

THE EFFECT OF PROFITABILITY, COMPANY GROWTH, BUSINESS RISK, MANAGERIAL OWNERSHIP AND INSTITUTIONAL OWNERSHIP ON DEBT POLICY IN SUB-MINING COMPANIES COAL SECTOR LISTED ON THE IDX

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Abstract

This study aims to determine the effect of profitability, company growth, business risk, managerial ownership, and institutional ownership on debt policy in mining companies listed on the Indonesia Stock Exchange. The data used in this study are secondary data from 16 mining companies listed on the Indonesia Stock Exchange. The method used to analyze the relationship between the independent variables and the dependent variable is the panel data regression method. The results of the study indicate that profitability has a positive and significant effect on debt policy in coal mining companies listed on the Indonesia Stock Exchange. Company growth has a positive and significant effect on debt policy. Business risk has a negative and significant effect on debt policy. Managerial ownership has no significant effect on debt policy. Institutional ownership has no significant effect on debt policy. Overall, profitability, company growth, business risk, managerial ownership, and institutional ownership have a positive and significant effect on debt policy.

Keywords: *Profitability, company growth, business risk, managerial ownership, institutional ownership, debt policy*

INTRODUCTION

Every company requires an optimal funding policy to carry out its activities, including debt management. Debt policy is part of a company's funding policy and is a crucial decision (Nurdyastuti et al., 2021). Debt policy reflects the management's decision to increase or decrease debt to obtain funding sources for the company, allowing it to finance its operational activities. In company management, managers play a crucial role in strategic decision-making related to operations and business development. One form of strategic policy that reflects managerial actions is debt policy. This policy is closely related to how a company funds its activities, both for operational purposes and business expansion. Every decision regarding the use of debt carries financial risk; the greater the debt used, the greater the risk of default the company faces (Sahrullah and Yunilma, 2021). Debt policy is crucial for every company, including mining companies. In 2024, PT Harum Energy Tbk, a Kalimantan-based coal mining company, embarked on a strategic transformation by focusing its business on the nickel sector, a key commodity for electric vehicle batteries.

Instead of expanding coal production capacity, the company halted expansion in that sector and used profits from coal operations to acquire a controlling stake (51%) in PT Blue Sparking Energy's nickel smelter for USD 206 million, while increasing its ownership in other nickel smelters. This effort aligns with global capital market pressures that increasingly favor environmentally friendly metals, as well as the need to maintain the company's value for investors. This corporate action is expected to boost nickel revenue contribution to approximately half of total revenue by the end of 2024, significantly increasing from only around 10% in the previous year. PT Harum Energy Tbk's shift in business focus to the nickel sector is closely linked to the company's debt policy. This business transformation requires significant investment capital for the acquisition of processing plants and the development of nickel infrastructure. Although the company generates profits from coal sales, internal funds alone are often insufficient to fund such a significant expansion in such a short time. Debt policy is a crucial decision that reflects a company's

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financing strategy for operational and business expansion. Several financial ratios commonly used in financial analysis are used to measure debt policy, including the Debt Ratio (DR), Debt to Equity Ratio, Times Interest Earned (TIE), Interest Coverage Ratio, and Capitalization Ratio. Furthermore, this study uses the Debt to Equity Ratio (DER) as an indicator to measure debt policy. DER shows the ratio between a company's total debt and total equity, thus illustrating the extent to which a company relies on borrowed funds in its capital structure. The development of data for several mining companies is as follows:

