The Effect of Institutional Ownership, Company Size, Profitability on Debt Policy in Health Sector Companies

Citra Amelia Parsi1*, Atikah Zuhra Sitorus2, Nurmala Sari Lubis3, Claudia Jeremia Silitonga4, An Suci Azzahra5

12345 Universitas Pembangunan Panca Budi, Kota Medan, Indonesia

Abstract: This study looks at how debt policy in health sector companies listed on the Indonesia Stock Exchange (IDX) is influenced by institutional ownership, company size, and profitability. Data was collected through a quantitative approach from annual financial reports for the years 2019-2023. After considering outlier data, the study population consisted of 34 businesses, which resulted in 31 observations through purposive sampling method. The analysis was conducted with classical assumption tests and multiple linear regression using the SPSS software program. The results show that firm size has no significant effect on debt policy, but institutional ownership and profitability have a significant effect. The model is free from heteroscedasticity, normality, and multicollinearity problems thanks to the classical assumption test. According to the regression analysis, the model can explain 62.1% of the variation in debt policy. The study found that, although more profitable firms tend to rely on internal funding sources, institutional ownership can serve as a monitoring tool. However, firm size is not a major factor in debt policy making. This study provides practical implications for corporate financial management in the healthcare industry and helps investors assess the factors that influence corporate funding structure. It is expected that future research will analyze more variables due to research limitations, such as the small sample size and relatively short research time.

Keywords: Profitability, Ownership, Company Size, Debt Policy

Introduction

In the era of globalization healthcare companies face difficulties in managing their financial resources in the era of globalization and increasingly fierce competition. Debt policy is an important component of financial management, which indicates a company's choice to use debt as a source of financing. A good debt policy can enable businesses to invest in the development of services and infrastructure, which is crucial in meeting the public's requirements for high-quality healthcare services. The effect of institutional ownership, firm size, and profitability on debt policy in healthcare companies is the subject of this study. When financial institutions and institutional investors own company shares, institutional ownership often serves as a check that encourages companies to make smarter management decisions. According to (Priyono, 2017) "Company performance is influenced by the ownership structure so that company value can be optimized. Good management

also affects company performance, which in turn results in optimal company value (Khafid, 2020)."

Debt on the other hand, can be influenced by the size of the company on its access to funding sources, where larger businesses usually have a better chance of securing loans at a lower cost. "Research conducted by (Trisnawati et al., 2018) and (Setiawati & Raymond, 2017) show that ownership of debt policy is influenced by institutional. By owning institutional shares, they have the ability to influence management and oversee management decisions and actions relating to the management of the Company."

Profitability, as one measure of financial performance, is also important in determining debt policy; companies with high levels of profitability tend to have a better ability to meet their debts, which allows you to take on more debt without incurring significant risks. Therefore, understanding how these three variables correlate with debt policy is crucial for strategic decision-making (Isynuwardhana, 2024). This study will use a quantitative approach to analyze data obtained from the financial statements of public health companies. This research will examine how firm size, profitability, and institutional ownership impact debt policy. Regression analysis will be used.

The results of this investigation are expected to provide a clearer picture of the factors that influence debt policy in the healthcare sector, as well as provide input for business leaders and other actors in building efficient and durable financial strategies. Consequently, this study not only helps build academic research but also provides practical benefits for corporate financial management in the healthcare industry.

Literature Review
Institutional Ownership

According to Alifia Putri (2023), "Institutional ownership functions as a monitoring agent or monitoring agent that optimally supervises management behavior in carrying out its duties as a company manager. With the monitoring mechanism, it can reduce or reduce agency costs incurred by the company, so as to increase the prosperity of shareholders." Meanwhile, according to (Muzakir, 2022) in Rananda Septanta (2023), "Institutional ownership shows comparative ownership. The existence of institutional ownership in a company will encourage increased and more optimal supervision of management performance, because share ownership represents a source of power that can be used to support or vice versa against management. The more investment value given to an organization, the higher the monitoring system in the organization."

