficulties in fulfilling debt obligations, such as Enron (2001), Bakrie Life (2008), and Batavia Air (2013). Enron was declared bankrupt in 2001 as it bore enormous amount of debt with minimum assets. It happened as the management did many acquisition without considering the internal condition of the company so that the company bore \$ 31,2 billion debt (www.koran-sindo.com). Bakrie Life was also declared bankrupt as it was unable to pay 360 billion rupiah debt in 2008 to its customers. It had liquidity difficulty (www.merdeka.com). Besides, bankruptcy also happened to PT Metro Batavia in 2013 for bore \$ 4,6 million debt from plane rental agreement in December 2009 until December 2015 (www.detiknews.com). Previous facts of company bankruptcy prove the importance of a good debt policy management by company management. Keown et al. (2000) explains the possibility of the company unable to fulfil the debt in debt agreement increases with the more and more debt used. The good debt policy management will avoid the company from financial difficulties in the future to fulfil the obligation of interest instalment on debt.

Results of previous studies related to determinant of the company's debt policy are not consistent. Research gap in managerial ownership variable found in Haruman (2008) and Cebula (2016) which show the positive and significant influence, while in Indahningrum and Handayani (2009) and Susanti and Mayangsari (2014), the results are insignificant. Dividend policy variable shows result of positive and significant influence in Haruman (2008) and Suryani and Khafid (2015). The result of studies conducted by Indahningrum and Handayani (2009) and Karinaputri and Sofian (2012) show insignificant result. Firm growth or company growth variable related to its influence on debt policy that is investigated in studies conducted by Sudiyatno and Sari (2013) and Susanti and Mayangsari (2014) result that there is significant positive influence, while in studies by Abor (2008) and Surya and Rahayuningsih (2012), the result is insignificant. Previous researches of firm size are conducted by Abor (2008), Susanto (2011) and Narita (2012). The result shows that it has positive and significant influence, besides, researches conducted by Akoto and Vitor (2013) and Margaretha (2014) gained insignificant result. Inconsistent result of previous researches gives opportunity to this research to add financial performance as moderating variable. Astuti et al. (2014) state that financial performance is the determiner of certain size which able to measure the company success to result profit. Financial performance which is measured by profitability ratio is expected to give explanation related to the inconsistency of company debt policy determinant. Therefore, this research is aimed to study factors influencing management in making debt policy of the company which are managerial ownership, dividend policy, firm growth, and firm size moderated by financial performance.

This research is based on agency theory and trade-off theory. Jensen and Meckling (1976) describe agency theory as interest difference between manager and shareholder which affects on the emergence of a conflict of interest. This conflict appears as manager hold less than 100 percents of residual claim (Harris and Raviv, 1990 in Abor, 2008). This theory explains that to reduce the conflict, shareholder supervises management actions in which the supervision enables what is called as agency cost. Debt funding is one of mechanisms to reduce agency cost in the company. Wilandri explains that the use of debt can reduce agency problems because of two reasons. First is that increasing debt will minimise share proportion that is issued by the company. Thus, it will minimise agency problems between manager and shareholder. Second reason is that with the use of debt, free cash flow will get smaller as it is used to pay interest instalment of the debt. Thus it can limit the management to use free cash flow to fund little investment or giving no additional value to the company and shareholder.

Trade-off theory explains that firm uses debt in optimal proportion by maximalizing the benefit of the debt, which is tax reduction and minimising bankruptcy emerges from the debt. This theory explains that the use of debt by the company is permitted as long as it gives benefit from the tax on interest paid out of debt. Myers (1984) states that company which follows trade-off theory in its decision-making will determine debt ratio gradually according to the determined target. Targeting the debt ratio is different in a company and another as the characteristics of each company is not the same (Myers, 1984). Jensen and Meckling (1976) in Riadani and Wahyudin (2015) explain that managerial ownership is one of main corporate governance mechanisms which helps controlling agency problems. Managerial ownership aimed to reduce agency problems as management has two roles, as manager and the part of the company. Decision-making by the management is expected to be in line with the purpose of the shareholder which is increasing profit of the company. Haruman (2008) states that company with high managerial ownership level is influential to the debt use to incline. Management will make decision to maximalize the proportion of debt use as in trade-off theory. The rise of fund source from debt can be used by the management to cost profitable investment so that it will affect the increase of company profit in the future.

