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THE OWNERSHIP STRUCTURE IN BUILDING FINANCIAL PERFORMANCE USING LEVERAGE AS A MEDIATION VARIABLE: FOCUSING ON MANUFACTURING COMPANIES THAT ADHERE TO SHARIA LAW

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Keyword

Company Ownership, Leverage, Financial Performance

Abstract

Important key factors for a company's financial decisions are leverage and ownership structure. A company can be owned by foreign owners, managerial, and institutional. This study aims to look at the effect of foreign ownership, managerial and institutional on company leverage. This study uses secondary data obtained from sharia-based manufacturing companies, namely financial reports for a period of 5 years (2016-2021). Data includes foreign ownership, managerial, institutional, leverage, and financial performance. SPSS version 20 was used to analyze the data. Regression techniques are used in evaluating the correlation between the selected variables. The analysis also involves figuring out the various correlation coefficients in the model to establish connections. The results of the study are as follows: foreign ownership has a significant positive effect on leverage, managerial ownership has no significant effect on leverage, foreign ownership has a significant positive effect on leverage, leverage has a significant negative effect on financial performance, leverage mediates significantly between foreign ownership variables on financial performance, leverage does not mediate significantly between managerial ownership variables on financial performance, and Leverage mediates significantly between institutional ownership variables on financial performance. The conclusion of this study is that foreign ownership has more influence on leverage when compared to managerial ownership. Leverage mediates foreign and institutional ownership significantly to financial performance..

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INTRODUCTION

Ownership structure and leverage have been identified as key factors influencing a company's financial decisions (Ananda et al., 2022). The ownership structure is defined as the proportion of equity held by various stakeholders (Sienatra & Andarwati, 2015). Management and ownership are legally separated in stakeholder companies. The owner may have the funds but not the management skills to effectively manage the company. Similarly, management may have business ideas but lack the funds to put them into action, so they seek internal and external loans. Stakeholders incur monitoring costs to ensure that management's actions are in the best interests of stakeholders(Aditya et al., 2020; Chabachib et al., 2020). Stakeholders can boost company performance by lowering monitoring costs and putting in place effective management controls(Suhardjanto, 2017). Furthermore, the ownership structure can deter managers from making suboptimal investments while increasing their earnings, resulting in a decrease in shareholder wealth (Nugroho, 2021).

Capital structure has emerged as one of the most crucial topics in corporate finance. Capital structure is the financing structure of a company through debt, equity, and a combination of securities (Dita Anggraini, 2022). The composition of debt and equity reflects how companies maximize profits. Thus, the capital structure will have a significant impact on the company's performance.

Capital structure theory investigates the financing structure of a company and the factors that influence capital structure (Nugroho, 2021). These studies have identified key determinants of capital structure, including firm size, growth prospects, profitability, and tangible assets. A firm's capital structure is also affected by agency costs resulting from conflicts of interest between managers and shareholders, according to agency theory. In comparison to the extensive research on the other two capital structure theories, this study focuses primarily on agency theory and attempts to identify the agency cost-related factors that influence firms' capital structure decisions(Mukonyi et al., 2016).

The theory of corporate finance demonstrates that agency costs influence the choice of capital structure, whereas corporate governance seeks to mitigate agency issues. Therefore, agency theory hypothesizes a potential relationship between capital structure and corporate governance structure via the relationship between agency costs(Shubita & Shubita, 2019). Corporate governance is an organizational management and control system. In accordance with the modern capital structure theory, shareholders and creditors provide capital to the corporation and exercise control over it, whereas managers are responsible for maximizing shareholder value (Rosita Andarsari, 2021). Differences in preferences and impacts between managers and shareholders, as well as the interests of various parties, will influence funding decisions and thus determine the company's selection of various capital structures.

Internal and external control mechanisms enable the corporate governance system to effectively regulate and reduce corporate conflicts between shareholders and managers and between controlling shareholders and minority shareholders (Bai et al., 2003). Internal control aims to reduce conflicts between shareholders, managers, the board of directors, and other stakeholders through management oversight and control, which are under the control of shareholders and managers. Important among the internal governance mechanisms is the ownership structure. By managing the ownership structure, shareholders exert influence over managers to mitigate agency conflict.

