The Influence of Ownership Structure and Specific Characteristics To Capital Structure in Public Banks in Indonesia

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Abstract

This study aims to determine the effect of ownership structure and the specific characteristics of the capital structure in banks Indonesia. The results showed that partial ownership structure and the specific characteristics of the bank (profitability, size, and credit risk) had no significant effect on the capital structure, while the bank characteristics (expenses management) partially significant effect on the capital structure.

JEL Classification: E50, G10, G21
Keyword: *capital structure, ownership structure, specific characteristics of bank*

1. INTRODUCTION

Banks are financial institutions whose primary business is accumulating funds from society and redistribute those funds to society in the form of credit and other forms in order to increase the living standards of many people. Banks also have an important role in the economy which functions as an intermediary (financial intermediary). Banks belong to financial institutions that are profit oriented so in operating their business banks have to implement the intermediation function. The intermediation function is an accumulating process of funds from a surplus economic unit in the form of savings and distribute those funds to a deficit economy which is the party that needs funds in the form of credit/payment.

Taswan (2010) states that bank ownership in Indonesia is seen from the banking control perspective that consists of concentrated ownership, government, private domestic, and foreign the size of ownership by individuals indicates that bank ownership structure in Indonesia are concentrated to a number of owners. The consequence is that managers are only the right hand men of the controlling shareholders. The decision of the manager bows to and in parallel with the interests of the majority of shareholders/controllers. Other than that bank ownership in Indonesia also has a mixed ownership which are banks owned by foreign and domestic investors. Basically policies and regulations by Bank Indonesia to foreign banks and mixed banks are equal. All regulations that are valid, including prudent regulations, are applied equally for all banks that operate in Indonesia, neither government banks, domestic banks, mixed banks, nor foreign banks. The primary difference between government banks, domestic and mixed banks with foreign banks are only in their capital and legal form (Siringoringo, 2012).

An optimal capital structure is a target that is constantly reached by a corporation including banks. According to the trade-off theory or balancing theory it explains that for reaching the mentioned optimal capital structure, corporations have to integrate a

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balance or trade off between benefit and return and risks or costs that are faces so that they are able to maximize the corporate value (Bringham, 2005).

Specific characteristics of banks or factors that come from bank internals also have influence to capital structure. Much research is implemented about the specific influence of banks to capital structure with different results. In this research specific bank variables that are used are profitability, size, credit risk and expense management.

2. LITERATURE STUDY AND HYPOTHESIS DEVELOPMENT

Ownership Structure

Corporate ownership structure is able to be differentiated by insider ownership and outsider ownership. Insider ownership is the portion of corporate stock ownership by people inside the corporation (the management party) relative to the total corporate stocks that circulate. While outsider ownership is the portion of stock ownership by parties outside the corporation, usually ownership by individuals and also institutional. This institutional ownership is usually from corporations, insurance, government organizations, investment corporations and others (Sugeng, 2009).

1. Agency Cost Theory

Jensen& Meckling (1976) expressed that in the process of financial decision making in corporations an interest conflict between management and owners (shareholders) often occur. Relations between the manager and the owner are often mentioned as agency relations which is a contract between a person or more as a principal that give authority to a person (agent) for making some decisions in the name of the principal whose purpose is to maximize profit for the shareholders (principal). Interest conflicts and consequences from the above contract in the end will create an agency cost. The agency cost is a cost that appears in order to control or monitor the actions of the manager so it is in accordance with the interests of the principal (owner). According to Jensen & Meckling (1976) that the ownership structure is able to be used to show that the most important factors in capital structure are not only determined by just the problems of debt and equity, but also the percentage of stock ownership by insider and outsider shareholders. Agency cost is able to be decreased by increasing insider ownership (managerial ownership) because this makes it possible for the presence of conformity or the unification of shareholders' interests with managers' interests as an agent and as a principal outright. In relation with the policy of capital structure Bathala, et al. (1994) states that the higher the proportion of insiders, the will to minimalize the risk of capital structure is also higher. Or in other words, the increase of insiders will be able to replace the role of debt in minimalizing agency costs that are caused by debt.

2. Asymmetric Information Theory

Myers and Majluf (1984) shows that managers in corporations are assumed to have private information the characteristic of corporate opportunity or corporate quality as a whole. The capital structure is designed for decreasing inefficiency in making corporate investment decisions that are caused by asymmetric information. The approach of information costs in the capital structure context as a chosen financial instrument result for funding the mentioned investment opportunities is very dependent on the asymmetric information between insiders and outsiders.

Types of Bank Ownership in Indonesia

The structure of bank ownership in Indonesia according to Bank Indonesia is divided into 6 groups which are State Owned Banks, General Private National Foreign

Exchange Banks, Private National Non Foreign Exchange Banks, Regional Development Banks, Mixed Banks, and Foreign Banks.