H₁: Managerial ownership has positive influence on debt policy

Agency theory explains that high dividend pay-out ratio is one of the ways to reduce agency cost of the firm. Dividend policy is integral part of firm funding decisions (Van Horne and Wachowicz, 2014). High ratio of dividend pay-out affects the internal fund source of the firm which is getting smaller. It explains the need of additional fund to cost operational activity and investment of the firm, which the alternative fulfilment is by using debt. Suryani and Khafid (2012) explain that high dividend policy affects the increase of firm debt. It refers to the trade-off theory which states that debt is chosen as fulfilment of the needs of fund as the company obtains tax savings over interest expense paid. Furthermore, the theory also states that the use of debt in firm should be determined in optimum level. It is done to avoid the firm from bankruptcy risk which is increasing as the emergence of possible financial difficulties over high debt use and exceeds the capacity or firm ability.

H₂: Dividend Policy has Positive Influence on Debt Policy

Company growth level shows to what extent the firm uses debt as its fund source. Companies with high growth level will require the availability of adequate funds. Susanti and Mayangsari (2014) state that the higher company growth encourages the higher use of debt to cost the company's funding need. Debt can be used by management as fund source in order to fund company growth. Referred to trade-off theory, it is explained that the high use of debt is expected to increase the value of the company in certain level.

Besides, this theory also states that the use of debt is one of mechanisms to reduce agency cost which is borne by the company so that it is expected to encourage the company to achieve its purpose.

H₃: Company Growth has Positive Influence on Debt Policy

Frank and Goyal (2005) explains that big companies have been at diversify and have lower failure risk and have reputation in debt market. Trade-off theory states that companies with low risk will use higher debt proportion. Besides, big companies reflect bigger assets ownership so that it can be used as guarantee of the debt. It explains that creditor will prefer to give the fund to the big companies rather than small companies. Abor (2008) proposes that firm size or company size has positive significant influence on debt policy. Big company reflects high information asymmetry between internal and external party (Margaretha, 2014). Usually, big company has more shareholders that the possibility of the agency problem to arise is higher Referring to agency theory, it is explained that agency problem can be minimalized with the use of debt. High debt will require management to be more efficient and discipline in managing the company as it relates to obligation fulfilments. It is expected to be able to increase the financial performance so that the purpose of the company can be achieved.

H₄: Firm Size has Positive Influence on Debt Policy

Previous study of managerial ownership, firm growth (company growth), and firm size (company size) on debt policy gained inconsistent result. The research gap indicates there is another variable that plays role in influencing managerial ownership, dividend policy, company growth, and firm size on debt policy. This research uses financial performance measured with profitability as moderating variable. Profitability explains the ability of the company to generate profit in certain period (Munawir, 2012). Choosing profitability as moderating variable is based on assumption that management will limit the use of debt when the company suffers loss. The loss reflects that the risks faced by the company increases. Referring to trade-off theory, company with high risk will limit the use of debt as the ownership of the debt will increase bankruptcy risk of the company. Company with high managerial ownership in high level of profit will encourage the management to increase the use of debt. The analysis will be different if the company profit is not stable, in which the high level of managerial ownership will encourage management to use debt in low proportion. It happens because profit reflects the risk faced by the company. Company with unstable profit reflects the high risk so that the management will prefer to use fund from equity and limit the use of debt (Brealey et al., 2011).

H₅: Profitability Moderates the Influence of Managerial Ownership on Debt Policy Significantly

Company with high profits reflects low risk that the company will face in the future. Referring to the trade-off theory which states it will encourage the management to use debt in higher level. The debt use is utilized by management meant to increase dividend pay-out to the shareholder which is expected to be able to reduce the asymmetry between the management and the shareholder. High profit in company encourages management to increase dividend pay-out ratio. High dividend pay-out ratio reflects the increase of the use of internal fund so that debt can be used to fund operational activities and investment. In the other side, when the company profit is not stable or low, it will increase the risk that limits managerial behaviour to use the debt. It happens because debt addition will increase bankruptcy risk because cash inflow is instable.