Company Size

Irma Bunga Maharani1 (2023), states that "Company size is the amount of company assets that allow the company's leverage level. The size of the company affects the level of capital structure with the assumption that the larger the size of the company will have a high growth rate, so the company issues new shares and tends to use an increasing amount of loans." Meanwhile, according to Hartono (2008: 14) in Setiowati et al. (2023), "the size of the company is the size of the company can be calculated by the total assets / large assets of the company using the calculation of the logarithm value of total assets. That way the size

of the company is a scale where the company can be classified as large or small by measuring total assets, log size, stock market price, and others."

Debt Policy

According to Putra & Rivandi (2023), "Debt policy is seen as an internal control tool that can reduce office conflicts between management and shareholders, especially agency costs for free cash flow." Meanwhile, according to Nazula Nur Aminah (2021), "Debt policy can be positively affected by company size. In short, the larger the size, the higher the debt level." Meanwhile, according to (Nurwahyudi & Mardiyah, 2004) in Rahma Khusnul Khotimah et al. (2023), "Debt policy refers to administrative policies to obtain sources of funds used by companies to finance their business. Debt results in obligations that transfer rights to creditors to secure assets."

Profitability

According to Diana Nabella et al. (2022) "Profitability is a measure used to assess the company's ability to generate profits at an acceptable level. According to (Munawir, 2007) in Diana Nabella et al. (2022), "profitability is the ability of a company to generate profits." On the other hand, according to (Sudan, 2011) in Setiowati et al. (2023), "profitability is the company's ability to make a profit using the resources owned by the company's assets, capital, or sales."

Methodology

This research applies a quantitative approach, which is a type of approach that uses statistical analysis methods to process numerical data or numbers to answer hypotheses or problems in a study. In this study, the effect of ins ownership variables (X1), company size (X2) and roa (x3) on der variables (Y) is sought. With research data derived from annual financial reports for 5 years from 2019 to 2023.
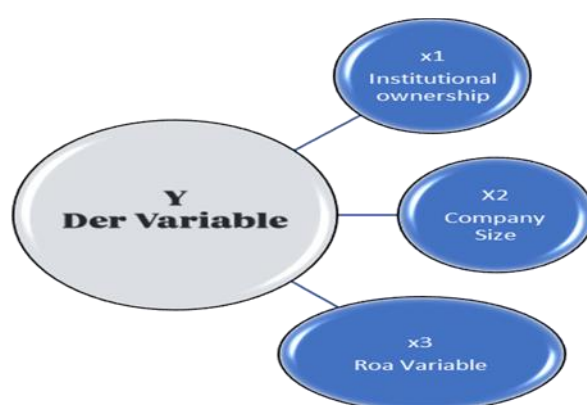
Operational Definition and Measurement of Variables

The three independent variables in this study are institutional ownership, company size, and Return on Assets (ROA). In addition, there is one dependent variable, namely Debt to Equity Ratio (DER).

Independent Variable

ROA is a financial metric used to see whether the company has used its assets well so that it can generate profits. ROA provides an overview of management in managing assets to take profits. Roa is commonly used by investors and analyzes the company's operational performance.

$$ROA = \left(\frac{NET\ INCOME}{TOTAL\ ASSETS} \right) \times 100$$

Dependent Variable

DER is a financial ratio used to calculate the company's debt compared to shareholders' equity. DER provides an overview of the capital structure used to see how much the company depends on debt to finance its business operations. DER is very useful for investors and creditors because it can see the financial risks that the company is facing.

$$DER = \frac{TOTAL\ DEBT}{TOTAL\ EQUITY}$$

Population and Sample

The data population consists of 34 healthcare sector companies listed on the IDX. Purposive sampling method, which takes subjects that meet the criteria intentionally, was used in this study. Companies in the healthcare sector that have been listed on the IDX from 2019-2023; (2) Companies that have financial statements before 2019; (3) Companies that have complete financial statements from 2019-2023, out of 34 companies, 17 have a record date above 2019; and (3) 3 companies do not have complete financial statements during the 2019-2024 period.When compared to other sample data, the outliner data in this study has very different extreme values (Lestari, 2020). Outliners can occur naturally, or errors during data input. So from 14 companies with 70 sample data, 39 observations were excluded due to outliners, leaving the remaining 31 sample data observations.

