Research of Finance and Banking
p-ISSN/e-ISSN:2987-288X/2987-2871
Homepage: https://sanscientific.com/journal/index.php/rfb
2(1) 51-63 (2024)
https://doi.org/10.58777/rfb.v2i1.214

Research Article

Do Managerial and institutional Ownership, Company Growth and Size effect on Debt Policy?

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Received: 31-03-2024; Accepted: 24-04-2024

Abstract
This research aims to examine the influence of managerial ownership, institutional ownership, company growth, and company size on debt policy. This research uses descriptive quantitative type. This research uses a population of food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange (BEI) in 2017-2021. The sampling technique in this research was purposive sampling, and a sample of 7 companies was obtained. This research uses secondary data, namely annual financial reports obtained from the official website of the Indonesian Stock Exchange (IDX). The analytical method used is multiple regression analysis. The research results show that managerial ownership, institutional ownership, company growth, and company size do not affect debt policy. Managerial implications. Firstly, discuss implications related to managerial ownership. Second, discuss implications related to institutional ownership. Thirdly, discuss implications related to company growth. Lastly, discuss implications related to company size. Understanding these implications can aid managers in formulating effective debt policies to optimize firm performance and mitigate financial risks. Further research avenues are also suggested to deepen the understanding of these dynamics. They need to understand the risks and potential benefits of using debt, as well as consider external factors such as market conditions and regulations.

Keywords: Managerial Ownership, Institutional Ownership, Company Growth, Company Size, Debt Policy.

JEL Classification: G1, L2, O4

How to cite: Rivani, D., Ghazali, M., Oktavia, D., (2024). Do Managerial and institutional Ownership, Company Growth and Size effect on Debt Policy? *Research of Finance and Banking (RFB) 2(1)*, 51-63

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1. Introduction

Companies must have the right goals in establishing them so that they can face competitive competition and maintain their survival. A company generally carries out its operational activities with the aim of making a profit (Santosa et al., 2023). In realizing these goals, a company often faces various problems, including three main problems that are related to each other. These problems include investment decisions, funding policies, and company growth.

Corporate debt is very closely related to the capital structure of a company. The greater the proportion of funding that comes from debt, the company's risk also increases (Murtini, 2019). Debt policy is a way for companies to utilize external funding facilities (debt) so that the amount used can minimize the amount of risk that the company must bear, such as the advantages of this debt (Prathiwi & Yadnya, 2017). Debt policy often triggers a conflict between management and shareholders (Zurriah & Sembiring, 2018). So, debt policy is a decision taken by management to determine the amount of debt in its funding sources which is useful for financing the company's operational activities.

Debt policy is an alternative external funding that needs to be carried out by companies to fund company operations. The debt often symbolizes debt policy to total asset ratio (DAR), which is one of the ratios used to measure a company's solvency level (Sari, 2019). Debt policy can be used to create the desired company value, but determining debt policy also depends on the size of the company (Santosa et al., 2022) (Setyoko, 2017). In certain compositions, debt will increase company productivity, thereby increasing company value. On the other hand, if the composition is excessive, what will happen is a decrease in company value. Debt policy will have a disciplinary impact on managers to optimize the use of existing funds (K.S & Lidya, 2020).

Increasingly competitive competition demands managers flexibility in anticipating future changes to adjust and make funding decisions quickly and accurately (Rokhman, 2017). The thing that must be considered when making decisions about using debt is the amount of fixed costs in the form of interest, which will cause financial leverage to increase and the rate of return for ordinary shareholders to be increasingly uncertain. The use of debt can be profitable for companies, especially in terms of reducing the amount of tax that must be paid to the government. Declaring a decrease in the amount of tax that must be paid can increase the amount of cash available to be distributed to shareholders and creditors. According to (Desrin et al., 2018), in determining debt policy, there are several factors considered by companies in general, such as liquidity, sales growth, profitability, managerial ownership, institutional ownership, company growth, and company size (Santosa et al., 2022).