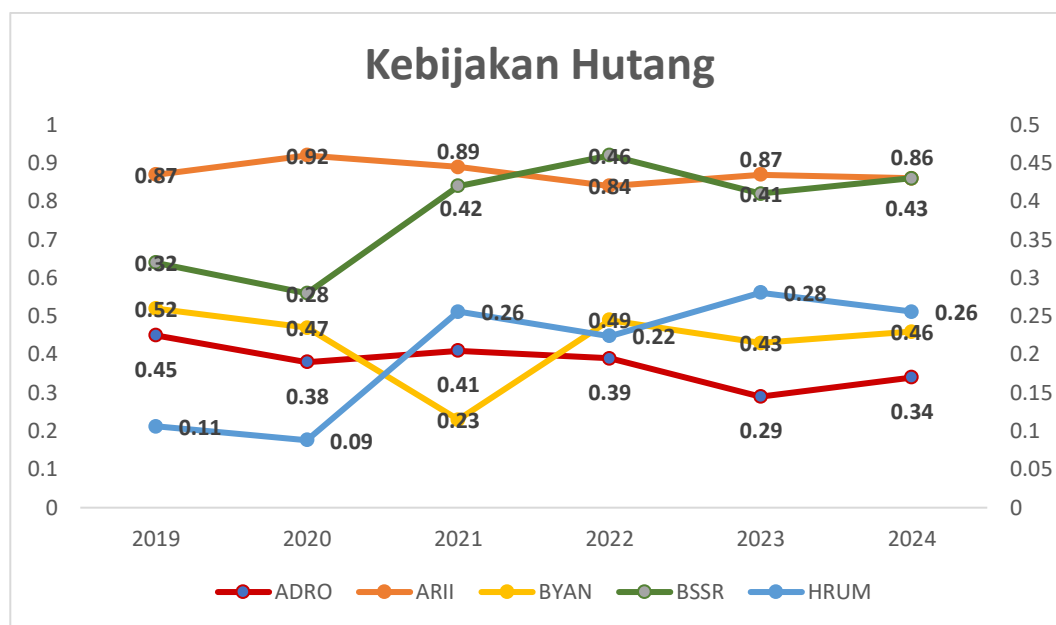


Figure 1.1
Mining Company Debt Policy
Source : www.idx.co.id(2024)

Figure 1.1 above shows the debt policies of several mining companies during the 2019-2024 period, with significant variations in the use of debt by each company. PT. Atlas Resources Tbk (ARII) has the highest debt ratio, indicating a heavy reliance on debt-based financing for its operations, while PT. Harum Energy Tbk (HRUM) has the lowest ratio, reflecting a more conservative financial strategy. PT Adaro Energy Indonesia Tbk (ADRO) and PT. Bayan Resources Tbk (BYAN) show a downward trend in their debt ratios, which may reflect better debt management efforts or increased profitability. Conversely, PT. Baramulti Suksessarana Tbk (BSSR) shows a slight improvement in its debt policy, although it remains at a moderate level. An interesting phenomenon in the development of mining companies in Indonesia can be seen from a comparison of debt policies from 2019 to 2024. Based on data from four major companies in this sector—ADRO, ARII, BSSR, and BYAN—ARII consistently has significantly higher debt levels than the others, with a debt ratio consistently above 0.84 each year. In contrast, BYAN exhibits relatively low debt levels and even experienced a significant decline in 2021. This striking difference reflects variations in the implementation of each company's capital structure strategy. According to capital structure theory, specifically the trade-off theory, companies with high profitability tend to use greater debt to maximize company value through tax shields. However, the level of debt use is also closely related to the business risk factors faced, the company's growth rate, and ownership structure, both managerial and institutional. This variation in debt policy can be explained by the influence of independent variables such as profitability, company growth, business risk, managerial ownership, and institutional ownership.

According to Suleman et al. (2020), profitability is a company's ability to generate profits or earnings during a specific period. In this study, profitability is proxied by Return on Assets (ROA), a ratio that measures a company's ability to generate net income from its total assets. A high ROA indicates management efficiency in managing assets to generate profits. Profitability can influence debt policy because businesses with high profitability are considered capable of funding their activities. According to the pecking order theory, high profitability indicates low debt levels because high profitability indicates a company has abundant internal funding (Kosim et al., 2024). This is in line with the view of Myers and Majluf (1984), who stated that companies prefer internal financing due to lower asymmetric

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information costs. The phenomenon between profitability and debt policy in Mining Companies in this study is taken from one of the sample companies, namely PT Adaro Energy Indonesia Tbk, namely the phenomenon that occurred in 2023. In 2023, the company's profitability decreased by 0.16% compared to 2022 of 0.23%, but the debt policy actually decreased in 2023, namely 0.29% compared to 2022 of 0.39%. Several studies have found that profitability has a negative effect on debt policy (Safitri & Wulanditya, 2017; Aisyah & Sitohang, 2021; Perdianti & Murtianingsih, 2023; Fauzi et al., 2022; Lestari & Sidik, 2022). However, other studies have found that profitability has no effect on debt policy (Unnuriyah & Septriana, 2021; Sahrullah & Yunilma, 2021). Meanwhile, Nurhalis et al. (2018) and Kosim et al. (2024) found that profitability actually has a positive effect on debt policy. Furthermore, when determining debt policy, company growth is one of the factors considered. A company's ability to grow larger is known as corporate growth. According to Sudradjat (2022), corporate growth is the rate of fluctuation between the increase and decrease in a company's total assets. The more a business grows, the more funding is needed and the more debt is used (Saputri et al., 2020).

