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The effect of voluntary disclosure, foreign ownership and institutional ownership on long term debt in coal mining sub-sector companies listed on the Indonesia stock exchange

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Abstract

This study aims to analyze the effect of voluntary disclosure, foreign ownership, and institutional ownership on long derm debt in coal mining sub-sector companies listed on the Indonesia Stock Exchange. Using the purposive sampling method, 18 companies were obtained as research samples with 2016 to 2018 used as the research period. The analysis method used is to use panel data regression analysis assisted by using statistical analysis tools, namely Eviews. The results showed that: (1) voluntary disclosure has a negative and significant effect on long derm debt in coal mining companies listed on the Indonesia Stock Exchange. (2) foreign ownership has a negative and significant effect on long derm debt in coal mining companies listed on the Indonesia Stock Exchange. (3) institutional ownership has a positive and insignificant effect on long derm debt in coal mining companies listed on the Indonesia Stock Exchange.

Kata kunci: Voluntary disclosure; foreign ownership; institutional ownership; long term debt

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INTRODUCTION

Managers in an entity are internal parties who have authority as managers of the entity and are at the same time responsible to shareholders (principals). Managers are parties appointed by shareholders to run the company's operations as the key to the success of the company. The difference between the ownership function and the management function is often carried out by large-scale companies or companies that have gone public with the intention of maintaining a smooth business, and more effectively and efficiently, so that company goals can be achieved, one of which is an increased company value.

The combination of asset financing using own capital and using debt (liabilities) is often carried out by companies with a fairly large scale. The use of debt in financing company assets will incur interest costs and maturing obligations that must be met by the company, besides that the use of debt that is too high will increase the risk of failure if the debt is not managed properly. Proença, Laureano, &; Laureano, (2014) say that companies with a high amount of tangible assets can be used as collateral if the company fails to meet maturing obligations.

METHOD

This study uses 2 (two) types of variables, namely dependent variables and independent variables. The dependent variable consists of Long Term Debt and the independent variable consists of Voluntary Disclosure, Foreign Ownership, and Institutional Ownership. This study uses coal mining sub-sector companies listed on the IDX for the 2016-2018 period. The type of data used in this study is quantitative data, while the data source used in this study is in the form of secondary data derived from www.idx.co.id website. The method used for data collection in this study is the documentation method.

There are two analytical tools used in this study, namely descriptive statistics and regression panel data. Descriptive statistics are used to analyze an event that occurs at the present moment and occurs in a sub company coal mining sector listed on IDX for the period 2016-2018. Furthermore, panel data regression is used where there are three approach models, namely; Common Effect Model/CEM, Fixed Effect Model/FEM, and Random Effect Model/REM. Of the three models can be selected by conducting the Chow Test and Hausma Test (Baltagi, 1975). Before testing the hypothesis, a Classical Assumption Test was carried out by conducting three tests, namely; Multicollinearity Test, Heteroscedasticity Test, and Autocorrelation Test. The models used in this study are as follows:

LTD = α1 + ß1VDS + ß2FO + ß3IO + e

Where:
LTD. : Long term debt
VDS : Voluntary disclosure
FO : Foreign ownership
IO : Institutional ownership
α1 : The constant ß1 ... ß3 : Coefficient
e :Variable Bully

Next, perform hypothesis testing with Test F and Test t. Statistical test F on shows whether all independent variables included in the model have an influence together (simultaneously) on the dependent variable. The statistical test t basically shows how far the influence of one independent variable is on the dependent variable by assuming the other independent variable is constant. The significance level used is 5%. If the significance level is less than 0.05 (< 5%), then (H1 is accepted and H0 is rejected), and if the significance level is greater than 0.05 (> 5%), then (H1 is rejected and H0 is accepted). The interpretation of the F Test and t Test hypotheses is as follows:
Test F:
H1 is accepted and H0 is rejected: simultaneously the independent variable is influential significant to the dependent variable.
H0 accepted and H1 rejected: simultaneously variable independent no significant effect on the dependent variable.