H₆: Profitability Moderates the Influence of Dividend Policy on Debt Policy Significantly

Hardiningsih and Oktaviani (2012) state that company with bigger profit reflects that the company has quite big chance to develop its business. One of alternatives to fund business development is by using debt. It explains that high company growth in a stable profit condition will increase the use of debt, in which the debt will be used to fund business development. This is contradictive if the profit growth is instable, in which, according to Brealey et al. (2011) it affects to managerial behaviour to limit debt use. Companies with high growth but having cash flow showing

unstable profit will encourage the management to limit the use of debt and choose equity fund to cost the growth. It happens as the management wants to divide the risk faced by the company to the new shareholder so that it will reduce the risk faced by the company and old shareholder.

H₇: Profitability Moderates Significantly the Influence of Company Growth on Debt Policy

Brigham and Houston (2013) explains that the company with unstable and fluctuate profit, if the other things are the same, will face bigger bankruptcy thus it will use lesser debt rather than company with stable profit. It explains why bigger companies with stable profit face lower risk as it makes the management possible to increase the use of the debt. Therefore, the increasing size of the company which is followed by good profit will encourage the higher use of debt. In the opposite, big companies with unstable profit will use lesser debt as the use of debt will affect on the increasing risk of the company. Besides, smaller companies with good profit will encourage the management to increase the use of debt. It happens as the creditor will get more interested to invest to companies with more beneficial profit.

H₈: Profitability Moderates Significantly the Influence of Company Size on Debt Policy

According to the framework above, the research method of this research can be seen in figure 1 below

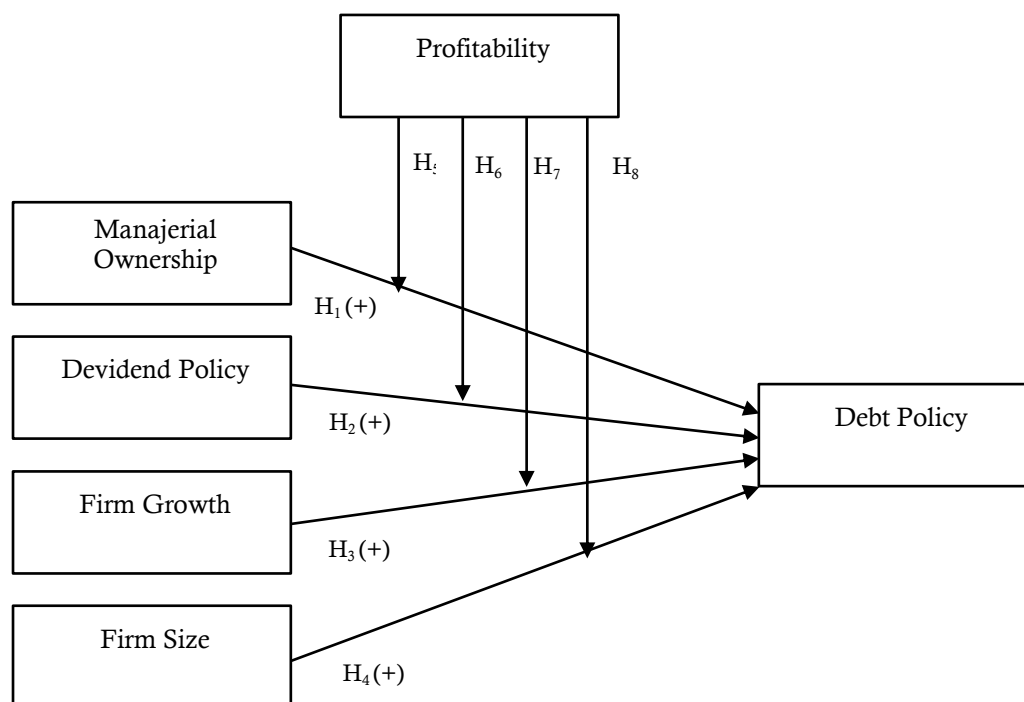


Figure 1 Research Model

METHODS

This study is quantitative research with using secondary data. Research data are financial statement of manufacture companies gained from official website of Indonesian Stock Exchange (www.idx.co.id) the population are manufacture companies registered in Indonesian Stock Exchange during 2013-2015. There are 138 companies. Samples are taken by using purposive sampling and gained 333 analysis units. Samples are chosen based on these criteria. Manufacturing companies that are consistent to be registered in Indonesia Stock Exchange in 2013-2015.