The phenomenon between company growth and debt policy in Mining Companies in this study is taken from one of the companies PT Adaro Energy Indonesia Tbk as a phenomenon that occurred in 2023. In 2023 the company's growth increased by 0.87% compared to 2022 of 0.71% but the debt policy actually decreased in 2023, namely 0.29% compared to 2022 of 0.39%. Several studies have found that company growth has a positive effect on debt policy (Nurhalis et al., 2018; Sahrullah & Yunilma, 2021). Other studies have found that company growth has no significant effect on debt policy (Fauzi et al., 2022; Kosim et al., 2024). Maulesu (2021) shows that growth in some companies does not always require external financing through debt. The next factor is business risk. Business risk is the possibility of adverse conditions occurring in a company's operations, which can impact revenue and profitability. High business risk often makes companies more cautious in their debt policy decisions due to uncertainty about their ability to meet financial obligations. Companies with high business risk tend to have more conservative debt policies to avoid difficulties in meeting financial obligations.

The phenomenon that occurred at the company Adaro Energi Tbk with the Company Code ADRO was as in 2022. In 2022, business risk increased by 0.31% compared to 0.23% in 2021, but debt policy actually decreased in 2022, namely 0.39% compared to 0.41% in 2021. Furthermore, ownership structure plays a crucial role in explaining a company's debt policy. Ownership structures can include individual investors, government institutions, and private institutions. Ownership percentage is determined by the number of shares held relative to the company's total shares (Syadeli, 2013). Jensen and Meckling (1976) suggested that managerial share ownership can mitigate agency conflicts between owners and managers of a company. When managers also act as owners (shareholders), they tend to be more cautious in making financial decisions, including regarding the use of debt, because the company's financial risks directly impact their personal wealth. This managerial ownership has the potential to minimize excessive risk-taking, resulting in a more conservative debt policy. Research by Safitri and Wulanditya (2017) and Aisyah and Sitohang (2021) found that managerial ownership is insignificant in determining a company's debt policy.

An interesting phenomenon is observed in ARII companies, where managerial ownership is very low, at only 0.01% throughout the 2019-2023 period, but their debt policy is very high, reaching 0.87 to 0.92. This phenomenon reflects that when managers have little share ownership, they tend to rely more heavily on debt as a source of corporate financing. This may occur because low managerial ownership reduces managers' incentives to manage financial risk prudently, making them more willing to use large amounts of debt. This phenomenon supports agency theory, where low managerial involvement in share ownership can increase the potential for conflicts of interest between managers and shareholders, which then influence the company's financial decisions. Jensen & Meckling (1976) proposed that institutional ownership refers to the ownership of shares in a company by institutions. Institutional ownership, as large shareholders, plays a crucial role in controlling the interests of managers, including shareholders, and can minimize agency conflicts that arise between managers and shareholders. Safitri and Wulanditya (2017) found that institutional ownership negatively impacts debt policy. However, Aisyah and Sitohang (2021) concluded that institutional ownership has no significant effect on debt policy.

LITERATURE REVIEW

The Effect of Profitability on Debt Policy in Mining Companies Listed on the Indonesia Stock Exchange

Profitability is a company's ability to generate profits and its relationship to sales, total assets, and equity. Companies that generate substantial profits will have the ability to meet their needs and finance internally. The higher the profit, the less debt the company will need to incur to cover its operational costs. Research result Safitri and Wulanditya (2017), Aisyah and Sitohang (2021), Perdianti and Murtianingsih (2023), Fauzi et al. (2022), and Lestari

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and Sidik (2022) concluded that profitability negatively influences debt policy. These results indicate that the higher a company's profitability, the lower its propensity to take on debt because the company has sufficient internal funds.