Taswan (2010) states that the structure of bank ownership in Indonesia seen in a banking control perspective is divided into 4 (four) which are government ownership banks, domestic, foreign, and mixed banks which are explained below:

1. Government Ownership

Government banks are banks with the largest shareholders and controlled by the government, which includes State Owned Banks and Regional Development Banks. State Owned Banks are owned and controlled by the Central Government and Regional Development Banks by regional governments. In government owned banks an agent with agent relation occurs, not agent with principal. In the agency theory, agents will be controlled by the principal to reach the principal's goals, so an agent without a principal is most likely will make a moral hazard. So control in government banks are relatively weak compared with private banks (Mian, 2003).

Other than that government owned banks have a bad cash-flow intensive, the management gets a low intensive so it is less efficient in operating a bank business and a very tight limit on budget.

2. Domestic Private Ownership

Domestic private bank ownership is bank ownership by Indonesian citizens and institutions that are Indonesian incorporated. Generally domestic private banks are more aggressive in placing their funds in the form of credit with a higher interest rate than foreign banks. Domestic private banks also tend to be aggressive in arranging their financial portfolio and often take high risks. In this situation banking control by private domestic stockholders are relatively worse than with private foreigners. Domestic private banks also obtain a larger income from credit compared with foreign banks. Yet have less liquidity compared with foreign banks. (Mian, 2003)

3. Foreign Private Ownership

Foreign banks are banks that operate in Indonesia whose share ownership is dominated by a foreign party, incorporated following its headquarters overseas. Generally foreign banks are almost the same with domestic private banks, only different in organization structure, other than that foreign banks have a higher level of liquidity, because of the presence of liquidity aid from the parent corporation. Yet foreign banks in credit distribution tend to distribute consumption credit, provide credit to large corporations (multinational) and less responsive to the domestic economic condition. (Mian, 2003).

4. Mixed Ownership

Mixed banks are banks whose shares are owned by Indonesian and foreign citizens and institutions, locally incorporated which is *Perseroan Terbatas (PT).* The performance of mixed share ownership is also almost the same with domestic private banks and foreign private, yet tend to provide better control, because the ownership composition from both parties dominate equally (concentrated on the domestic party or concentrated on the foreign party), so it has equal responsibility for increasing bank performance to provide a high value for shareholders.

Basically policies and regulations by Bank Indonesia to foreign banks and mixed banks are equal. All requirements that are valid, including the requirement of circumspection, are applied equally for all banks that operate in Indonesia, neither domestic banks, mixed banks nor foreign banks. Regulation differences are in the capital. For banks that are Indonesian incorporated, they comply with laws of *Perseroan Terbatas,* and business capital is noted as deposited capital, while for

foreign banks whose incorporation complies with their headquarters, the business capital is noted in the balance as inter bureau and known as business funds. The limit that is applied to foreign banks are in the form of a geographical limitin opening a bureau, which is only allowed in provincial capitals. (District Statistics Coordinator Bank Indonesia, September 2009).

Bank Specific Characteristics

Bank specific characteristics are factors that are from the corporate internal condition or banks that influence the policy of capital structure, that is able to be seen from the bank's balance and income statement reports (Athanasoglou et. al, 2005). Gropp and Heider (2009) determines the capital structure determinant by using bank characteristics which are (1) market to book ratio, (2) profitability, (3) size, (4) collateral and (5) dividend payers. While Darwanto (2008) determines capital structure with specific bank variables which are: (1) credit risk, (2) sufficiency of cash flow (3) size (4) management load, (5) bank capital, and (6) operational income. While in this research 4 primary factors of bank specific characteristics will be used for determining capital structure policy which are: (1) profitability, (2) size, (3) credit risk, and (4) expenses management. These variables are used by the writer because they have a large influence to the capital structure of banks.

1. Profitability

Profitability is the level of bank ability to produce profit in a certain period that is stated in percentage. The banking profitability level is usually counted by using an ROA (return on asset) ratio which is a comparison between net incomes with total assets. ROA reflects the ability of bank management for producing profit from bank assets (Athanasoglou et. al, 2005).

Myers (1984) states that high profitability levels will make corporations use profit as a source of funds compared with outside sources of funds which is from debt and publications of new equities.

2. Size

Size or scale shows the scale of business implemented by a corporation. The size or scale of a corporation is seen from the number of assets of the corporation, the increase of corporate assets shows an increase in investment scale that is implemented. The size of the corporation is very influential to the capital structure because large corporations usually obtain certain opportunities in their activities which makes then easier for entering markets, obtain a good credit rating for the loans that are implemented. (Bringham, 2003)

Size or scale of banks also provide a picture about the bank's ability for implementing expansions and is able to hold its ground in facing competition levels, the reason is because the higher the bank's size the higher the chance that the bank is able to implement its business portfolio strategy. So the size of the bank has a positive influence to the leverage ratio or has a tendency to increase debt (Darwanto, 2008).