Manufacturing companies which publish annual financial statement in 2013-2015 in rupiah currency. Manufacturing companies that have complete data during 2013-2015

Table 1. Operational Definition of Variables

Variable	Operational Definition	Indicator
Debt Policy (LTDER)	Management act to fund operational of the company by using capital which come from debt (Karinaputri and Sofian, 2012)	$\frac{\text{Total Long Term Debt}}{\text{Total Equity}}$
Managerial Ownership(INSD)	The level of share owned by management which actively participate in decision-making process (Riadani and Wahyudin, 2015)	$\frac{\text{Share amount of management}}{\text{Total listed share}}$
Dividend Policy(DPR)	Company decision to decide how much revenue shared to the shareholder or even hold it to be invested back to the company (Larasati, 2011)	$\frac{\text{Dividend Per Share}}{\text{Profit Per Share}}$
Company Growth (GROWTH)	The conception of the company from one period to another (Hardiningsih and Oktaviani, 2012)	$\frac{\text{Total Year Assets}_t - \text{Total Year}_{t-1}}{\text{Total Year Assets}_t}$
Company Size(SIZE)	Company size reflects the size of the assets (Gitman and Zutter, 2012 in Margaretha, 2014)	Log Total Asset
Profitability(ROA)	Company ability to result profit in certain period (Munawir, 2012)	$\frac{\text{Net Profit after Tax}}{\text{Total Assets}}$

Sources: Researcher Summaries, 2017

The data is collected by using documentation methods over audit financial statements of corporate audit. Research hypotheses are tested by using moderation analysis regression with absolute difference value test. Classical assumption test is conducted before hypotheses test so that test result will meet BLUE (*Best Linear Unbiased Estimated*) criteria. The model used in this study can be formulated as follows:

$$Y_{\text{LTDER}} = \alpha + \beta_1 \text{INSD} + \beta_2 \text{DPR} + \beta_3 \text{GROWTH} + \beta_4 \text{SIZE} + \beta_5 |\text{INSD-ROA}| + \beta_6 |\text{DPR-ROA}| + \beta_7 |\text{GROWTH-ROA}| + \beta_8 |\text{SIZE-ROA}| + e$$

RESULTS AND DISCUSSIONS

Classical Assumption is a hypothesis test used in research which shows that whether the regression model is appropriate or not to do the next testing (Ghozali, 2013). It is a precondition before the hypothesis test, but shows the problem of data normality. Corrective action to solve data normality problem is outlier data detection and data transformation by using square root (SQRT). Later, after the other classical assumptions as linearity, multicollinearity, autocorrelation, and heteroscedasticity, the data is stated to be free from problems so that the next test, hypothesis test, can be conducted.

Determination coefficient value in adjusted R^2 column in research model gained result of 0.262. It means that the research model used is able to explain 26.2% variation of the company debt policy. The result of the hypothesis can be seen in table 2.

Table 2. Hypothesis Tests

No.	Hypothesis	β	Sig	\square	Result
1.	H ₁ : Managerial Ownership has positive influence on debt policy	-0.021	0.781	0.05	Rejected
2.	H ₂ : Dividend policy has positive influence on debt policy	-0.311	0.000	0.05	Rejected
3.	H ₃ : Company growth has positive influence on debt policy	0.230	0.000	0.05	Accepted
4.	H ₄ : Company growth has positive influence on debt policy	0.305	0.000	0.05	Accepted
5.	H ₅ : Profitability moderates the influence of managerial ownership on debt policy	-0.211	0.009	0.05	Accepted
6.	H ₆ : Profitability moderates the influence of dividend policy on debt policy	0.032	0.605	0.05	Rejected
7.	H ₇ : Profitability moderates the influence of company growth on debt policy	-0.060	0.380	0.05	Rejected
8.	H ₈ : Profitability moderates the influence of company size on debt quality	0.172	0.010	0.05	Accepted

Source: Processed Secondary Data, 2017

Agency theory states that managerial ownership will decrease conflict of interest between management and shareholder. The existence of managerial ownership shows that the manager has double roles as the manager and the company owner. It effects to the decision-making by management party which is in line with the purpose of the shareholder, that is maximising company profit. Besides, trade-off theory also states that in debt use, company will gain benefit for tax reduction from interest instalment. Thus, it is expected to be able to increase company value. Based on research result, it is known that managerial ownership has no influence on debt policy. The findings empirically show that giving share to manager unable to encourage the increase of debt use as said by agency theory and trade-off theory. This result is relevant with research results of Indahningrum and Handayani (2009), Hardiningsih and Oktaviani (2012), and Susanti and Mayangsari (2014).