H1 : Profitability has a negative effect on debt policy

The Influence of Company Growth on Debt Policy in Mining Companies Listed on the Indonesia Stock Exchange

Company growth is the rate of fluctuation between the increase or decrease in a company's total assets (Sudradjat, 2022). Changes in a company's total assets are referred to as company growth (Lanjas et al., 2021). The more a business grows, the more funding is needed and debt is used (Saputri et al., 2020). Company growth will result in increased investment in company assets and ultimately require the provision of funds to purchase assets (Pradhana et al., 2014). According to Farhana et al., (2016) sales growth forms a relevant indicator through market income due to the company's products and/or services, where the income generated from sales can be used to estimate the quality of sales growth. The greater the sales growth of a company, the easier it will be for the company to borrow from creditors and will make it easier for the company to make additional loans to banks (Pradhana et al., 2012). Research by Nurhalis et al. (2018) and Sahrullah and Yunilma (2021) found that company growth positively influences debt policy. This indicates that growing companies tend to increase debt to fund expansion.

H2 : Company growth has a positive effect on debt policy

The Influence of Business Risk on Debt Policy in Mining Companies Listed on the Indonesia Stock Exchange

Business risk is the possibility of adverse conditions occurring in a company's operations, which can impact revenue and profitability. High business risk often makes companies more cautious in their debt policy decisions due to uncertainty about their ability to meet financial obligations. Companies with high business risk tend to have more conservative debt policies to avoid difficulties meeting financial obligations during revenue fluctuations. Companies with high business risk tend to use small amounts of debt or avoid debt altogether. This is done to avoid greater risks, such as being unable to repay debt or reducing the company's liquidity. According to Dewa, Mahsuni, & Junaidi (2019), business risk is significantly related to debt policy. Meanwhile, according to Suhartatik & Budiarti (2018), business risk is not significantly related to debt policy.

H3 : Business risk has a negative impact on debt policy

The Influence of Managerial Ownership on Debt Policy in Mining Companies Listed on the Indonesia Stock Exchange

Managerial ownership, i.e., the ownership of company shares by management or managers, also influences debt policy. Jensen and Meckling (1976) suggest that managerial share ownership can mitigate agency conflicts between owners and managers. When managers also act as owners (shareholders), they tend to be more cautious in making financial decisions, including the use of debt, because the company's financial risks directly impact their personal wealth. This managerial ownership has the potential to minimize excessive risk-taking, thus tending to make debt policy more conservative. Managerial ownership is the percentage of shares held by shareholders. A company's managers, who are also shareholders, align the interests of management and shareholders. Shareholders entrust managers with the responsibility to manage and operate their company. The presence of managers within a company is crucial for decision-making regarding the company they manage. Managers must carefully consider the nature and source of funds they choose when making decisions. Managers directly benefit from correct decisions and will suffer losses if they make incorrect ones. Managerial ownership forces managers to strive to run and manage the company to the best of their ability. Decisions must be acceptable to all parties and not favor any particular party. Managerial ownership is highly beneficial, as managers participate in the ownership of company shares. Managers will then strive to increase the company's value and enjoy their share of the profits (Chamdiyah, 2019). Research results according to (Rahayu & Yasa 2018), (Zurriah, 2018), (Ginting & Pandia, 2020) and (Amilia & Asyik 2019) revealed that managerial ownership has a negative correlation with debt policy, which means that the greater the managerial ownership, the smaller the debt policy.

H4 : Managerial Ownership has a negative effect on debt policy

The Influence of Institutional Ownership on Debt Policy in Mining Companies Listed on the Indonesia Stock Exchange

Institutional ownership, which acts as a major shareholder, plays a crucial role in controlling the interests of managers, including shareholders, and can minimize agency conflicts that arise between managers and shareholders.