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External corporate governance mechanisms concentrate on disciplining and monitoring roles outside the organization, such as the corporate control market (Chabachib et al., 2020). The structure of corporate governance consists of three components: the shareholders, the board of directors, and the supervisory board. The dominance of government ownership is the most significant aspect of this structure of concentrated ownership. The majority of issuers are restructured state-owned enterprises (BUMN). After the IPO, listed BUMN shares are essentially under government control. Even after the 2005 stock split reform, the government retains ownership control and influences the capital structure decisions of listed companies (Bai et al., 2003; Liu et al., 2011). Additionally, high levels of ownership concentration and low levels of managerial ownership result in severe agency conflicts between investors and managers. With less managerial ownership, managers have no incentive to increase investor wealth and firm value and instead pursue personal gain.

This distinguishing feature demonstrates the significance of corporate governance on corporate financial decisions (Soewignyo et al., 2021). In addition, corporate takeovers are extremely uncommon in Indonesia, so the corporate control market is not used to discipline company managers. The choice of a firm's capital structure is influenced by financial market characteristics such as high information asymmetry, highly concentrated ownership, and the absence of external markets for corporate control. Consequently, the internal corporate governance mechanism, specifically the ownership structure, is of greater significance to the company. While external control may have less of an impact, it is still important to consider. On the basis of this argument, it is believed that the determinants of a firm's capital structure are consistent with conventional theory but also influenced by a number of characteristics (Bai et al., 2003; Davranış et al., 2020). The company's distinctive ownership structure is a significant factor in determining the company's capital structure(Budi ratnasari, 2016).

In this case, the ownership structure can take the form of a state, which is entrusted with resources. For instance, when a corporation has direct state ownership, it focuses less on minority shareholders and more on achieving the company's political goals (A. Ali et al., 2015; J. Ali et al., 2022). There are various types of ownership structures, including management, family, government, foreign, and institutional, but institutional and management stakeholders have a greater degree of control over company policies than other types (Purbawangsa & Suana, 2019). Although some company owners are not directly involved in company management, they play a crucial role in appointing company managers and the board of directors. The ownership structure is characterized by the nature and influence of the majority of stakeholders on management decisions(Wahyudi & Sholahuddin, 2022) . The ownership structure is a crucial determinant of market efficiency because it provides information about two crucial factors (Aisjah et al., 2021). First, it describes the level of risk diversification among shareholders. Second, it will provide information about potential agency issues that most company managers face(Andani & Puspitasari, 2021).

The control structure of a company influences its policies and decisions, and majority shareholders may not wish to share their private benefits with minority stakeholders. The relationship between foreign ownership and company performance is inversely proportional to the ratio of foreign ownership (Shubita & Shubita, 2019). Institutional ownership was discovered to positively impact firm performance (Septiani & Dana, 2019). There is no significant effect of managerial ownership on company performance.

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There was a statistically significant negative correlation between foreign ownership and firm performance. And the relationship between managerial ownership, institutional ownership, and family ownership and company performance is negative and statistically significant (J. Ali et al., 2022). Therefore, this study will classify ownership into various forms, including foreign ownership, managerial ownership, and institutional ownership, with leverage serving as a mediating variable, in relation to building financial performance. In addition, the objective of this study is to determine if foreign ownership, managerial ownership, and institutional ownership influence company leverage.

METHOD

Research design

This research employs a descriptive methodology. The descriptive design is useful for identifying the relationship between variables (Narimo et al., 2022) such as ownership structure and financial performance. In addition, this type of design is advantageous when a researcher is attempting to identify hypothetical relationships between variables (Wahyudi & Sholahuddin, 2022).

This study focuses on manufacturing companies that adhere to Sharia law. According to www.sahamok .com, there are 276 non-financial corporations with Islamic shares, as shown in Table 1 below. This study employed the census method because all 276 companies comprised the sample size. The census technique is a research system in which all population elements participate. The census technique has the advantage of increasing accuracy and dependability.

Table 1. Number of companies and company sectors on the IDX

No	Sector	Number of Companies on the IDX	The population of companies that publish financial statements 2016-2021	The population of companies in this study	Sharia Shares
1	Agriculture	24	21	21	10
2	Mining	44	37	37	26
3	Basic Industry and Chemicals	77	62	62	40
4	Various Industries	51	40	40	27
5	Consumer Goods Industry	53	36	36	25
6	Property, Real Restate, and building construction	83	56	56	39
7	Infrastructure, utilities and transportation	79	54	54	33
8	Financial	99	91		3

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9	Trade, services, and investment	164	118	118	76
Total		**674**	**461**	**370**	**276**

Source: Sharesok.net updated July 16, 2021

Data collection

The data collection method refers to a researcher-applied procedure for collecting and collecting data for use in research (Zikmund, et al., 2011). This five-year study uses secondary data collected from published annual financial reports and company annual reports (2016-2021). Panel data, or data generated from a combination of cross-sections and time series, are utilized. The information gathered pertains to the structure of ownership, including foreign ownership, managerial ownership, institutional ownership, leverage, and financial performance.