The first factor that influences debt policy in this research is managerial ownership. According to Pasaribu (2019), managerial ownership is the owner/shareholder by company management who actively plays a role in company decision-making. Managerial ownership is a condition where managers have a dual role as company shareholders and as management who have the authority to make decisions. Managerial ownership will align the manager's position with other shareholders so that they will act in line with other shareholders (Saputri & Santoso, 2023). However, a level of Managerial Ownership that is too high can also have a negative impact on the company (Ardianingsih & Ardiyani, 2017).

This research is in line with research conducted by (Murtini, 2019), (Zurriah & Sembiring, 2018) and (Rezki & Anam, 2020), which state that managerial ownership influences debt policy. However, this contradicts the results of research (Adnin, 2021), which states that managerial ownership has little effect on debt policy.

The second factor that influences debt policy in this research is institutional ownership. Institutional ownership is the proportion of share ownership owned by institutions or institutions such as insurance companies, banks, investment companies, and other institutional ownership (Dewi & Abundanti, 2019). Institutional ownership will give rise to supervision over debt policy. The existence of institutional ownership is expected to encourage more optimal supervision of management performance because, usually, the investments made by institutional parties are quite large in the capital market. This opinion will, of course, have an impact on the level of debt used by managers (Sari, 2019). The existence of institutional investors is considered capable of being an effective monitoring mechanism in every decision taken by managers, including debt policy decisions (Saida Said, 2022).

This research is in line with research conducted by Aminah and Wuryani (2021), Amilia and Asyik (2019), and Rizki (2019), which state that institutional ownership has a negative effect on debt policy. However, this contradicts the results of research (Adnin, 2021), which state that institutional ownership has no effect on debt policy.

The third factor that influences debt policy in this research is company growth. Company growth or firm growth is the rate of change in total assets from year to year (Adnin, 2021). A company with a high growth rate indicates that the company is undergoing expansion. This expansion certainly requires large funds. Nurjanah and Purnama (2020) state that companies that have a high growth rate tend to need funds from larger external company sources. The fourth factor that influences debt policy in this research is company size. Company size is a scale or value where companies can be classified as large or small based on total assets, log size, share value, and so on (Rambe, 2020). Large companies have a better chance of being recognized by the public compared to small companies (Mudjijah et al., 2019).

2. Literature Review and Hypothesis

Literature Review

Agency Theory

Agency theory assumes that all individuals act in their interests. The main theory underlying the management of a company is called agency theory (Rahardjo, 2018). The principal referred to is the owner or 24 shareholders (investors) while the agent referred to is the company management. Shleifer and Vishny (2019) explain that managers control the company, and agency problems occur between shareholders and managers. As agents, managers are morally responsible for optimizing the profits of owners by obtaining compensation in accordance with the contract. Agency theory analyzes and seeks solutions to two problems that arise in the relationship between principals (owners/shareholders) and their agents (management).

Debt Policy

Debt policy is an important part of a company's funding policy to fund its operations using financial debt or what is usually called financial leverage. According to Brigham & Houston (2017) debt policy is a policy regarding decisions taken by a company to carry out its operations using financial debt. Debt policy describes the decisions taken by management in determining its funding sources. Debt policy is a policy used to measure the extent to which company activities are financed with debt (Albart et al., 2020)(Kasmir, 2020).

Managerial ownership

The managerial party is the party that actively plays a role in making decisions to run the company. According to Sudana (2019) states that managerial ownership is shareholders from management who actively participate in decision-making within the company, for example, directors and commissioners. Managerial ownership describes a dual role, namely as a manager and shareholder where each has an interest. According to Agustian (2018), managerial ownership is a situation where the manager owns company shares, or the manager is also a shareholder of the company. Having managerial ownership will align the interests of management and shareholders so that managers will directly experience the benefits of decisions taken correctly and experience losses if the decisions taken are wrong, especially decisions regarding debt (Rofiananda et al., 2019). In this way, the manager co-owns the company so that the manager will no longer be able to act opportunistically and will be more careful in using debt and try to minimize agency costs so that it will increase the value of the company (Santosa, 2020)(Fitriana, 2022). Company management must be more assertive in making decisions because these decisions have an impact on themselves. In this case, the manager is the owner of the shares (Agustin et al., 2019).