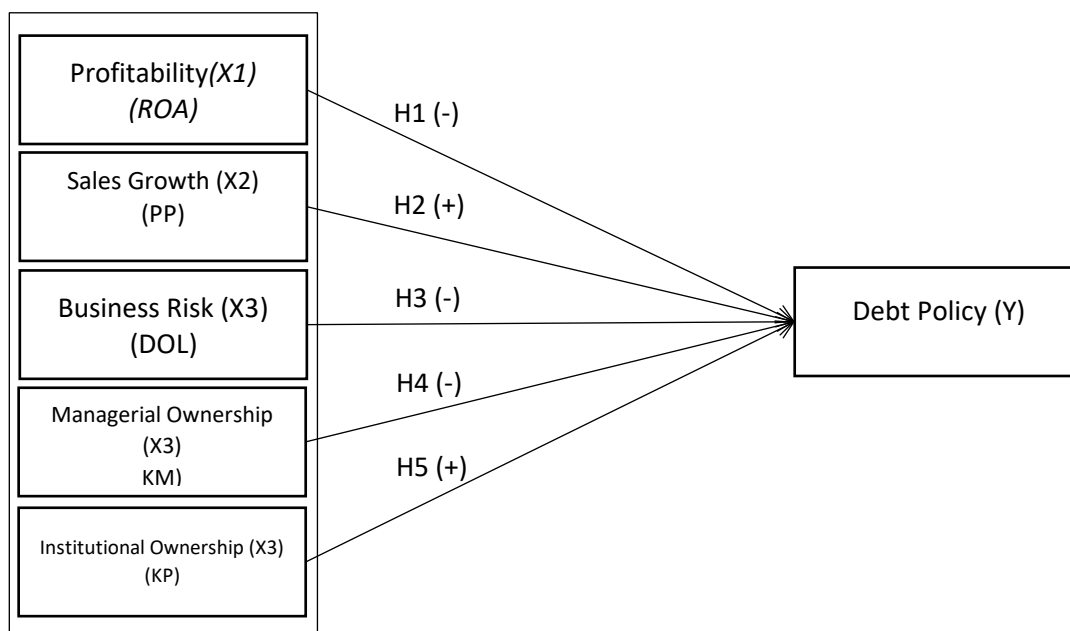
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Through institutional leadership, manager behavior can be better controlled, ultimately minimizing the use of corporate debt (Nazula, 2021).

Safitri and Wulanditya (2017) found that institutional ownership negatively impacts debt policy, meaning the greater the institutional ownership, the less likely a company is to take on debt. However, Aisyah and Sitohang (2021) concluded that institutional ownership has no significant impact on debt policy. Institutional ownership can positively influence debt policy because institutions have greater authority than other shareholders. Institutions can choose high-risk projects in the hope of achieving substantial returns. Other studies have shown that institutional ownership has a positive influence on debt policy (Trisnawati, 2016; Daud et al., 2016; Wardhani, 2017; Yolana and Clara, 2021).

H5 : Institutional ownership has a positive effect on debt policy



Multicollinearity Test

The results of the multicollinearity test can be seen based on the correlation test. The table above shows that this model is free from multicollinearity problems with correlations below 0.8. Company growth and profitability have a correlation of $0.35 < 0.8$ and are significant at 1%, business risk and profitability have a correlation of $0.7 < 0.8$ and are significant at 1%; managerial ownership structure and profitability have a correlation of $0.2 < 0.8$ and are significant at 5%. Institutional ownership structure and profitability have a correlation of $-0.2 < 0.8$ and are significant at 5%. Business risk and company growth have a correlation of $0.4 < 0.8$ and are significant at 1%, managerial ownership and company growth have a correlation of $0.0007 < 0.8$ and are not significant. Institutional ownership structure and company growth have a correlation of $-0.12 < 0.8$ and are not significant. Furthermore, managerial ownership and business risk have a correlation of $-0.07 < 0.8$ and are not significant. Institutional ownership structure and business risk have a correlation of $-0.17 < 0.8$ and are not significant. Institutional ownership structure and managerial ownership structure have a correlation of $-0.5 < 0.8$ and are not significant. Based on the research results, it can be concluded that there is no correlation between the independent variables in the study.

Heteroscedasticity Test

The aim of heteroscedasticity testing is to determine whether there is inequality in the residual variance of other observations in the regression model. If the variance of the residuals from one observation to another remains constant, it is called homoscedasticity, but if it is different, it is called heteroscedasticity. (Widarjono, 2017) The model selected in this study is the Random Effect Model, so a heteroscedasticity test is not necessary. If the best model selected is the Random Effect Model, a heteroscedasticity test is not necessary. This can be concluded that the Random Effect Model uses the GLS method (Widarjono, 2018).