3. Credit Risk

Credit risk or known as default risk is a risk as a cause of failure or inability of a customer to give back the total loans that are accepted from the bank with the interest in accordance with the determined time period (Dahlan Siamat, 1999). For the problem of credit risk, the size of this risk is able to be seen from the size of the level of bad credit, the size of bad credit in a bank is basically influenced by several factors, such as credit appraisal quality, macroeconomic factors, moral hazards neither the bank party nor other debtors. This level of credit risk has a significant enough influence to the bank's ability to provide funds. The mentioned decision of the choice of fund

sources is able to be fulfilled well by the first party, bank loans and Bank Indonesia credit are also through third party funds.

4. Expense Management

The load of management reflects the total load cost that is spent by management in operating their business which are operating costs and other expenses. An increase in management load that is proxied with a proportion that is relative between the total cost with the total corporate assets that have a historic relation with bank leverage, this indicates the presence of load increase and in general is followed by an increase in bank leverage (Darwanto, 2008).

Capital Structure

The policy of capital structure is related with corporate financing decisions. Capital structure is an important part in the process of financial decision making because it has a mutual relation to the decisions of other financial variables. The implementation of a weak capital structure decision is able to produce capital costs that are high, on the contrary an effective capital structure decision is able to decrease capital costs and in the end is able to increase the corporation's value (Gitman, 2009).

The source of funds that are implemented by corporations are divided into two sources are internal sources of funds, which is from its own capital and retained earning and external funding which are from creditors or is known as debt. Brigham (2005) states that capital structure policy involves the presence of balance (trade-off) between risks and levels of return. Funds that are from debt have a capital cost in the form of interest cost, while funds that are from equity have a capital cost in the form of dividends. Corporations will choose the source of funds that has the lowest cost between several sources of funds available. The composition of debt and equity that is not optimal is able to influence corporate value. The use of more debt will increase risks that are borne by shareholders, yet the use of debt that is larger will usually cause an occurrence in levels of return expectations as a cause of higher equity. So the optimal capital structure has to reach a balance between risks and return levels so it is able to maximize the costs of corporate shares.

Capital Structure Theory

Capital structure theory has a purpose to provide a thinking ground for knowing the optimal capital structure. A capital structure is said to be optimal if with a certain risk level is able to provide a return level that in the end is able to optimalize corporate value.

a. Modigliani-Miller (MM) Theory

Modigliani-Miller (1958) in Brigham (2005) form their analysis by using no tax assumptions and analyzes by using tax (with corporate taxes). If tax is not counted. MM contends that corporate value is not influenced by capital structure. MM states that an increase in debt in capital structure will increase the return on equity and at once the investor risk also increases. Because the two influences are mutually exclusive, without tax and bankruptcy risks, the value of a corporation is not influenced by leverage levels. Therefore the value of a corporation that uses debt is the same as a corporation without debt.

Assuming with tax counting, MM states that the value of a corporation will increase with the increase of debt equity ratio because of the effect of tax saving (corporate tax shield). This is caused because in a perfect market situation and tax is present, generally interests that are paid as a cause of debt usage is able to be used for decreasing salary that has tax or in other words is tax deductible. Because saving tax paying is a benefit for corporations, the value of corporations that use debt will be

larger than the value of corporations that do not use dept. Yet the opinion of MM that shows that corporations are able to increase their values if using debt as much as possible (in a tax situation) this invites critics and objections from practitioners. This is caused because the assumption that is used by

Modigliani-Miller in their analysis, which the capital market is perfect. While in the imperfect capital market condition, there is a chance that there will be bankruptcy costs, agency costs or the presence of asymmetrical information so the use of debt that is extreme is able to decrease corporate value (Brigham, 2005, Peirson, 2006).

b. Trade-Off Thory

This theory explains that corporations will choose the optimal capital structure based on the presence of balance (trade-off) between benefits and costs that is obtained from debt usage. This is in accordance with what is stated by Peirson (2006:394) which is :

Trade-off theory is theory which proposes that companies have an optimal capital structure based on a trade-off between the benefits and costs of using debt.

Trade-off theory is almost the same with balancing theory. The capital structure model in theBalancing theories environment that is expressed by Myers (1984) is known as balancing theory which is balancing one's own debt and capital composition. This theory basically balances between benefit and sacrifice that rises as a cause of debt usage, as far as the benefit is still large, debt will be added. But if the sacrifice because of using debt is larger, debt is no longer added. The mentioned sacrifice because of using debt is able to be in the form of bankruptcy cost and agency cost.

c. Pecking Order Theory

Perison (2006 : 396) states that "Pecking Order Theory is theory which proposes that companies follow a hierarchy of financing sources in which internal funds are prefered and, if external funds are needed, borrowing is preferred to issuing riskier securities".