Institutional Ownership

Institutional ownership is sharing ownership by parties in the form of institutions such as foundations, banks, insurance companies, investment companies, limited liability companies, and other institutions (Edison, 2017). Institutional ownership is the institutional party that purchases shares. Institutional ownership will encourage more optimal supervision. This monitoring mechanism will ensure increased shareholder prosperity. Investor presence is expected to be able to become a positive monitoring system in every manager's decision making (Cahya, 2017). Institutional ownership is also part of a way to minimize agency costs because shareowners will appoint managers to manage the company with the aim of increasing company value and the welfare of shareowners (Kurniawati et al., 2017). Shareholders will supervise management, but if the costs of monitoring are high then they will use third parties (debtholders) to help carry out monitoring. Debt holders who have invested their funds in the company will naturally try to supervise the use of these funds.

Company Growth

Every company tries to achieve high growth every year because company growth provides an overview of the company's development that is occurring. Company growth is a hope desired by the company's internal parties (management) and company external parties (investors and creditors) because good growth gives an idea of the company's prospects in the future. Investors need information about the company's growth opportunities. Company growth is calculated as the percentage change in assets in a particular year compared to the previous year (Suprihatiningrum, 2023). Internal and external parties highly expect the company's growth because good growth signals the company's development. From an investor's point of view, the growth of a company is a sign that the company has profitable aspects, and investors will also expect the rate of return from investments made to show good development. A company that is in the growth stage will require large amounts of funds, so it tends to suppress a large part of its income.

Company Size

According to Wulan (2021), company size is a scale or value that is categorized based on total assets, log size, share value, and others. Basically, company size is only divided into 3 categories, namely large companies, medium companies, and small companies. Company size will influence the company's funding structure (Irawan & Kusuma, 2019). This condition causes a tendency for companies to require larger funds than smaller companies. The need for greater funding has a tendency for companies to want growth in profits. The need for large funds indicates that the company wants profit growth and growth in stock returns. The better the quality of the financial reports presented, the more convincing external parties will be in seeing the company's financial performance. This fact automatically means that parties related to the company will feel satisfied in various matters with the company (Farawansyah et al., 2024).

Conceptual Framework

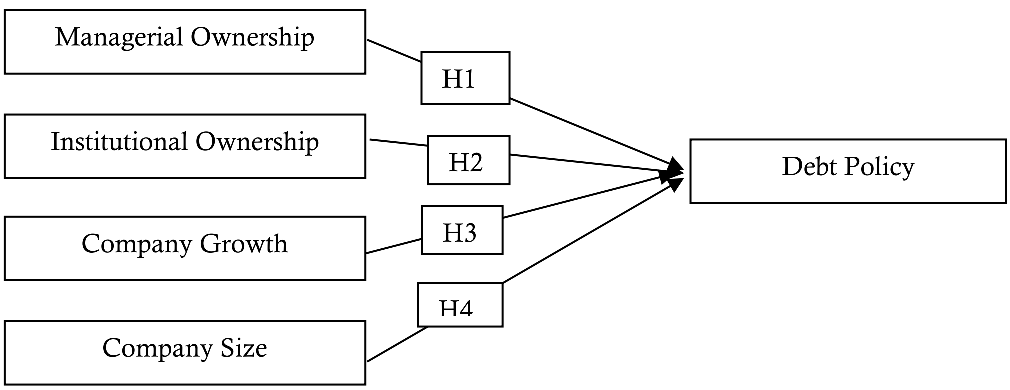

Figure 1. Conceptual Framework

Hypothesis

The Influence of Managerial Ownership on Debt Policy

Managerial ownership will align the interests of management and owners because managers will directly feel the benefits from decisions taken correctly and will directly feel the losses from making