Autocorrelation Test

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Based on the Eviews output results, it shows that the Durbin Watson value is 0.3885, because the dw value is between -2 and +2, so in this study it is concluded that there are no interfering errors between time series.

Panel Data Model Selection

The models used in panel data regression are the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). The first test performed is the Chow Test. The Chow Test compares the CEM and FEM models. The Chow Test table in this study is as follows:

Table 1 Chow Test Results

Redundant Fixed Effects Tests

Equation: Untitled

Cross-section fixed effects test

Effects Test	Statistics	df	Prob.
Cross-section F	22.5723	(15.75)	0.0000
Cross-section Chi-square	163.9079	15	0.0000

Source: Processed Data (2024)

Based on the table2 above shows that the Chi-Square row probability value in the Chow test is 0.0000. This value is below 0.05. If the Chi-Square probability value is less than 0.05, then the best model is the fixed effect model. Based on the Chow test, the best model in this study is the Fixed Effect Model (FEM), so a test is needed to see between the Fixed Effect Model (FEM) and the Random Effect Model. The test that can be done to compare the Fixed Effect Model (FEM) and the Random Effect Model is the Hausman Test. The results of the Hausman Test in this study are as follows:

Table 2 Hausman Test Results

Correlated Random Effects - Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. df	Prob.
Random cross-section	4.6046	5	0.4660

Source: Processed Data (2025)

Based on the table2 above, the probability value is 0.4660. This value is above the significance level of 0.05. Based on the Hausman test, the best model in this study is the Random Effects Model (REM).

Random Effect Model Results

Based on the model selection in this study, the selected model is a random effect model. The reason for choosing a random effect model is because based on the Chow test, the significance value is less than 0.05 and the Hausman test, the significance value is greater than 0.05. Then, in the Breusch-Pagan Lagrange Multiplier Test, the significance value is less than 0.05. This model is used to examine the influence of profitability variables, company growth, business risk, managerial ownership, and institutional ownership on debt policy in coal mining companies listed on the Indonesia Stock Exchange. The results of the panel data regression of the Random Effect Model are as follows:

Table 3 Panel Data Regression Equation (Random Effect Model)

Dependent Variable: DER

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.4057	0.0954	4.2510	0.0001

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ROA	0.2733	0.1177	2.3214	0.0225
PP	0.0321	0.0157	2.0404	0.0442
DOL	-0.5515	0.0850	-6.4826	0.0000
KM	0.0011	0.0018	0.6350	0.5270
KI	0.0004	0.0011	0.3973	0.6921
R-squared	0.3701	Mean dependent var		0.0813
Adjusted R-squared	0.3351	SD dependent var		0.0981
SE of regression	0.0800	Sum squared residual		0.5768
F-statistic	10,5762	Durbin-Watson stat		2.0135
Prob(F-statistic)	0.0000			

Source: Processed data (2025)

Based on table 4.6 above, the regression equation that can be compiled in this study is as follows:

$$DER = 0.40 + 0.27 ROA + 0.03 PP - 0.55DOL + 0.001KM + 0.004KI + e_{it}$$

Based on the equation above, it can be explained that:

1. A constant of 0.40 means that if profitability, company growth, business risk, managerial ownership and institutional ownership are considered constant (with a value of 0), then the debt policy has a fixed value of 0.40.
2. The profitability regression coefficient value of 0.27 indicates a positive (unidirectional) relationship, meaning that every 1% increase in profitability causes debt policy to increase by 0.27%.
3. The value of the company growth regression coefficient of 0.03 indicates a positive (unidirectional) relationship, which means that every 1% increase in company growth causes debt policy to increase by 0.03%.
4. The business risk regression coefficient value of -0.55 indicates a negative relationship (not in the same direction) which means that every 1% increase in business risk causes debt policy to decrease by 0.55%.
5. The managerial ownership regression coefficient value of 0.001 indicates a positive (unidirectional) relationship, meaning that every 1% increase in managerial ownership causes debt policy to increase by 0.001%.
6. The regression coefficient value of institutional ownership of 0.0004 indicates a positive (unidirectional) relationship, meaning that every 1% increase in institutional ownership causes debt policy to increase by 0.0004%.