Variable operational definitions

This definition is to explain that this research does not have multiple interpretations in the use of variables so it is necessary to have an operational definition that explains each variable in detail using its proxies.

Table 2. Operational Variable Definitions

Type	Variable	Definition	Proxies and Measurements
Dependent Variable (Y)	Financial performance	Financial performance according to the Indonesian Institute of Accountants (2007) is a company's ability to manage and control its resources.	*Return On Assets (ROA)*with Formula: $\frac{Earning\ After\ Tax}{Total\ Asset}$ (Ali, Shah, & Jan, 2015)
Mediation Variable (M)	leverage	Chiang and Kuo (2006), the leverage ratio (LEV) will be used as a proxy to show long-term financial difficulties and measure a company's ability to meet their long-term financial obligations.	*Debt to Total Assets (DAR)*with the formula: $\frac{Total\ Hutang}{total\ Asset}$ (Ali, Shah, & Jan, 2015; Cahyani, & Suryaningsih, 2016).
Independent Variable (X)	Foreign Ownership	The proportion of share ownership in Indonesian companies owned by foreign individuals or institutions (Sriayu & Mimba, 2013).	$\frac{Jumlah\ Saham\ Asing}{Jumlah\ saham\ yang\ Beredar}$ (Subastian & Setiawan, 2022; Shubita, & Shubita, 2019)
	Managerial Ownership	Number of shares owned by company management.	$\frac{Jumlah\ Saham\ Manajemen}{jumlah\ Saham\ yang\ beredar}$ (Rely, 2022)

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	Institutional Ownership	The proportion of company shares owned by other organizations or businesses that can be measured by the proportion of ordinary shares owned by external organizations or institutions	$\frac{Jumlah\ Saham\ institusional}{Jumlah\ Saham\ yang\ Beredar}$ (Rely, 2022)

Diagnostic Tests

Various diagnostic tests, including tests for normality, autocorrelation, and multicollinearity, have been conducted.

Normality test

The normality test is conducted because it is impractical to make accurate and reliable inferences regarding the normal distribution of the study population. This research employs a graphical histogram (Ghasemi & Zahediasl, 2012). To be more precise with this test, the Kolmogorov Smirnov method is also utilized; if the asymp.sig value is greater than 0.05, the data is considered normally distributed, and if it is less than 0.05, the data is considered not normally distributed (Gozali, 2015).

Multicollinearity Test.

This study conducted a multicollinearity test to ensure the collected data was free of bias and that one variable's data was unrelated to data from other variables. When two variables share the same linear relationship, multicollinearity is identified. Multicollinearity is examined using Inflation Variance (Cohen, West & Aiken, 2013). For this test, use the tolerance and VIF methods where conditions exist for their use.

If the tolerance value is < 1 and VIF < 10, the data is considered to have no multicollinearity

If the tolerance value is > 1 and VIF > 10, then the data is considered to have multicollinearity.

Autocorrelation Test

The autocorrelation test to detect similarities between time series at certain time intervals was carried out using Durbin-Watson. This test describes test statistics with a value of 0 to 4 where 2 has no autocorrelation, where statistics are less than two there is positive autocorrelation, and where it is greater than two, there is negative autocorrelation (Khan, 2012).

Heteroscedasticity Test

The heteroscedasticity test is a test that is carried out by identifying deviations in the residual variance differences that are carried out on all observations in the regression model (Wiyono, 2011). This test uses the Glejser Test with the condition that the sig. > 0.5, then the data is not considered to have heteroscedasticity and vice versa if the sig. < 0.05, the data are considered to have heteroscedasticity.