wrong decisions. The existence of share ownership by management creates supervision over the policies set by company management. Managers will be more careful in making decisions regarding company management, including in determining debt policies. The higher the managerial ownership, the smaller the use of debt to finance the company's operational. Research regarding managerial ownership of debt policy has been previously researched by (Rohmah et al., 2018), stating that managerial ownership has a significant effect on debt policy. This research is in line with research conducted by (Murtini, 2019), (Zurriah & Sembiring, 2018) and (Rezki & Anam, 2020) which state that managerial ownership influences debt policy. Based on the description above, this research hypothesis is formulated as follows:
H1: Managerial Ownership has a significant effect on Debt Policy.

The Influence of Institutional Ownership on Debt Policy
The existence of institutional ownership will encourage increased, more optimal monitoring of company performance. The greater the institutional ownership, the greater the voting power in efforts to increase company value and shareholder prosperity. Institutions have greater authority than other groups, so they tend to want projects that are big, risky, and generate high profits. Efforts to finance risky projects are often financed with external funding sources, namely debt. Research on institutional ownership of debt policy (Aldo & As'ari, 2023)(Murtini, 2019) states that institutional ownership has a negative effect on debt policy. This research is in line with research conducted by (Aminah and Wuryani, 2021), (Amilia and Asyik 2019), and (Rizki, 2019), which state that institutional ownership has a negative effect on debt policy. Based on the description above, this research hypothesis is formulated as follows:
H2: Institutional ownership has a negative effect on debt policy.

The Influence of Company Growth on Debt Policy
Companies that have a high company growth rate tend to require large amounts of funds to finance their operations and investments. When the company's internal funding sources are insufficient, external funding sources are an option to choose from. Research regarding company growth on debt policy has previously been researched by Nurjanah & Purnama (2020) stating that company growth has a positive influence on debt policy. This research is in line with research conducted by Abdurrahman et al. (2019), Putra & Ramadhani (2017), and Sinaga (2017), which states that company growth has a positive effect on debt policy. Based on this description, the researcher made the following hypothesis:
H3: Company growth has a positive effect on debt policy.

The Influence of Company Size on Debt Policy
Company size is a scale or value where companies can be classified as large or small based on total assets, log size, share value, and so on (Rambe, 2020). Large companies are considered to have less risk than smaller companies. The larger the company size, the greater the need for funds, one of which can come from external funding, namely debt. Large companies have the advantage of activity and are better known to the public compared to small companies, so the debt needs of large companies will be higher than small companies (Serolin, 2023). Research regarding company size on debt policy has previously been studied by Asiyah & Khuzaini (2019) stating that company size has a positive and insignificant effect on debt policy. This research is in line with research conducted by Nurjanah & Purnama (2020), Sari (2019), and Andrianti et al. (2021), which states that company size has a positive and insignificant effect on debt policy. Based on this description, the researcher made the following hypothesis:
H4: Company size has a positive and insignificant effect on debt policy.

3. Data and Method

Types of research
The type of research used in this research is quantitative research. The research method used is research using a descriptive quantitative approach, because there are variables whose relationships will be studied, and the aim is to present an overview of the relationship between the variables studied. The use of this method is used in accordance with the aims and objectives of the research,

namely, to find out how much influence managerial ownership, institutional ownership, company growth and company size have on debt policy.

Data collection

Data Types and Data Sources

The data used in this research is secondary data. Secondary data is a source of research data obtained through intermediary media or indirectly in the form of books, notes, journals, the internet (www.idx.co.id), existing evidence, or archives both published and not generally published.

Data collection technique

Data collection techniques are tools used to obtain data and information needed in research. The data collection technique in this research is documentation or library research, namely, collecting all data related to financial reports from the BEI link, www.idx.co.id, and the website of the company under study.