Test T:
H1 accepted and H0 rejected: parsial variable independent Influential significant to the dependent variable.
H0 is accepted and H1 is rejected: partially the independent variable has no effect significant to variables.

RESULTS AND DISCUSSION

The results of descriptive statistics show that the variables VDI and FO have mean values above standard deviation. Meanwhile, the LTD and IO variables have mean values that are below standard deviation.

Table 1.
Descriptive statistics

	LTD	VDI	FO	IO
Mean	9.037994	1.803542	387377.9	10.21000
Median	0.427029	1.800000	15.36000	5.300000
Maximum	435.2028	3.000000	20.917153	52.39000
Minimum	0.087841	1.200000	0.000000	0.000000
Std. Dev.	59.138030	.383135	2846461	14.18835
Observations	54	54	54	54

Models using panel data regression techniques can use three alternative methods in processing, in this study using the FEM (Fixed Effect Model) method. Test the classical assumptions in this study where there are no problems in multicollinearity, heterokedasticity test and autocorrelation test. The results of panel data regression analysis can be seen in the following table:

Tabel 2.
Fixed Effect Model

Bound Variables	Free Variable	Regression Coefficient	t-hitung	Prob.	Arah	Ket.
LTD	Konstanta	32.37467	2.375334	0.0235		
	VDI	-1.471987	-3.515226	0.0013	(-)	Significant
	FO	-1.199552	-2.411348	0.0216	(-)	Significant
	IO	1.182177	1.088601	0.0186	(+)	Significant
R–Square		0.608638				
Adjust RSquare		0.371449				
F-Statistics		2.566047				
F Significant		0.007968				

In the FEM model, the value of the coefficient of determination (R2) is 0.608638.This means that the dependent variable LTD can be influenced by 60.86 percent by the independent variable (VDI, FO, IO), while the remaining 39.14 percent is explained by other variables that are not contained in this research model.

The results of panel data regression testing showed that the statistical F value, amounted to 2.566047 with the same significance value (significant F) of 0.000000 which is smaller than 0.5 (0.0000 < 0.5). The results explain that three independent variables namely VDI, FO, and IO simultaneously or The simultaneous influence on LTD in IDX sample coal sub-sector companies for the 2016-2018 period and has shown a viable model.

In the t test, the VDI variable (X1) has a calculated t of -3.515226 and a probability level of 0.0013<0.05 which means that partially the variable has a negative and significant effect on LTD. The FO variable (X2) has a calculated t value of -2.411348 with a probability value of 0.0216< 0.05 which means that partially the variable has a negative and significant effect on LTD. The IO variable (X3) has a calculated t value of 1.088601 with a probability value of 0.2842> 0, 05 which means that partially the variable has a positive and significant effect on LTD, at a significant level of 5%.

Based on the results of regression testing in table 4.1 displayed, the model of this study is as follows:

LTD = 32.37467 - 1.471987 VDI -1.199552 FO + 1.182177 IO + e

Influence voluntary disclosure towards long term debt

The first hypothesis examines the variable voluntary disclosure of long-term debt. Based on the results of statistical data processing shows a regression coefficient with a negative direction of -1.471987 with a significance level of 0.0013 (0.0013< 0.05). These results show that voluntary disclosure has a negative and significant effect on long-term debt. The results of this study show that, the higher the level of voluntary disclosure of the company, the more it will reduce the long-term debt owned by the company. Conversely, the lower the voluntary disclosure rate, the greater the company's long-term debt.

In signal theory articulates the concept that companies send signals to stakeholders in the form of information contained in the company's voluntary disclosures in order to reduce information asymmetry among stakeholders. With more information submitted by the company, the debt level will become lower. This happens because management wants investors to give a positive response to the information submitted by management. The lower level of long-term debt indicates that the company relies more on company capital as an element in funding company assets, so that the profit to be obtained later is higher, because with lower long-term debt means that the interest costs borne by the company are also lower.