Simultaneous Significance Test (F Test)

The f test is used to understand whether the variable profitability, company growth, business risk, managerial ownership and institutional ownership have an overall effect on debt policy by estimating the F-statistic. If the F-statistic > F-table with probability then they jointly influence the capital structure F-table (k-1) (nk) = (5-1) (96-5) = (4) (91) the result is 2.471. The following are the results of simultaneous testing (F Test) in this study, among others:

Table 4
Simultaneous Test Results (F)

F-statistic	F-table	Alpha	Probability	Information
10,5762	2,471	0.05	0.000	Significant

Data processed by researchers, 2025

Judging from the table above, it shows a value of $10,572 > 2,471$, which means that the calculated F-value is greater than the F-table value with a probability value of $0.000 < 0.05$, so it can be concluded that simultaneously profitability, company growth, business risk, managerial ownership and institutional ownership have a positive and significant effect on debt policy.

RESULTS AND DISCUSSION

The Effect of Profitability on Debt Policy in Coal Mining Companies in the Indonesia Stock Exchange

The research results show that profitability has a positive and significant effect on debt policy in coal sub-sector companies listed on the Indonesia Stock Exchange. This finding indicates that the higher a company's profitability, the greater its tendency to use debt in its financing structure. This positive and significant relationship indicates that profitability is a significant factor influencing a company's decision to adopt debt policy. This research finding is inconsistent with the theory underlying the initial hypothesis, which states that increased profitability will

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reduce a company's tendency to adopt debt policy. Theoretically, this refers to the pecking order theory proposed by Myers and Majluf (1984), which states that companies prefer internal financing over external financing. In this context, companies with high profitability should use retained earnings to finance their investment activities, as internal funding sources are considered the safest and do not incur fixed obligations such as interest or principal payments. Therefore, more profitable companies are expected to reduce their reliance on debt. This research finding supports the Trade-Off Theory, as it shows that profitable companies actually use debt as a capital structure optimization strategy. The Trade-Off Theory explains that companies seek an optimal capital structure by balancing the tax benefits of debt (the tax shield) with bankruptcy costs. Profitable companies have substantial taxable income, so they are more inclined to use debt to take advantage of the tax shield from debt interest.

The study's findings indicate that coal sub-sector companies generally have large, capital-intensive projects. Therefore, despite their high profits, they still require additional debt financing for expansion, heavy equipment acquisition, or mining exploration. Furthermore, this sector also faces fluctuating commodity prices, so profitable companies may capitalize on their favorable financial condition to obtain loans more easily. These findings align with those of Nurhalis et al. (2018) and Kosim et al. (2024), which found that profitability positively impacts debt policy. This suggests that increasing profitability will improve a company's debt policy. However, these findings refute the findings of Safitri and Wulanditya (2017), Aisyah and Sitohang (2021), Perdianti and Murtianingsih (2023), Fauzi et al. (2022), and Lestari and Sidik (2022), which concluded that profitability negatively impacts debt policy.

The Influence of Company Growth on Debt Policy in Coal Mining Companies in the Indonesia Stock Exchange

The research results show that company growth has a positive and significant impact on debt policy in coal sub-sector companies listed on the Indonesia Stock Exchange. This finding indicates that the higher a company's sales, the greater its likelihood of using debt in its financing structure. A positive and significant relationship indicates that increased sales drive increased debt use. This research finding aligns with Signaling Theory, as companies exhibiting strong sales performance tend to be trusted by external parties and exploit this situation to increase funding through debt. According to signaling theory, companies with strong performance (indicated by high sales) will send a positive signal to creditors and investors. Companies with high sales are considered more capable of generating cash flow to repay debt, thus making it easier to obtain loans. The coal industry is a capital-intensive sector. Increased sales often signal companies to undertake expansion, such as opening new mines or increasing production capacity, which require additional funding. Thus, even though companies have revenue from sales, they still use debt to support business growth. The research results are in line with previous findings which found that company growth has a positive effect on debt policy (Nurhalis et al, 2018; Sahrullah & Yunilma, 2021).