Population and Sample

In this research, the population is food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange (BEI) from 2017 to 2021. According to Arikunto (2018), the sampling method used in this research is purposive sampling. The method of taking subjects is not stratified, random, or regional but based on the existence of certain objectives due to several considerations, for example, limited time, energy, and funds, so large and distant samples cannot be taken.

Data analysis method

The data analysis method used will be directed at answering the problem formulation or testing a previously formulated hypothesis. So, the data analysis technique uses a statistical method that tests the hypothesis of the relationship between the two analyses (Sugiyono, 2018).

Multiple Linear Regression Analysis

Multiple linear regression analysis was used to determine the extent of the influence of the independent variables consisting of managerial ownership, institutional ownership, company growth, and company size on the dependent variable, namely debt policy (Wulansari et al., 2023) (Makadao & Saerang, 2021).

Descriptive Statistical Analysis

In this research, descriptive statistics are used to see the mean value, which is the average value of each variable studied. The minimum value is the smallest value among the existing values of each variable. Standard deviation describes the dispersion or variation of these variables. The following are the results of descriptive statistics in this research:

Table 1. Analysis Results Description

Variable	N	Min	Max	Sum	Mean	Std. Deviation
Managerial ownership	35	.00	.48	3.728	.1065	.14995
Institutional Ownership	35	.21	1.34	21.25	.6073	.22541
Company Growth	35	.95	1.67	39.020	1.1148	.15854
Company Size	35	27.17	32.82	1022.503	29.2143	1.67870
Debt Policy	35	.16	1.99	31.347	.8956	.49621
Valid N	35					

Source: SPSS processing results (2022)

The following descriptive analysis will explain all the variable data used in this research. The variables used in this research are debt policy as the dependent variable and managerial ownership, institutional ownership, company growth, and company size as the independent variable, with a total of 35 company data (N).

Normality test

The normality test aims to test whether in the regression model, the confounding or residual variables have a normal distribution. The Kolmogorov-Smirnov test has the condition that if the Kolmogorov-Smirnov significance value is greater than the predetermined significance value, then the data is normally distributed. Data is said to be normally distributed if the significance value is greater than the 5% significance level (Asymp. Sig (2-tailed) > 0.05). The One-Sample Kolmogorov-Smirnov (K-S) test results table is as follows:

Table 2. Normality Test Results

		Unstandardized Residual
N		35
Normal Parameters [a, b]	Mean	.0000000
	Std. Deviation	.45648241
Most Extreme Differences	Absolute	.132
	Positive	.132
	Negative	-.078
Test Statistic		.132
Asymp. Sig. (2-tailed)		.131[c]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Source: SPSS processing results (2022)

Based on Table 2 above, the Kolmogorov Z value is 0.132, and for Asymp. Sig. (2-tailed), namely 0.131, which is greater than a value of 5% (0.05). Thus, it can be concluded that the residual value is normally distributed and meets the normality assumption.

Heteroscedasticity Test

A good regression model is homoscedastic or does not have heteroscedasticity. In this research, the method used to test the heteroscedasticity test is by looking at the following scatterplots:

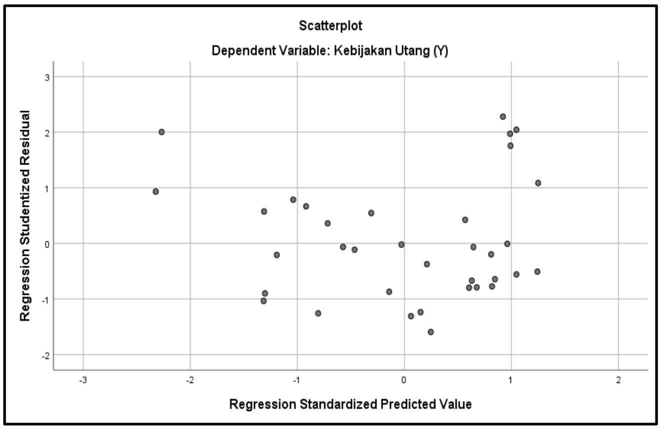

Figure 2. Heteroscedasticity Test Results

The scatterplot graph above shows that the points are spread randomly and do not form a clear pattern. They are either above or below zero on the Y-axis.