Pecking order theory explains that corporations will determine hierarchy form their sources of funds where internal financing is more prioritized than sources of external financing. If corporations use funds from outside loans are more prioritized than funds with additional capital than in the publication of new shares (external equity)

In parallel with the opinion of Myers & Majluf (1984) that pecking order theory is a theory that determines a sequence of funding where the managers for the first time will choose retained earning then debt, and external equity as a last choice. This theory is based on the argument that the use of retained earning has a cheaper cost than external sources of funds. The use of external sources of funds through debt is only used if investment needs are higher than the internal source

In pecking order theory, if external funding will still be implemented, what is chosen is the form debt than the publication of equity/new shares. This is caused by the consideration of bond emission costs that will be lower than the costs of new shares emissions. With the presence of the publication of new shares it is feared that the price of old shares will decrease, because the publication of new shares is deciphered as a bad signal by the investors. The presence of asymmetric information between the management party (insider) with the capital owner (outsider) is also able to cause a decrease in share prices. Because the management party owns more information about the prospect of the corporation than the owning party (shareholders).

Hypothesis

The hypothesis in this research is defined as the following:

Hypothesis 1 : Bank specific structure influences significantly to the bank's capital structure.

Hypothesis 2 : Bank specific characteristics influences significantly to the bank's capital structure.

3. RESEARCH METHOD

Variable Operationalization

In this research the variables that are studied are :

Table 1 Variable Operationalization

Variable	Indicator	Formula	Scale	Type of data
Capital structure *(Y)*	- Total Debt (Deposit, *Sub ordinated Debt*) - Equity	$DER = \frac{Debt}{Equity}$	Ratio	secondary
Ownership Structure				
Government Ownership *(X_1)*	Number of shares	$\frac{\%\ government\ of\ share}{\%\ total\ shares}$	Ratio	secondary
Domestic Private Ownership *(X_2)*	Number of shares	$\frac{\%\ domestic\ of\ share}{\%\ total\ shares}$	Ratio	secondary
Mixed Ownership *(X_3)*	Number of shares	$\frac{\%\ mixed\ ownership\ of\ share}{\%\ total\ shares}$	Ratio	secondary
Foreign Private Ownership *(X_4)*	Number of shares	$\frac{\%\ foreign\ private\ ownership}{\%\ total\ shares}$	Ratio	secondary
Bank Specific Characteristics				
Profitability (X_5)	- *Net Income* - Total *Assets*	$Profitability = \frac{Net\ Income}{Total\ assets}$	Ratio	secondary
Size (X_6)	Total assets	$Size = Ln\ asset$	Ratio	secondary
Credit Risk (X_7)	Credit risk Total Credit	$NPL = \frac{credit\ risk}{Total\ credit}$	Ratio	secondary
Expenses Management (X_8)	- Total *Cost* - *Asset*	$Expenses\ management = \frac{Total\ cost}{Total\ asset}$	Ratio	secondary

Sources and Methods of Determining Data

Data that is used in this research is quantitative data that is the result of observation in a certain period that is stated in numbers and show the value to size or variable that it represents.

The type of data that is used is secondary data which is data that is already available and published in the form of balance and income statements from banks that go public from the years 2009-2012 and data of ownership proportions of bank shares. In this research the method of data gathering that is used is purposive sampling with criteria as the following :

1. Conventional public banks that operate in Indonesia in the years 2009-2012 and provide Financial Reports within the period of observation.
2. Within the period of observation, the mentioned banks periodically release yearly financial reports from the years 2009-2012 and have data comprehensiveness as long as the period of observation.

The population that is chosen for this research is all of the public banks (conventional). So a total sample is obtained that is used in this research are as many

as 72 public banks that consists of government owned banks as many as 15 (State Owned Banks and Regional Development Banks), private banks as many as 35 (General Private National Foreign Exchange Banks and Non Foreign Exchange) and foreign as many as 22 (Mixed Banks and Foreign Banks).

Data Accumulation Technique

In the effort of obtaining data that is needed in this research, a data accumulation technique is implemented that is obtained by library research, which is research by reading and studying literature such as books, journals, and several other kinds of written sources that is related with the researched problem.

Data Analysis Technique and Hypothesis Test

a. Data Analysis Technique

The analysis technique that is used is the Double Regression Linear Analysis. The regression analysis is used for knowing the influence of independent variables which are ownership structure and specific characteristics to the capital structure. The equation model that is used is:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + \cdots + b_8X_8 + \varepsilon \quad (1)$$

Keterangan:

Y	=	Struktur modal
$b_1, b_2, b_3, \ldots, b_8$	=	Koefisien regresi $X_1, X_2, X_3, \ldots, X_8$
X_1	=	Struktur kepemilikan pemerintah
X_2	=	Struktur Kepemilikan Domestik
X_3	=	Struktur Kepemilikan Asing
X_4	=	Struktur Kepemilikan Campuran
X_5	=	*Profitability*
X_6	=	*Size*
X_7	=	*Credit Risk*
X_8	=	*Expense Management*
a	=	Konstanta
e	=	Residual persamaan regresi

4. RESULTS AND DISCUSSION

Descriptive Analysis

Such as mentioned in chapter III that the sample pickup technique is implemented with purposive sampling, so the samples that are used in this research is as many as 72 public banks that are in Indonesia. As for the data that are picked up are the majority ownership structure held by one shareholder which is >51.00% ownership from the total shares in a row as long as the observation period from the year 2009 until the year 2012.

The following is a development of public bank assets in Indonesia in the 2009-2012 period.