The fact that voluntary disclosure has a significant negative influence on long-term debt can be seen in the average development of voluntary disclosure and long-term debt of coal mining companies in tables 4.2 and 4.3. Where the decrease in voluntary disclosure that occurred from 2016 to 2018 was accompanied by an increase in the ratio of long-term debt in 2016 to 2018. The decline in voluntary disclosure resulted in an increase in the long-term debt ratio. This can happen because high long-term debt can respond Negative from the investor, with the use of debt that is high enough means it has a high risk of failure as well, because the higher the long-term debt means the higher the interest costs borne by the company.

Influence foreign ownership towards long term debt

The second hypothesis examines the variable foreign ownership against long-term debt. Based on the results of statistical data shows a regression coefficient with a negative direction of -1.199552 with a significance level of 0.0216 (0.0216< 0.05). These results show that foreign ownership has a negative and significant effect on long-term debt. The results of this study show that, the higher the level of share ownership by foreign parties, the more long-term debt owned by the company. Conversely, the lower the level of shareholding by foreign parties, the greater the company's long-term debt.

Agency theory reveals that agency conflicts can occur due to information asymmetry between agents and principals. The conflict can also occur if the company's funding is more done by splitting shares. The split resulted in reduced ownership of the controlling shareholder, which in turn the dividend obtained by the controlling shareholder became lower than before the stock split. So that shareholders feel that company funding by splitting shares is considered less effective.

On the other hand, the company's stock split is preferred by foreign investors. Because the stock split will provide enough space for foreign ownership. Foreign investors have the opportunity to control the company with the increasing number of shares owned. Thus, greater foreign ownership will reduce the company's long-term debt level. While if the level of foreign ownership decreases, the level of long-term debt will increase, it happens because the company is trying to find ways to fund the company in other ways than stock splits.

Influence Institutional Ownership towards Long Term Debt

The third hypothesis examines the variable of institutional ownership against long-term debt. Based on the results of statistical data processing shows a regression coefficient with a positive direction of 1.182177 with a significance level of 0.2842 (0.2842> 0.05). These results show that institutional ownership has a positive and insignificant effect on long-term debt. The results of this study are not in line with previous research conducted by Ahmad et al (2018) which said that institutional ownership has a significant positive effect on long-term debt.

The results of this study which states that institutional ownership has a positive insignificant effect on long-term debt can be caused by several factors, one of which is because some coal mining companies sampled in this study do not disclose their institutional ownership, this can be seen in the company PT. Baramulti Suksessarana Tbk, PTHarum Energy Tbk, PT Mitra Bara Adiperdana Tbk, and PT Samindo Resources Tbk, as well as PT Toba Bara Sejahtera Tbk which from 2016 to 2018 did not have institutional ownership, with a value of 0.0000.

Several coal mining companies disclosed constant levels of long-term debt during the study period. Although there are some differences in the level of long-term debt of companies, these differences only occur in some or a small percentage of sample companies. Based on the results of this study, companies should maximize their long-term debt to increase company assets, so that the debt can be a benefit as an increase in company productivity which will ultimately increase company profits.

CONCLUSION

Based on the analysis that has been done in chapters Previously, several conclusions can be drawn as follows:

Voluntary disclosure has a negative and significant effect on long-term debt in coal sub-sector companies listed on the Indonesia Stock Exchange. The results of this study reject the first hypothesis that voluntary disclosure has a significant positive effect on long-term debt. This is because if information about high debt is also disclosed, it is feared that investors will assess management as less effective in managing company capital.

Foreign ownership has a negative and significant effect on long-term debt in coal sub-sector companies listed on the Indonesia Stock Exchange. The results of this study accept the second hypothesis that foreign ownership has a significant negative effect on long-term debt. If the company's funding is more done by splitting shares, foreign investors have enough opportunities to control the company, so that debt decreases.

Institutional ownership has a positive and insignificant effect on long-term debt in coal sub-sector companies listed on the Indonesia Stock Exchange. The results of this study reject the third hypothesis that institutional ownership has a significant positive effect on long-term debt. This happens because some companies do not disclose institutional ownership and some companies disclose the amount of debt constantly.

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