Analysis of Data

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It is a methodical procedure that employs statistical techniques to evaluate data by examining, transforming, and modeling data in order to derive the essential information required for sound decision-making. Version 20 of SPSS is used for data analysis in this study. This study employs multiple regression techniques to assess the correlation between the chosen variables. The analysis also requires determining the model's various correlation coefficients to establish connections. Analyzing the relationship between the predictor variable and the response variable employs the following regression model:

$M = \alpha + \beta1\ X1 + \beta2\ X2 + \beta3\ X3 + e$

$Y = \alpha + \beta1\ X1 + \beta2\ X2 + \beta3\ X3 + \beta4\ M + e$

Information:

α: Constant

X1: Foreign Ownership

X2: Managerial Ownership

X3: Institutional Ownership

M: leverage (debt to equity ratio)

Y: Financial Performance (Return on Assets)

β1, β2, ... β3: Coefficient of each variable

e: error/ Interference

Coefficient of Determination (R Square) The coefficient of determination is a test conducted to measure how much power the independent variable can explain the dependent variable (Gozhali, 2011). In this explanation, it can be made that the provisions are $0 < R2 > 1$ with R square

Significance Test

F and T tests are used to evaluate the practicability of the model. The F-test analyzes the significance of the regression equation, whereas the T-test analyzes the significance of the variables.

F test

This test is basically a test conducted to see how much influence the independent variables simultaneously include in the model(Ghozali, 2013). Hypothesis criteria if F sig. > 0.05 which is used in this analysis has no significant effect simultaneously on the dependent. Likewise, if F sig. < 0.05 which is used in this analysis t has a significant effect simultaneously on the dependent.

T-test

Testing is s on basically used to see if the variable explanatory is influenced in a manner Partial or No significant to the variable bound (Ghozali, 2013). output SPSS displays results analysis on table regression. Criteria hypothesis when t sig. > 0.05 Which used in analysis This No influential significance in a manner Partial to dependent. Likewise, if the t sig. < 0.05 Which used in analysis This t influential significant in a manner Partial to dependent.

Sobelt test

Test Sobel did with test magnitude influence No direct variable free (X) to variable bound (Y) through variable parametric (Z). Action No direct from X to Y through Z counted with multiply track X - Z (p1) with Z - Y (p2) or (p1 x p2). Because of that oefficient p1p2 = (c – c1), where is influencedX to Y without control Z, And c1 is coefficient

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influence X to Y after control Z. Write Sp1 And Sp2 as coefficient error standard p1 And p2.
In looking for a statistical t test which states that it has a significant effect individually but does not directly use the Sobel Test with the formula:
Sp2p3 =$\sqrt{p3^2Sp2^2 + p2^2Sp3^2 + Sp2^2p3^2}$
Based on Sp2p3 calculations, the t-value for the effect of mediation is:

$$t = \frac{p2p3}{Sp3p3}$$

This hypothesis was tested a significant level of 5% (0.05) or a 95% confidence level. Statistical t-test values or t-counts are compared using t-tables & if t-counts or statistics are greater according to the t-table value, it can be concluded that there is a mediating effect. To find out the observations, if the decision to test the hypothesis, then it is done by comparing the p-value or t statistics using the t table using the provisions are:
If t arithmetic or statistics > t table, then Ho is rejected. It can be interpreted that there is a significant mediating effect between the independent variables on the dependent variable.
If t arithmetic or statistics <t table, then Ho is accepted. It can be interpreted that there is no significant mediating effect between the independent variables on the dependent variable.

RESULTS

Presentation of research findings begins with demonstrating the effect of ownership structure, including managerial, foreign and institutional ownership on financial performance (ROA) through leverage (DAR). The method used is SPSS Software with several methods, namely classical assumptions and multiple linear regression are used to deal with econometric problems of unobserved heterogeneity or endogenous problems, thereby increasing the robustness of the results.

Table 3. Sample Data Testing

No	Information	Number of Companies	Period 2016 – 2021 (6 years) Observation Data
1	Number of Manufacturing Companies listed on the IDX	674	
2	Number of Manufacturing Companies that are not listed on the IDX 2016 - 2021	(213)	
3	Number of Manufacturing Companies listed on the IDX 2016 - 2021	461	
4	Population of Manufacturing Companies listed on the IDX 2016 - 2021	370	
5	Manufacturing companies excluding sharia shares listed on the IDX 2016 - 2021	(94)	

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6	Manufacturing companies including sharia shares listed on the IDX 2016 - 2021	276		
7	Sample Manufacturing Companies that include Islamic stocks for 2016 - 2021	43	6	258
8	Company outlier data	(20)	6	(120)
Total Data Analysis of this Research		**23**	**6**	**138**

Source: 2016-2021 Financial Report Data

Statistical Description

The following elements are included in the descriptive analysis: mean, standard deviation (SD), maximum, minimum, and skewness. The mean of a set of numbers is defined as its central value. The mean is a measure of central tendency that is used to describe value types. The spread of values in a sample is measured by standard deviation, whereas skewness measures symmetry.