Data Analysis Technique

Multiple linear regression tests and classical assumption tests are used to determine whether the regression model correctly estimates the influence of variables. This data analysis was carried out using the SPSS 30 statistical program.

Classical Assumption Test
Normality Test

The normality test is a statistical procedure used to determine whether data has a normal distribution. If the result is more than 0.05, the data is considered normal, according to the Kolmogorov-Smirnov normality test.

Multicollinearity Test

Multicollinearity test is conducted to determine whether there is a correlation between independent variables. According to a good regression model, there should be no significant correlation between the independent variables. The multicollinearity test criterion is that

there are no multicollinearity symptoms in the data indicated if the tolerance value is greater than 0.100 and the VIF value is less than 10.00.

Heteroscedasticity Test

This test is used to look at the distribution of residuals in the research data. It also looks at the residual differences between data sets. The heteroscedasticity test is rejected if the distribution of random data is greater or less than 0.

Multiple Linear Regression Test

If the independent values are known, this test is conducted to determine how much direction and influence the independent variable has on the dependent variable. In addition, this test is also conducted to predict the value of the dependent variable (Madyan, 2019).

Hypothesis Test
T test

If the sig. value is less than 0.05, it means that there is a significant influence and if it is right at 0.05, then to find out more clearly whether or not there is an independent influence on the dependent variable, you can use the comparison of T_{hitung} with T_{tabel}.

F test

If the sig. value is less than 0.05, the regression model is declared as FIT. In other words, if the sig. value is less than 0.05, the independent variables have a significant impact on the dependent variable simultaneously.

Test Coefficient of Determination (R)²

This test is used to evaluate how well the regression model explains the data variables. If the R^2 value is greater, it indicates that the model explains the data variation better.

Result and Discussion
Classical Assumption Test
Normality Test

Table 1. Shows the results of the one sample Kolmogorov test normality test.

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		30
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	9.49338016
Most Extreme Differences	Absolute	.086
	Positive	.086
	Negative	-.065
Test Statistic		.086
Asymp. Sig. (2-tailed)[c]		.200[d]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

Based on the table above, the sig. value is 0.200, which means that it is normally distributed because it exceeds the criterion limit of 0.05. This test shows there is no strong evidence to reject the hypothesis that the data comes from a normal distribution.

Multicollinearity Test

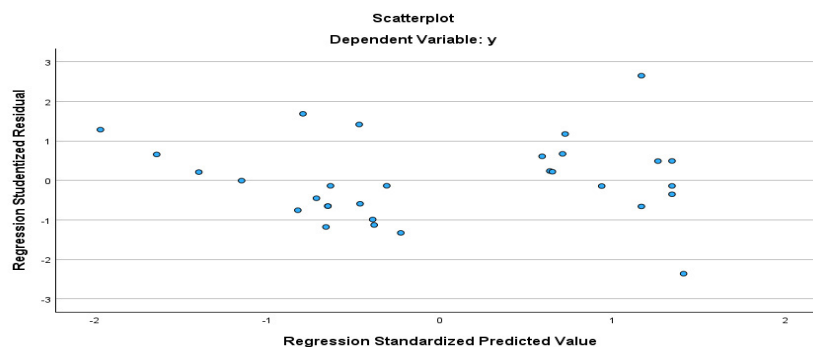**Table 2**. Shows the results of the *Multicollinearity Test*

Coefficientsᵃ

Model		Collinearity Statistics	
		Tolerance	VIF
1	x1	.883	1.132
	x2	.881	1.135
	x3	.869	1.151

a. Dependent Variable: y

The VIF value in the table exceeds the criteria limit, which is below 10.00 and the tolerance value is above 0.100, so the data is declared not to occur multicollinearity. The regression model with variables x1, x2, and x3 as predictors can be considered free from multicollinearity problems.