Ownership structure of share capital of the company according to records in financial statement also states that beside managerial ownership, institutional ownership and foreign ownership also dominate the company. This insignificant result is possible as share ownership by institution more dominates the management in making company policies, including debt policy. Karinaputri and Sofian (2012) state that the existence of institutional ownership affects the debt use in company to decline.

Institutional ownership reflects that the institution (financial institution, insurance company, and bank) supervises management performance in managing the company. Institutional supervision will give pressure to management so that in policy-making, it will lead to policy making with the smallest risk. It pushes the management to make internal fund in funding decision-making which uses retained profit and depreciation rather than uses debt. The analysis is as described in pecking-order theory which states that the company prefers to use internal fund rather than determine target over debt to avoid the increase of risk which possibly faced by the company.

Dividend policy has negative influence on debt policy. Dividend policy behaviour on debt policy is not in line with trade-off theory concept, which explains that the high use of debt will gained benefit of tax reduction so that it is expected to increase company value. Besides, agency theory explanation which states that the company uses debt as mechanism to reduce agency problem is also unable to be accepted. The result is in line with the following results of researches conducted by Ismiyati and Hanafi (2003) and Susanto (2011) which conclude that dividend policy has negative influence on debt policy. A study conducted by Negash (2013) also states that high debt policy will lead the decrease of company long-term debt. Referring to pecking order theory, high dividend policy does not show the high use of debt as company has quite much internal fund to fulfil its funding needs. Company with high dividend policy will encourage low debt use. Bhaduri (2002) states that dividend pay-out and debt funding will replace each other in reducing agency problems in company. Dividend pay-out ratio is seen to be able to reduce agency problem between management and shareholder. Therefore, debt use with the purpose to reduce agency problem is no longer needed so that it leads to the inclination of debt use.

Company growth has positive influence on debt policy. Brigham and Gapenski (1996) in Karinaputri and Sofian (2012) explain that a growing company needs bigger external fund, in which one of the alternative funding is by using debt. The result is in line with result of study conducted by Sudiyatno and Sari (2013) which state that a company with high growth encourages higher debt use. Besides, Karinaputri and Sofian (2012) also state that company growth has significant positive influence on debt policy. The result agrees with trade-off theory and agency theory. Funding with debt based on trade-off theory is chosen because the emergence of interest cost can be used by the company to reduce tax paid. Although it has the same purpose as capital payback or investment invested, capital payback to shareholder in the form of dividend does not functions as tax reduction. Therefore, funding from debt is preferable as company gains more advantage like tax reduction. Besides, it refers to agency theory which explains that debt use is one of mechanisms to reduce agency problem. Debt is used as supervision tools to manager so that the manager will act discipline in managing the company. Van Horne and Wachowicz (2014) state that high level debt creates incentives to the management to be more efficient. The high use of debt reflects the amount of obligation that should be paid by the management related to the instalment and interest charge that emerge over the debt so that it encourages the management to work more efficiently and more disciplined and limit useless expense to be able to fulfil the obligation of the debt.

Company size has positive influence on debt policy. In this research, company size is being proxy by using total logarithm of the company's assets. The result shows that big assets ownership can be used by management as guarantee to gain more debt. This result is in line with result of study conducted by Susanto (2011) and Sudiyatno and Sari (2013) which explain that bigger company size affects the increase of debt use. Besides, Abor (2008) also states that there is positive and significant influence of company size on debt policy. Susanto (2011) states that bigger company will gain debt from creditor easily as the information of its internal condition can be also gained easily. Trade-off theory states that companies with low risk will use the debt higher. Bigger companies that have been diversified, known widely, and have more assets as guarantee reflects the low failure refund risks so that the creditor will trust the fund to the bigger companies more than smaller companies. It will increase the possibility of agency problem. Therefore, to reduce the emergence of agency problem, one of the alternatives is by using debt.