Table 4. Statistical Data Analysis Results

Variable	N	Minimum	Maximum	Means	std. Deviation
Foreign Ownership	138	0.00	98.07	26.5429	30.85523
Managerial Ownership	138	0.00	73,20	9.1787	15.62533
Institutional Ownership	138	4.02	99.37	71.8604	23.33118
Leverage (DAR)	138	14,16	84,48	49.4157	15.72738
Financial Performance (ROA)	138	-7.5	12,1	3,277	3.2005

Source: 2016-2021 Financial Report Data

In Table 4, the results show that foreign ownership of manufacturing companies increased from 0.00 to 98.07 with a margin of 98.07 It has an average of 26.5429; and a Standard Deviation of 30.85523; which implies that most foreigners have various holdings in listed manufacturing companies. This may be due to the small number of foreign investors whose investment levels varied significantly over the study period. Institutional ownership reported an increase from 4.02 to 99.37; with a margin of 95. as a mean of 71.8604; and Standard Deviatiof on 23.33118. This is an indication that although institutional ownership increased over the study period, the variation was minimal from the average. Managerial ownership increased significantly during the study period, from 0.00 to 73, 20, with an average value of 9.1787 and; Standard Deviation of 15.62533.

Leverage reported an increase from 14.16 to 84.48; it achieves an average value of 49.4157 and the highest Standard Deviation of 15.72738. This may be due to funding decisions where the level of investment varied significantly over the study period. Further findings establish that the financial performance achieves a maximum value of 12.1 and a minimum of -7.5, an average value of 3.277, and a Standard Deviation of 3.2005.

Classical Assumption Testing

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This test explains the research model that was built regardless of the classic assumption data deviation. The purpose of this test is to produce a BLUE model (best, linear, unbeased, and estimator), meaning a model that can predict the phenomenon under study.

Normality Analysis

This analysis explains whether the secondary data produced in this study has a normal distribution of data or not. Good data will produce data that has a normal distribution (normally distributed data). The analysis used was the Kolmogorove Smirnove method

Table 5. Results of Normality Analysis

Model	**Model Equation 1**	**Model Equation 2**
Asymp. sig	0.200	0.072
Criteria	>0.05	>0.05
Statement	Normal Distributed Data	Normal Distributed Data
dependent	***leverage***	**Financial performance**

Source: 2016-2021 Financial Report Data

The results of the analysis above show that the asymp.sig value is 0.200 > 0.05. In accordance with the criteria which states that if the asymp.sig value is > 0.05, the data is normally distributed, meaning that the resulting data meets the assumption of normality, both the 1st equation model and the 2nd equation model.

Multicollinearity Analysis

This analysis is to explain the relationship between the independent variables in the model so as not to be biased. This analysis is said to meet the requirements if the relationship between the independent variables does not occur, meaning there is no correlation with each other. The analysis in this test uses the VIF and Tolerance methods.

Table 6. Multicollinearity Analysis Results

Model	**Model Equation 1**		**Model Equation 2**	
	tolerance	**VIF**	***tolerance***	**VIF**
Foreign Ownership (X1)	0.821	1.217	0.697	1.435
Managerial Ownership (X2)	0.643	1,556	0.640	1,562
Institutional Ownership (X3)	0.568	1,762	0.510	1,960
leverage(DAR)			0.788	1,269
dependent	***leverage***		**Financial performance**	

Source: 2016-2021 Financial Report Data

The results of the analysis obtained above show that the mediation model uses 2 equation models, namely: Model Equation 1 uses the dependent variable leverage where the result is that foreign ownership, managerial and institutional values, both tolerance and VIF, are foreign ownership, managerial and institutional variables < 1 or < 10, so it can be said that the model fulfills the requirements without multicollinearity symptoms. ModelEquation 2 uses the dependent variable of financial performance where the result is the value of foreign ownership, managerial, institutional, and leverage both tolerance

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and VIF are foreign ownership, managerial and institutional variables < 1 and < 10, so it can be said that the model meets the requirements without symptoms of multicollinearity.

Heteroscedasticity Analysis

The analysis of this test is to explain the deviation from the residual variance differences in the secondary data obtained. Tests carried out using the glejser test.