Hesteroscedasticity Test

Table 3. Shows the results of the *Hesteroscedasticity Test*

Based on the scatterplot, there is no strong indication of heteroscedasticity. The data passes the test because the data distribution spreads randomly, both above 0 and below 0.

Multiple Linear Regression Test

Table 4. Shows the results of the Multiple Linear Regression Test

Model		Unstandardized Coefficients	
		B	Std. Error
1	(Constant)	6.416	12.221
	x1	.540	.120
	x2	-.135	.312
	x3	-.989	.305

$Y = a + b1.x1 + b2.x2 + b3.x3$

A = 6,416

X1 = 0.540 is the value of ins ownership has a positive impact, with X1 = 0.540 if the value increases by 1 unit, the value also increases by 0.540.

X2 = 0.135 is The value of business size has a negative effect with X2 = 0.135, that is, if the business size increases by 1 unit, the business value also increases by 0.135.

X3 = 0.989 is the roa value has a negative impact, X3 = 0.989, so if roa increases by 1 unit, the roa value will increase by 0.989.

Hypothesis Test
T test

Table 5. shows the results of the **T-test.**

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	6.416	12.221		.525	.604
	x1	.540	.120	.578	4.495	<.001
	x2	-.135	.312	-.056	-.435	.668
	x3	-.989	.305	-.420	-3.239	.003

a. Dependent Variable: y

In this T test, variables x1 and x3 are declared statistically significant to affect variable Y because the sig. is <0.05. Meanwhile, the x2 variable is declared insignificant affecting the Y variable because> 0.05.

F test

Table 6. F Test Results

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4280.396	3	1426.799	14.194	<.001[b]
	Residual	2613.604	26	100.523		
	Total	6894.000	29			

a. Dependent Variable: y

b. Predictors: (Constant), x3, x1, x2

In this test, the entire regression model is significant, which means that the results of the table above show that the independent variables (x1, x2, x3) together contribute to explaining the variation in the dependent variable (Y).

Determination Coefficient Test

Table 5. Determination Coefficient Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.788[a]	.621	.577	10.026	1.369

a. Predictors: (Constant), x3, x1, x2

b. Dependent Variable: y

The R-Square and Adjusted R-Square values indicate that the model has a fairly good fit, with the independent variables explaining most of the variability in the dependent variable.According to the table above, the KD(R^2) value is 0.621 or 62.1%.

So the magnitude of the influence of the ins ownership variable, company size, roa on der is 0.621 or 62.1%.

Ins Ownership on Debt Policy

Ins ownership has an important role in debt policy. The influence provided can be positive or negative, depending on the investment objectives. Institutional investors not only hold shares but can supervise management to make funding decisions (Daoud, 2020).

Company Size Against Debt Policy

Company size can determine how the company can determine the size of the debt level. Because each large and small company has its own characteristics. Size is significantly correlated to debt policy, but cannot be used as the only determining factor (Giordino, 2024).

Profitability on Debt Policy

Profitability has a negative influence on debt policy. Companies that generate high profits will certainly prefer to use internal sources of funds, rather than relying on external loans.

Discussion

Based on the discussion above, the researcher can conclude that:

1. It not only contributes to reputation, but also has very positive implications for financial performance in the long run (Huo, 2021).
2. Profitability and liquidity are very important indicators because they can determine the Company's financial health.
3. Ins ownership and profitability have a significant effect on debt policy, while company size is not significant to debt policy.

Conclussion

This study suggests that the management of healthcare companies should consider the role of institutional ownership and profitability when making debt policies. Companies should pay more attention to their internal ability to manage funding sources rather than company size (Saleh, 2024).

Investors are advised to conduct a thorough analysis of institutional ownership and profitability before making investment decisions. It is important to understand the financial potential and stability of businesses working in the healthcare industry.

To obtain more thorough and accurate findings on the dynamics of debt policy in healthcare companies, future researchers should expand the scope of their research by adding new variables that might affect debt policy, extending the research time span, and using a more comprehensive sample (García-Sánchez, 2020).

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