Table 2 Development of Public Bank Assets

PERKEMBANGAN ASET BANK UMUM (dalam miliar rupiah)					
No	**Kelompok Bank**	**2009**	**2010**	**2011**	**2012**
1	Bank Persero	979.078	1.115.519	1.328.168	1.264.866
2	BUSN Devisa	958.549	1.203.370	1.464.007	1.459.221
3	BUSN Non Devisa	55.762	78.485	107.085	106.740

PERKEMBANGAN ASET BANK UMUM					
4	BPD	200.542	239.141	304.003	307.452
5	Bank Campuran	135.675	149.990	181.088	185.475
6	Bank Asing	204.502	222.347	268.482	274.961
	Total Aset	**2.534.108**	**3.008.852**	**3.652.833**	**3.598.715**

From table 2 it is able to be seen that asset developments from the year 2009 until 2011 always experiences an increase, this is caused by funds that are distributed by banks to society that increases more and more, in other words the compilation of funds from society also increases. Yet in 2012 a decrease occurred, this is caused by the decrease of funds that are distributed by banks to society, in other words the compilation of funds from the society also decreases (Nurshadrina, 2013).

Double Regression Linear Analysis

Before implementing a regression model, an assumption test is implemented before so the model that is formed provide an estimate that is BLUE (Best, Linear, Unbiased, Estimator). (Gujarati, 2011).

a. Best. In the meaning that the regression line is a good estimate or forecast from a data distribution. A regression line is a way to understand relation patterns between two or more data series. The regression line is best if the line produces the smallest error. Error itself is the difference between the observation value and the value that is forecasted by the regression line. If best is accompanied by an unbiased characteristic, the regression estimator is known as efficient.
b. Linear. Estimator β is known as linear if that estimator is a linear function from a sample.

$$\text{Average } \bar{X} = \frac{1}{n}\sum X = \frac{1}{n}(x_1 + x_2 + \ldots\ldots\ldots + x_n) \quad (2)$$

is a linear estimator because it is a linear function from X values. OLS (Ordinary Least Square) values are also linear estimators.
c. Unbiased. An estimator is said to be unbiased if the expectation value from estimator β is the same as the correct value from β (average β = β)

This assumption test consists of four tests, which are the Normality Test, Multicolinearity Test, Heteroscedacity Test, and Autocorrelation Test.

The Influence of Government Ownership (X_1),Profitability (X_5), Size (X_6), Credit Risk (NPL) (X_7) and Expenses Management (X_8) to DER (Y)

Normality Data Test

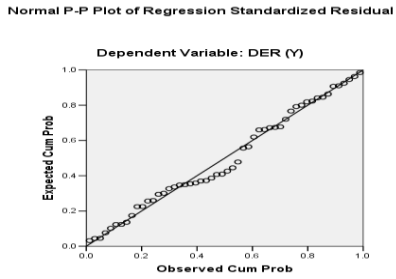

Figure 1 P-P Plot Normality data Test

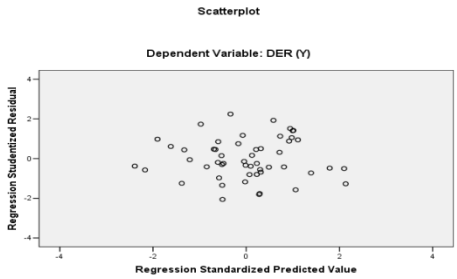

Figure 2 Scatterplot Heteroscedacity Test

Table 3 VIF Value Multicolinearity Test

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	KEPEMILIKAN PEMERINTAH (X1)	,641	1,560
	PROFITABILITY (X5)	,201	4,983
	SIZE (X6)	,350	2,854
	CREDIT RISK (NPL) (X7)	,580	1,726
	EXPENSES MANAGEMENT (X8)	,344	2,903

a. Dependent Variable: DER (Y)

Table 4 Autocorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,435[a]	,189	,101	,92384	1,926

a. Predictors: (Constant), EXPENSES MANAGEMENT (X8), SIZE (X6), KEPEMILIKAN PEMERINTAH (X1), CREDIT RISK (NPL) (X7), PROFITABILITY (X5)

b. Dependent Variable: DER (Y)

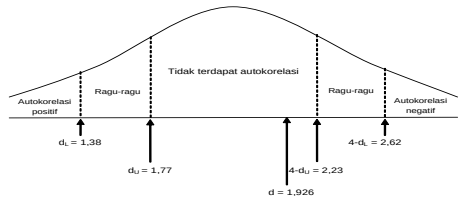

Figure 3 Autocorrelation Test

Double Regression Linear Equation Analysis

After all the assumptions are fulfilled, then a double regression linear analysis will be implemented (multiple linear regression). This analysis is meant for knowing the presence of influence between Government Ownership (X_1), Profitability (X_5), Size (X_6), Credit Risk (NPL) (X_7) and Expenses Management (X_8) to DER (Y). Its purpose is for forecasting or estimating the value of dependent variables in a cause-effect relation to the value of other variables.