Table 7. Results of Heteroscedasticity Analysis

Model	**Model Equation 1**		**Model Equation 2**	
	t	**Sig.**	***t***	**Sig.**
Foreign Ownership (X1)	-0.608	0.544	0.082	0.935
Managerial Ownership (X2)	-1.905	0.055	1.445	0.151
Institutional Ownership (X3)	-1,641	0.092	0.415	0.679
leverage(DAR)			1.132	0.259
dependent	***leverage***		**Financial performance**	

Source: 2016-2021 Financial Report Data

The test results that have been carried out above have 2 regression models in the use of mediation testing so that the heteroscedasticity test is carried out with 2 tests, namely Model Equation 1 uses the dependent variable leverage where the result is a sig. foreign ownership, managerial, and institutions > level of sig. 0.05, it can be stated that the model of equation 1 fulfills the requirements that heteroscedasticity does not occur. Model Equation 2 uses the dependent variable of financial performance where the result is a sig. foreign ownership, managerial, institutions, and leverage > level of sig. 0.05, it can be stated that the model of equation 2 meets the requirements that heteroscedasticity does not occur.

Autocorrelation Analysis

The autocorrelation test to detect similarities between time series at certain time intervals was carried out using Durbin-Watson.

Table 8. Autocorrelation Analysis Results

Model	**Model Equation 1**	**Model Equation 2**
Durbin Watson	1,586	1,945
Criteria	1.5 – 2.5	1.5 – 2.5
Statement	Data Does Not Experiencing Autocorrelation Symptoms	Data Does Not Experiencing Autocorrelation Symptoms
dependent	***leverage***	**Financial performance**

Source: 2016-2021 Financial Report Data

The results of the analysis in Table 4.5 above show that the Durbin Waton value for the Equation 1 model of 1.586 lies between 1.5 – 2.5 and the Equation 2 model has a value of 1.945 which also lies between 1.5 – 2.5 so that both Equation 1 and Equation 2 models are considered no signs of autocorrelation.

Data Analysis Testing

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The results of this test are to produce an analysis of the equation model which will be used to prove whether the model built has a connection or not in this study. This connection is the relationship between the independent and dependent variables generated by SPSS Software analysis and concluded.

Table 9. Regression Analysis Results

Model	**Model Equation 1**			**Model Equation 2**		
	ß	***t***	**Sig.**	***ß***	***t***	**Sig.**
Constant	36,467			3,422		
Foreign Ownership (X1)	0.211	4,897	0.000	0.019	2,382	0.019
Managerial Ownership (X2)	0.068	0.709	0.480	0.031	1,884	0.062
Institutional Ownership (X3)	0.267	3,890	0.000	0.059	4,759	0.000
leverage(DAR)				-0.105	-7,081	0.000
F		12.00			26,352	
Sig.		0.000			0.000	
R Square		0.212			0.442	
dependent	***leverage***			**Financial performance**		

Source: 2016-2021 Financial Report Data

The results of the analysis of the data obtained above by forming an econometric model as follows:

The Equation 1 model yields Y = leverage

Lev = 36.467 + 0.211 KA + 0.068 KM + 0.267 KI

t stat. = (4,897) (0.709) (3,890)

Sig. = (0.000) *** (0.480) (0.000)***

The resulting interpretation of the regression model above is:

The resulting constant coefficient is positive 36.647 indicating that if the structure of foreign ownership, managerial ownership, and institutional ownership is in a state of 0 or the company does not have these three ownership structures then the leverage is 36.567.

The positive coefficient of foreign ownership (KA) 0.211 indicates that for every 1% increase in foreign ownership structure, there will be an increase in leverage of 0.211%.

The positive managerial ownership (KM) coefficient of 0.068 indicates that for every 1% increase in managerial ownership structure, there will be an increase in leverage of 0.068%.

The institutional ownership coefficient (KI) is positive 0.267 indicating that every 1% increase in managerial ownership structure there will be an increase in leverage of 0.267%.