The Influence of Business Risk on Debt Policy in Coal Mining Companies in the Sub-Sector on the Indonesia Stock Exchange

The research results show that business risk has a negative and significant effect on debt policy in coal sub-sector companies listed on the Indonesia Stock Exchange. This finding indicates that the higher the level of business risk faced by a company, the lower the tendency to use debt in its financing structure. A negative and significant relationship indicates that increasing business risk is consistently accompanied by a decrease in debt use. These results support the Trade-Off Theory, which states that companies choose a conservative capital structure when facing high risk. According to the Trade-Off Theory, companies will consider the benefits and costs of using debt. In this context, companies with high business risk experience high revenue volatility, thus making their ability to repay debt unstable. Therefore, companies with high business risk tend to avoid using debt, as the potential for bankruptcy and fixed interest expenses increases when company revenue fluctuates. The coal industry is heavily influenced by fluctuations in global commodity prices, changes in environmental regulations, and energy demand. These factors make this sector inherently high in business risk. Companies with high business risk tend to use small amounts of debt or avoid debt altogether. This is done to avoid greater risks, such as being unable to repay debt or reducing company liquidity. The results of this study reject the research conducted by (Suhartatik & Budiarti, 2018) which stated that business risk has no significant relationship with debt policy.

The Influence of Managerial Ownership on Debt Policy in Coal Mining Companies in the Sub-Sector on the Indonesia Stock Exchange

The research results show that managerial ownership has no effect on debt policy in coal sub-sector companies listed on the Indonesia Stock Exchange. This finding indicates that the proportion of shares owned by managers or internal parties does not influence the company's decision to use debt as a funding source. In other words,

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managerial ownership does not significantly contribute to the leverage level of companies in the coal sector. The research results reject agency theory, which states that managerial ownership should be able to reduce conflicts of interest between managers and shareholders. When managers own shares, they have an incentive to act in the company's best interests, including in financing decisions such as the use of debt. The research results align with research conducted by Safitri and Wulanditya (2017) and Aisyah and Sitohang (2021), which found that managerial ownership is insignificant in determining a company's debt policy. However, the research results reject the research results according to (Rahayu & Yasa 2018), (Zurriah, 2018), (Ginting & Pandia, 2020) and (Amilia & Asyik 2019) which revealed that managerial ownership has a negative correlation with debt policy, which results in the greater the managerial ownership, the smaller the debt policy.

The Influence of Institutional Ownership on Debt Policy in Coal Mining Companies in the Indonesia Stock Exchange

The research results show that institutional ownership has no effect on debt policy in coal sub-sector companies listed on the Indonesia Stock Exchange. This finding indicates that the level of share ownership by institutions, such as investment companies, pension funds, or banks, does not significantly influence company decisions in determining capital structure, particularly regarding the use of debt. According to agency theory, institutional ownership is considered a monitoring mechanism for company management. The presence of institutional investors is expected to control management policies to align with shareholder interests, including in financing decision-making. The results of this study are inconsistent with research that states institutional ownership has a positive influence on debt policy (Trisnawati, 2016; Daud et al., 2016; Wardhani, 2017; Yolana and Clara, 2021).

CONCLUSION

The research results show that the three regression coefficients are positive and significant for the dependent variable. The regression model can be further explained as follows:

1. Partially, profitability has a positive and significant effect on debt policy in coal mining companies listed on the Indonesia Stock Exchange. This indicates that companies with high profitability tend to use debt as a source of financing to support operational activities and expansion.
2. Partially, company growth has a positive and significant effect on debt policy. This means that companies with large sales volumes have a better capacity to meet debt obligations and therefore tend to utilize debt financing.
3. Partially, business risk has a negative and significant effect on debt policy. This indicates that the higher the business risk a company faces, the lower its tendency to take on debt to mitigate potential financial stress.
4. Partially, managerial ownership has no significant effect on debt policy. This indicates that financing structure decisions are not influenced by the level of share ownership by company management.
5. Partially, institutional ownership had no significant effect on debt policy. This indicates that institutional ownership is also not a factor influencing debt policy in coal sub-sector companies.
6. Overall profitability, company growth, business risk, managerial ownership and institutional ownership have a positive and significant effect on debt policy

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