The double regression model that will be formed is as the following:

$$Y = \alpha + b_1X_1 + b_5X_5 + + b_6X_6 + b_7X_7 + b_8X_8 + e \quad (3)$$

Table 5 Output of Regression Coefficient

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,341	1,045		,326	,746
	KEPEMILIKAN PEMERINTAH (X1)	,801	,735	,167	1,089	,282
	PROFITABILITY (X5)	,506	,526	,206	,962	,341
	SIZE (X6)	,870	,655	,222	1,329	,190
	CREDIT RISK (NPL) (X7)	1,151	,920	,200	1,251	,217
	EXPENSES MANAGEMENT (X8)	,924	,365	,517	2,531	,015

a. Dependent Variable: DER (Y)

Based on the output above a constant value and regression coefficient is obtained so a regression linear equation is able to be formed as the following:

$$Y = 0{,}341 + 0{,}801\ X_1 + 0{,}506\ X_5 + 0{,}870\ X_6 + 1{,}151\ X_7 + 0{,}924\ X_8$$

Table 6 Output Correlation Coefficient and Determination Analysis

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,376[a]	,141	,110	3,22050

a. Predictors: (Constant), EXPENSES MANAGEMENT (X8), CREDIT RISK (NPL) (X7), KEPEMILIKAN ASING (X4), SIZE (X6), PROFITABILITY (X5)

b. Dependent Variable: DER (Y)

From the analysis above it is able to be known that the coefficient value (R) is as large as 0.435. The mentioned value is then interpreted based on objective criteria as the following:

Table 7 The Estimated Correlation Coefficient

Interval Koefisien	Tingkat Hubungan
0,00 - 0,199	Sangat Rendah
0,20 - 0,399	Rendah
0,40 – 0,599	Sedang
0,60 – 0,799	Kuat
0,80 – 1,000	Sangat Kuat

Based on the interpretation table of the correlation coefficient provided above, the correlation coefficient as large as 0.435 shows the presence of a moderate relation between independent variables simultaneously with dependent variables.

After the R value as large as 0.435 is known, then a determination coefficient is able to be counted by using the equation as the following:

$$KD = R^2 \times 100\%$$
$$= (0.435)^2 \times 100\%$$
$$= 18.9\%$$

The determination coefficient as large as 18.9% shows that simultaneously, Government Ownership (X_1), Profitability (X_5), Size (X_6), Credit Risk (NPL) (X_7) and Expenses Management (X_8) provide influence as many as 1.3% to DER (Y). While

the rest as large as 81.1% are influenced by other variables that are not studied in this research.

The percentage size of influence is partially able to be known by multiplying the Beta coefficient value with the Zero Order coefficient value as the following:

Table 8 The Beta Coefficient and The Zero Order Coefficient Value

Coefficients[a]

Model		Standardized Coefficients	Correlations
		Beta	Zero-order
1	KEPEMILIKAN PEMERINTAH (X1)	,167	,210
	PROFITABILITY (X5)	,206	-,215
	SIZE (X6)	,222	,119
	CREDIT RISK (NPL) (X7)	,200	-,055
	EXPENSES MANAGEMENT (X8)	,517	,353

a. Dependent Variable: DER (Y)

Table 9 Simulant Hypothesis Test (F Test)

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9,150	5	1,830	2,144	,077[a]
	Residual	39,260	46	,853		
	Total	48,411	51			

a. Predictors: (Constant), EXPENSES MANAGEMENT (X8), SIZE (X6), KEPEMILIKAN PEMERINTAH (X1), CREDIT RISK (NPL) (X7), PROFITABILITY (X5)

b. Dependent Variable: DER (Y)

Based on the output above, an F count value as large as 2.144 is obtained. This value will then be compared with the F value in the F distribution table. For α=5%, db_1 (free degree) = k = 5 and db_2 = n – k- l – 1 = 52 -5 – 1 = 46 an F table value as large as 2.417 is obtained.

The Influence of Domestic Ownership (X_2),Profitability (X_5), Size (X_6), Credit Risk (NPL) (X_7) and Expenses Management (X_8) to DER (Y)

Double Regression Linear Equation Analysis

After all the assumptions are fulfilled, then a double regression linear analysis will be implemented (multiple linear regression). This analysis is meant for knowing the presence of influence between Domestic Ownership (X_2), Profitability (X_5), Size (X_6), Credit Risk (NPL) (X_7) and Expenses Management (X_8) to DER (Y) Its purpose is for forecasting or estimating the value of dependent variables in a cause-effect relation to the value of other variables.