Multicollinearity Test

In this test, it can be seen in the Collinearity statistics column showing the VIF (variance inflation factor) value. In general, multicollinearity occurs if the VIF value is <10 or the Tolerance value is above 0.1. Then, multicollinearity does not occur. The results of the multicollinearity test can be seen below:

Table 3. Multicollinearity Test Results

Coefficients

	Model	Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Managerial ownership	.738	1.355
	Institutional Ownership	.629	1.589
	Company Growth	.937	1.068
	Company Size	.767	1.304

Source: SPSS processing results (2022)

Based on Table 3, all variables have a Tolerance value of more than 0.1 and a VIF of less than 10, so it can be concluded that this research method does not exhibit symptoms of multicollinearity.

Autocorrelation Test

The autocorrelation test aims to determine whether there is a correlation between members of a series of observations ordered by time. To determine whether there is autocorrelation or not, you can use the Durbin-Watson (DW) test. The results of the correlation test can be seen below:

Table 4. Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.392[a]	.154	.041	.48596	.480

Source: SPSS processing results (2022)

Based on the table above, the D-W value in the output above is 0.480, which is between -2 and 2. So, the regression model used is free from autocorrelation interference.

Multiple Linear Regression Analysis

To determine the influence of the role of managerial ownership, institutional ownership, company growth, and company size on debt policy in manufacturing companies in the consumer goods industry sector, food, and beverage subsector on the Indonesia Stock Exchange (BEI) for the 2017-2021 period. The results of the multiple linear regression test can be shown in the following table:

Table 5. Regression Analysis Results

Coefficients

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.852	1.765		1.616	.117
	Managerial ownership	-.743	.647	-.224	-1.148	.260
	Institutional Ownership	.021	.466	.010	.046	.964
	Company Growth	-.677	.543	-.216	-1.246	.222
	Company Size	-.039	.057	-.131	-.685	.498

Source: SPSS processing results (2022)

The results of the regression analysis indicate that among the variables examined, managerial ownership, institutional ownership, company growth, and company size show only a statistically significant relationship with debt policy.

Partial Test (T-Test)

In testing the research hypothesis, the significance value is seen. If the significance value is <0.05, then the hypothesis is accepted, and conversely, if the significance value is >0.05, then the hypothesis is rejected. According to Table 6, the t-test results can be explained as follows:

Table 6. T Test Results

Coefficients

	Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	2.852	1.765		1.616	.117
	Managerial ownership	-.743	.647	-.224	-1.148	.260
	Institutional Ownership	.021	.466	.010	.046	.964
	Company Growth	-.677	.543	-.216	-1.246	.222
	Company Size	-.039	.057	-.131	-.685	.498

Source: SPSS processing results (2022)

The results of the t-test indicate that none of the independent variables, including managerial ownership, institutional ownership, company growth, and company size, have a statistically significant impact on debt policy, as indicated by their respective p-values.

5. Discussion

The Influence of Managerial Ownership on Debt Policy

H1 states that managerial ownership has a significant effect on debt policy. Based on the table above, the Unstandardized Beta Coefficients value shows that Managerial Ownership has a significance level greater than the significance level, so it can be concluded that managerial ownership does not affect debt policy. The results of this research are in line with research conducted by Adnin (2021), Zurriah & Sembiring (2018), which stated that managerial ownership does not affect debt policy. With the increase in share ownership by insiders (managers) the company is no longer financing the company with debt but by issuing shares. This reflects that managers of public companies in Indonesia are not a determining factor in making debt funding policies. The number of shares owned by managers in manufacturing companies that go public in Indonesia still needs to grow.