The Equation 2 model produces Y = Financial performance

Performance = 3.422 + 0.019 KA + 0.031 KM + 0.059 KI – 0.105 Lev

t stat. = (2,382) (1,884) (4,759) (-7,081)

Sig. = (0.019)** (0.062)* (0.000)*** (0.000)***

*Note: * Level of sig 10%, ** Level of sig. 5%, *** Level of sig 1**

KA = Foreign Ownership, KM = Managerial Ownership, KI = Institutional Ownership, Lev = Leverage, Performance = Financial Performance

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The resulting interpretation of the regression model above is:
The resulting constant coefficient is positive 3.422 indicating that if the structure of foreign ownership, managerial ownership, institutional ownership, and leverage is in a state of 0 then the financial performance is 3.422%.
The positive coefficient of foreign ownership (KA) 0.019 indicates that for every 1% increase in foreign ownership structure, there will be an increase in financial performance of 0.019%.
The positive managerial ownership (KM) coefficient of 0.031 indicates that for every 1% increase in managerial ownership structure, there will be an increase in financial performance of 0.031%.
The institutional ownership coefficient (KI) is positive 0.059 indicating that every 1% increase in managerial ownership structure there will be an increase in financial performance of 0.059%
The positive leverage coefficient (Lev) -0.105 indicates that for every 1% increase in managerial ownership structure, there will be a 0.105% decrease in financial performance

Coefficient of Determination (R square)

This analysis is to explain how much the contribution of the independent variable model can explain the dependent variable produced in this study. The results of the analysis of the regression model of this study are as follows:

Model Equation 1the resulting r squared value is 0.212 (21.2%) which means that the structure model of foreign ownership, managerial ownership, and institutional ownership is able to contribute in explaining the leverage variable of 21.2% and still 78.8 in its contribution explaining the dependent variable can be explained by independent variables outside the model studied.

Equation 2 models the resulting r squared value is 0.442 (44.2%) which means that the structure model of foreign ownership, managerial ownership, institutional ownership and leverage is able to contribute in explaining the financial performance variable of 44.2% and still 55.8 in its contribution explaining the dependent variable can be explained by independent variables outside the model studied.

Significance Test

This test is carried out to obtain direct or indirect, partial or simultaneous influence between the independent variables, mediating the dependent variable.

F Test Analysis

This analysis is to explain the simultaneous effect of the independent variables on the dependent. This test is considered good or has a good model, so the independent variable model has a significant effect on the dependent variable.

Model Equation 1 (Y = Leverage), the results of the F test show that the calculated F value is 12.00 and a significance of 0.000 (level of sig. 5%) means the sig. 0.000 <0.05, then Ho is rejected, meaning that the model of foreign ownership, managerial ownership, and institutional ownership has a significant effect on leverage and the model is considered good. These results are as described in table 4.6. **Model Equation 2 (Y = Financial Performance**), the results of the F test show that the calculated F value is 26.352 and a significance of 0.000 (level of sig. 5%) means the sig. 0.000 <0.05, then Ho

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is rejected, meaning that the model of foreign ownership, managerial ownership, institutional ownership and leverage has a significant effect on financial performance and the model is considered good. These results are as described in table 4.6.

Test Analysis t

This analysis partially explains the effect of the independent variables on the dependent. The results described below are as shown in Table 4.6. **Model Equation 1 (Y = Leverage), t**he results shown are that on foreign ownership (X1) the t value is 4.897 and a significance of 0.000 <0.05 means that Ho is rejected, so foreign ownership has a significant effect on leverage. In Managerial Ownership (X2) the t value is 0.068 and a significance of 0.709 > 0.05 means that Ho is accepted, so managerial ownership has no significant effect on leverage. In institutional ownership (X3) the t value is 3.980 and a significance of 0.000 <0.05 means that Ho is rejected, so institutional ownership has a significant effect on leverage. **Model Equation 2 (Y = Financial Performance), t**he results shown are that on foreign ownership (X1) the t value is 2.382 and a significance of 0.019 <0.05 means that Ho is rejected, so foreign ownership has a significant effect on financial performance. In Managerial Ownership (X2) the t value is 1.884 and a significance of 0.062 > 0.05 means that Ho is accepted, so managerial ownership has no significant effect on financial performance. In institutional ownership (X3) the t value is 4.759 and a significance of 0.000 <0.05 means that Ho is rejected, so institutional ownership has a significant effect on financial performance.

At leverage (X4) the t value is -7.081 and a significance of 0.000 <0.05 means that Ho is rejected, so leverage has a significant effect on financial performance

Sobelt Test Analysis

This analysis is to explain the effect indirectly by mediating the path between the dependent and dependent variables. The mediation used is a leverage variable.