The double regression model that will be formed is as the following:

$$Y = \alpha + b_2X_2 + b_5X_5 + + b_6X_6 + b_7X_7 + b_8X_8 + e \quad (4)$$

Table 10 Output of Regression Coefficient

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-,827	,689		-1,199	,232
	KEPEMILIKAN DOMESTIK (X2)	1,086	,344	,207	3,160	,002
	PROFITABILITY (X5)	,620	,917	,047	,676	,500
	SIZE (X6)	1,086	,350	,200	3,107	,002
	CREDIT RISK (NPL) (X7)	1,592	,347	,317	4,585	,000
	EXPENSES MANAGEMENT (X8)	,495	,229	,162	2,162	,032

a. Dependent Variable: DER (Y)

Based on the output above a constant value and regression coefficient is obtained so a regression linear equation is able to be formed as the following:

$$Y = -0{,}827 + 1{,}086\ X_2 + 0{,}620\ X_5 + 1{,}086\ X_6 + 1{,}592\ X_7 + 0{,}495\ X_8$$

Table 11 Correlation Coefficient and Determination Analysis

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,472[a]	,223	,204	1,72702

a. Predictors: (Constant), EXPENSES MANAGEMENT (X8), SIZE (X6), KEPEMILIKAN DOMESTIK (X2), CREDIT RISK (NPL) (X7), PROFITABILITY (X5)

b. Dependent Variable: DER (Y)

After the R value as large as 0.472 is known, then a determination coefficient is able to be counted by using the equation as the following:

$$KD = R^2 \times 100\%$$
$$= (0.472)^2 \times 100\%$$
$$= 22.3\%$$

The determination coefficient as large as 22.3% shows that simultaneously, Domestic Ownership (X_2), Profitability (X_5), Size (X_6), Credit Risk (NPL) (X_7) and Expenses Management (X_8) provide influence as large as 1.3% to DER (Y) While the rest as large as 73.7% are influenced by other variables that are not studied in this research.

The percentage size of influence is partially able to be known by multiplying the Beta coefficient value with the Zero Order coefficient value as the following:

Table 12 The Beta Coefficient And The Zero Order Coefficient Value

Coefficients[a]

Model		Standardized Coefficients	Correlations
		Beta	Zero-order
1	KEPEMILIKAN DOMESTIK (X2)	,207	,187
	PROFITABILITY (X5)	,047	,051
	SIZE (X6)	,200	,107
	CREDIT RISK (NPL) (X7)	,317	,355
	EXPENSES MANAGEMENT (X8)	,162	,297

a. Dependent Variable: DER (Y)

The Influence of Mixed Ownership (X_3),Profitability (X_5), Size (X_6), Credit Risk (NPL) (X_7) and Expenses Management (X_8) to DER (Y)

Double Regression Linear Equation Analysis

After all the assumptions are fulfilled, then a double regression linear analysis will be implemented (multiple linear regression). This analysis is meant for knowing the presence of influence between Mixed Ownership (X_3),Profitability (X_5), Size (X_6), Credit Risk (NPL) (X_7) and Expenses Management (X_8) to DER (Y) Its purpose is for forecasting or estimating the value of dependent variables in a cause-effect relation to the value of other variables.

The double regression model that will be formed is as the following:

$$Y = \alpha + b_3X_3 + b_5X_5 + + b_6X_6 + b_7X_7 + b_8X_8 + e \quad (5)$$

Table 13 Output Regression Coefficient

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,357	1,022		1,327	,187
	KEPEMILIKAN CAMPURAN (X3)	,974	1,023	,079	,953	,343
	PROFITABILITY (X5)	1,098	,981	,097	1,119	,265
	SIZE (X6)	,953	1,361	,056	,700	,485
	CREDIT RISK (NPL) (X7)	1,096	,304	,336	3,601	,000
	EXPENSES MANAGEMENT (X8)	,947	,554	,160	1,709	,090

a. Dependent Variable: DER (Y)

Based on the output above a constant value and regression coefficient is obtained so a regression linear equation is able to be formed as the following:

$Y = 1,357 + 0,974\ X_3 + 1,098\ X_5 + 0,953\ X_6 + 1,096\ X_7 + 0,947\ X_8$

Table 14 Correlation Coefficient

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,438[a]	,191	,159	2,01131

a. Predictors: (Constant), EXPENSES MANAGEMENT (X8), SIZE (X6), KEPEMILIKAN CAMPURAN (X3), PROFITABILITY (X5), CREDIT RISK (NPL) (X7)

b. Dependent Variable: DER (Y)

After the R value as large as 0.438 is known, then a determination coefficient is able to be counted by using the equation as the following:

$$KD = R^2 \times 100\%$$
$$= (0.438)^2 \times 100\%$$
$$= 19.1\%$$

The determination coefficient as large as 19.1% shows that simultaneously, Mixed Ownership (X_3), Profitability (X_5), Size (X_6), Credit Risk (NPL) (X_7) and Expenses Management (X_8) provide influence as large as 19.1% to DER (Y) While the rest as large as 80,9% are influenced by other variables that are not studied in this research.