Direct influence of managerial ownership on debt policy gained insignificant result. The existence of profitability in moderating the influence of managerial ownership on debt policy shows that there is significant influence. This result means that the inconsistent result of previous studies of indirect influence of managerial ownership on debt policy is caused by another variable which takes role. Another variable is profitability. Agrees with trade-off theory, it is explained that companies

with high managerial ownership with stable profit will encourage the management more to increase the use of debt. In the other side, companies with high managerial ownership are possible to use low debt. This condition is possible when financial performance of the company with profitability indicator is not in good condition. Thus, it explains that there is moderation of profitability variable on managerial ownership influence towards debt policy. Management will limit the use of debt when profit is not stable. Brigham and Houston (2013) state that in companies with instable profit and cash flow, if the other things are the same, will tend to limit debt use. Decision of debt limitation is chosen as debt use will increase bankruptcy risk. Companies which get instable profit reflect the high risk of bankruptcy so that the management will avoid debt use in order to make bankruptcy risks to not increase.

Study result shows that profitability does not moderates the influence of dividend policy on debt policy. It means that profitability is unable to be determinant of the increase or decrease of debt use which is influenced by dividend policy as explained in trade-off theory. The theory explains that companies with high bankruptcy risk encourage the management to limit debt use. Profitability is one of analysis tools of company long term risks which reflect cash inflow. It explains that companies with stable profit reflects less bankruptcy risk rather than companies with fluctuate profit as there are fund or cash certainties that into the company. Trade-off theory concept which states that companies with high dividend ratio pay-out encouraged by stable profit will increase debt is not accepted. Company bankruptcy risk can be predicted in several ways. Profitability ratio is one of the ways to predict company bankruptcy viewed from financial performance. Hanafi and Halim (2012) propose several indicators to assess corporate bankruptcy; they are rivalry faced by company, company strategy, management quality, and ability in cost controlling. Besides that, business risk difference faced by one company and another encourages difference of debt use in one company and another. Referring to trade-off theory, it is explained that company with high business risk faces higher bankruptcy risk so that is encourages the management to limit debt use.

Profitability is used to moderates the influence of company growth on debt policy. The research result shows that stable company profitability is unable to encourage the increase of company growth influence on debt policy. It means that the increasing and decreasing company growth on debt policy unable to be predicted by company profitability. Profitability as analysis tool of long-term risk is expected to be able to reflect bankruptcy level faced by company. It happens because profitability explains cash inflow, so that company with stable cash flow reflects the certainty of business sustainability in the future. According to Hanafi and Halim (2012), there are several indicators to assess company bankruptcy; they are rivalry faced by company, company strategy, management quality, and ability to control cost. Those explain that there are other variables which can predict company debt policy. Trade-off theory explains the difference of ratio debt use between companies as the effect of business risk faced by company. Referring to trade-off theory, company that grows by using debt will consider business risk. High business risk reflects the increase of bankruptcy risks so that it will limit the management in using debt, and vice versa, low business risk is expected to encourage management to use higher debt.

Profitability moderates the influence of company size on debt policy. Research result explains that big companies with stable profit encourage high use of debt. On the other side, big companies also possible to use low debt when the profit is not in good condition. That gives explanation that the influence of company size on debt policy also gets influenced by another variable, company profitability. High potential of profitability in a company reflects high cash inflow of the company. Related to the big cash inflow, it will emerge conflict of interest with the use of the fund. Agency theory states that high profitability can be used to pay off instalment and interest over debt so that it will reduce information asymmetry between management and shareholder. In line with trade-off theory, high-level profitability reflects low risk that the company face so that it encourages the

company to increase debt use in company capital structure. Brigham and Houston (2013) state that company with labile profit, if other things are the same, faces higher bankruptcy cost thus it will use less debt rather than companies with stable profit. Therefore, it can be concluded that profitability determines the influence of company size on company debt policy

CONCLUSIONS

This research concludes that company growth and company size has positive and significant influence on debt policy, dividend policy has negative and significant influence on debt policy, and managerial ownership has no influence on debt policy. Financial performance moderates the influence of managerial ownership and company size on debt policy, but financial performance is unable to moderate the influence of dividend policy and company growth on debt policy. Inadequacy of this research is that the coefficient value is low, so that further research is expected to use control variable of company size. Further research is also expected to use another moderating variable of business risk to moderate the influence of dividend policy and company growth on debt policy.

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