The Influence of Institutional Ownership on Debt Policy

H2 states that institutional ownership has a negative effect on debt policy. Based on the table above, the Unstandardized Beta Coefficients value shows that institutional ownership has a significance level greater than the significance level, so it can be concluded that institutional ownership has no effect on debt policy in food and beverage sub-sector manufacturing companies listed in the BEI in 2017-2021. The results of this research are in line with research conducted by Aminah & Wuryani (2021), K.S & Agustina Lidya (2020), which stated that institutional ownership does not have a significant effect on debt policy. The higher the percentage of institutional ownership in a company, the less able it is to monitor the use of company debt. This happens because shareholders only concentrate on investing capital for personal gain and do not play a role in the decision-making procedures carried out by management.

The Influence of Company Growth on Debt Policy

H3 states that company growth has a positive effect on debt policy. Based on the table above, the Unstandardized Beta Coefficients value shows that Managerial Ownership has a significance level greater than the significance level, so it can be concluded that company growth has no effect on debt policy in food and beverage sub-sector manufacturing companies listed in the BEI in 2017-2021. The results of this research are in line with research conducted by Fadhila & Sihite (2021), Rezki & Anam (2020), and Veronica (2020), which stated that company growth does not affect debt policy. The company's growth rate does not affect debt policy because internal funds have met all the company's funding needs for investment, so debt is no longer needed. Therefore, the company's growth rate does not affect the company's debt policy. The growth of a growing company will use more funding sources from its capital or equity rather than debt.

The Influence of Company Size on Debt Policy

H4 states that company size has a positive effect on debt policy. Based on the table above, the Unstandardized Beta Coefficients value shows that Managerial Ownership has a significance level greater than the significance level, so it can be concluded that company growth has no effect on debt policy in food and beverage sub-sector manufacturing companies listed in the BEI in 2017-2021. The results of this research are in line with research conducted by Rambe (2020), Fadhila & Sihite (2021), and Muslim & Puspa (2019), which states that company size does not affect debt policy. In company size, how much debt the company has is not affected by the total value of the company size. This measure is not a barometer for the percentage of debt the company has. Company size can be seen from the equity value, total assets, and total sales. Apart from that, the things mentioned above are contrary to agency theory because there is no optimization found in the size of the company in increasing its supervision.

6. Conclusion

Based on the results of the research that has been carried out, after going through the stages of data collection, data management, data analysis, and interpretation of the results of the analysis regarding the influence of managerial ownership, institutional ownership, company growth, and company size on debt policy in food and beverage sub-sector manufacturing companies: Managerial ownership does not affect the company's debt policy. The greater the proportion of shares owned by managers, the company financing tends to prefer using its capital or profits for the company's operational needs rather than using debt. Institutional ownership does not affect the company's debt policy. This finding shows that the more a company uses debt, the more it has no relationship with the share of institutional investor ownership of the company. Company growth does not affect the company's debt policy. This conclusion is because a company debt policy only follows some companies's growth, and companies experiencing growth will prefer to use funding sources from their capital rather than debt so that the company uses its internal funds to finance its operational activities. Company size does not affect the company's debt policy. This conclusion shows that the company's debt policy only follows some increases in company size. The large size of the company does not guarantee that the company will borrow funds to meet its funding needs, because the company may use internal funds for its funding. Managerial implications ownership refers to the proportion of shares held by the management of a company.

In contrast, institutional ownership represents the ownership of shares by institutional investors, such as mutual funds and pension funds. These ownership structures play a significant role in shaping a company's debt policy. Research suggests that higher managerial ownership tends to lead to lower debt levels, as managers may prefer to avoid excessive debt to maintain control over the firm. On the other hand, higher institutional ownership might encourage greater leverage as institutional investors often have a more diversified portfolio and can absorb higher levels of risk.

Recommendation

Further research is needed to understand more deeply the relationship between the investigated factors and corporate debt policies. Future studies could expand the scope of the analysis, including additional variables and testing alternative hypotheses.

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