The percentage size of influence is partially able to be known by multiplying the Beta coefficient value with the Zero Order coefficient value as the following:

Table 15 The Beta Coefficient Value With The Zero Order Coefficient Value

Coefficients[a]

Model		Standardized Coefficients	Correlations
		Beta	Zero-order
1	KEPEMILIKAN CAMPURAN (X3)	,079	,065
	PROFITABILITY (X5)	,097	,055
	SIZE (X6)	,056	,052
	CREDIT RISK (NPL) (X7)	,336	,385
	EXPENSES MANAGEMENT (X8)	,160	,303

a. Dependent Variable: DER (Y)

The Influence of Foreign Ownership (X_4),Profitability (X_5), Size (X_6), Credit Risk (NPL) (X_7) and Expenses Management (X_8) to DER (Y)

Double Regression Linear Equation Analysis

After all the assumptions are fulfilled, then a double regression linear analysis will be implemented (multiple linear regression). This analysis is meant for knowing the presence of influence between Foreign Ownership (X_4),Profitability (X_5), Size (X_6), Credit Risk (NPL) (X_7) and Expenses Management (X_8) to DER (Y) Its purpose is for forecasting or estimating the value of dependent variables in a cause-effect relation to the value of other variables.

The double regression model that will be formed is as the following:

$$Y = \alpha + b_4X_4 + b_5X_5 + + b_6X_6 + b_7X_7 + b_8X_8 + e \quad (6)$$

Table 16 Output Regression Coefficient

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	,964	2,655		,363	,717
	KEPEMILIKAN ASING (X4)	1,108	,667	,136	1,662	,099
	PROFITABILITY (X5)	1,099	,678	,141	1,621	,107
	SIZE (X6)	,904	,518	,147	1,746	,083
	CREDIT RISK (NPL) (X7)	,945	,345	,227	2,736	,007
	EXPENSES MANAGEMENT (X8)	,956	,406	,208	2,355	,020

a. Dependent Variable: DER (Y)

Based on the output above a constant value and regression coefficient is obtained so a regression linear equation is able to be formed as the following:

$$Y = 0{,}964 + 1{,}108\ X_4 + 1{,}099\ X_5 + 0{,}904\ X_6 + 0{,}945\ X_7 + 0{,}956\ X_8$$

Table 17 Correlation Coefficient

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,376[a]	,141	,110	3,22050

a. Predictors: (Constant), EXPENSES MANAGEMENT (X8), CREDIT RISK (NPL) (X7), KEPEMILIKAN ASING (X4), SIZE (X6), PROFITABILITY (X5)

b. Dependent Variable: DER (Y)

After the R value as large as 0.376 is known, then a determination coefficient is able to be counted by using the equation as the following:

$$KD = R^2 \times 100\%$$
$$= (0.376)^2 \times 100\%$$
$$= 14.1\%$$

The determination coefficient as large as 14.1% shows that simultaneously, Mixed Ownership (X_3), Profitability (X_5), Size (X_6), Credit Risk (NPL) (X_7) and Expenses Management (X_8) provide influence as large as 14.1% to DER (Y) While the rest as large as 85.9% are influenced by other variables that are not studied in this research.

The percentage size of influence is partially able to be known by multiplying the Beta coefficient value with the Zero Order coefficient value as the following:

Table 18 The Beta Coefficient Value With The Zero Order Coefficient Value

Coefficients[a]

Model		Standardized Coefficients	Correlations
		Beta	Zero-order
1	KEPEMILIKAN ASING (X4	,136	,161
	PROFITABILITY (X5)	,141	,132
	SIZE (X6)	,147	,030
	CREDIT RISK (NPL) (X7)	,227	,197
	EXPENSES MANAGEMENT (X8)	,208	,247

a. Dependent Variable: DER (Y)

5. CONCLUSION AND SUGGESTION

From the analysis above it is able to be summarized that partially ownership structure does not significantly have an influence to capital structure. This shows that the level of composition of corporate ownership does not influence the amount of debt taken by corporations. It is seen from previous data that although from year to year debt levels are more and more high yet the ownership structure of corporations tend to be stable in accordance with research results (Haruman, 2008).

Profitability does not influence significantly to capital structure. This is in accordance with the results of research by Krishnan (1996), Badhuri (2002), Moh'd (1998) and Majumdar (1999) (in Yuke and Hadri, 2005) that shows that the higher the profit obtained by corporations means that the lower the need for external funds (debt) so the capital structure from the mentioned corporations are also lower.

The size of corporations does not influence significantly to capital structure this is in accordance with the research results of Rista and Bambang (2011) and Heruman (2008) shows that the size of the allocation for each asset component, neither current assets nor fixed assets still is unable to influence capital structure.

Credit risk does not have an influence to capital structure in accordance with the research results of Haruman (2008), this shows that the size of risks that corporations have is very diverse. Yet the tendency to use debt is still high. While management load has a significant influence to capital structure in accordance with the research results of Siringoringo (2012), this shows that the management load variable increases with the increase of total cost that are owned by corporations, so simultaneously there is a tendency that the bank leverage ratio increases more and more.

Based on the summary of the research results above, so the suggestions that are able to be proposed are as the following :

a. In the following research bank ownership that have already go public have to be emphasized with the ones that have not yet gone public so the obtained analysis results are able to represent it.
b. In determining credit, every bank ownership policy needs to be inspected again.

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