Table 10. Mediation Analysis Results

Model	**Statistics Test**	***P-Value***
KA -> Leverage -> Performance	-4.0181	0.000
KM -> Leverage -> Performance	-0.727	0.467
KI -> Leverage -> Performance	-3,625	0.000

Source: 2016-2021 Financial Report Data Analysis

Based on the results of the analysis shown above, the mediation of leverage between foreign ownership (KA) on financial performance (performance) produces a statistical test value of -4.0181 with a p-value of 0.000 < level of sig. 5% (0.05) means that leverage mediates significantly between foreign ownership of financial performance. The mediation of leverage between managerial ownership (KM) and financial performance (performance) produces a statistical test value of -0.727 with a p-value of 0.467 > level of sig. 5% (0.05) means that leverage does not mediate significantly between managerial ownership of financial performance. The leverage mediation between institutional ownership (IC) on financial performance (performance) produces a statistical test value of -3.625 with a p-value of 0.000 < level of sig. 5% (0.05) means that leverage mediates significantly between institutional ownership and financial performance.

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DISCUSSION

Relationship of Foreign Ownership to Leverage

Foreign ownership has a significant positive effect on company leverage(Eva et al., 2014; Krismunita & Imronudin, 2021). This indicates that the higher the percentage of foreign ownership, the higher the leverage generated by the company. Foreign ownership has a positive effect on debt maturity, which is known as the foreign ownership monitoring hypothesis(Cahyani & Suryaningsih, 2016). Foreign ownership is a control tool that disciplines corporate management, enabling them to access long-term debt and lower fees(Shakhlo Sanzharovna & Maria Sergeevna, 2022). In this case, foreign ownership extends its supervisory function by issuing long-term debt. Although Jones (Jones, 2005) warns that there may be conflicts between foreign and national owners, Li et al. (2009)argue that the supervisory effect described has greater advantages, such as attracting new capital, improving technology, and firm management. This view is also supported by (Ezeoha et al., 2008).

The Relationship of Managerial Ownership to Leverage

The results that can be disclosed in this study indicate that managerial ownership has no significant effect on corporate leverage. This indicates that the higher the percentage of managerial ownership, it will not have impact on the leverage generated by the company(Ellen, 2020). According to the pecking order theory, managers will make hierarchical choices in determining sources of financing, namely retained earnings, debt, and issuance of shares. From the results of the study, higher managerial ownership does not affect the decrease in company capital from retained earnings and vice versa. If the capital comes from retained earnings, the control over the capital will be weaker because there are no costs and risks. There is no two-way causality relationship between managerial ownership and leverage (debt), mainly due to managerial ownership's belief that funding sources will be allocated for prospective investments. Thus, the increase in managerial ownership has no effect on the company's sources of financing, both internal and external. Based on the trade-off theory, Managers who own shares in companies with high debt ratios do not assume higher risks than company owners, and their shareholdings do not mitigate agency conflicts. In Indonesia, corporations are generally dominated by institutional ownership. In this way, managerial decisions are tightly controlled. This partly explains the absence of a serious agency problem. Using debt as a source of financing will increase control of bondholders and result in more shareholder re-issuance since investment financing does not involve their own money and therefore reduces risk to shareholders. Nguyen (Nguyen, 2020) that there is no two-way causality/substitution between managerial ownership and leverage.

Relationship of Institutional Ownership to Leverage

The results that can be disclosed in this study indicate that institutional ownership has a significant positive effect on corporate leverage. This indicates that the higher the percentage of institutional ownership, the higher the leverage generated by the company. Institutional investors play an important role in financial markets and their influence on corporate governance has been highlighted as a result of the privatization policies that have been adopted by developing countries (Ayudia & Hapsari, 2021). Institutional investors have good experience in collecting and interpreting information about company performance and hence can minimize agency costs (Jensen and Meckling, 1976; Jensen, 1986; Chidambaran and John 2010). According to Hussainey and Aljifri (2012) that companies with a large percentage of shares owned by institutional shareholders seem to use less debt financing which supports the pecking order theory. Conversely, Abdoli et al. (2012) has a positive relationship between institutional share ratios and financial leverage because they easily access various sources of financing such as loans or bonds. Joher Huson et al, (2006) found the same significant relationship with the debt ratio,

The Relationship of Foreign Ownership to Leverage-mediated Financial Performance

The results that can be disclosed in this study indicate that leverage mediates a significant negative among foreign ownership variables on financial performance. This illustrates that the higher the foreign ownership, the higher the leverage generated by the company. This will have

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an impact on the performance of the company which will decrease drastically. Foreign ownership has a positive effect on debt maturity, which is known as the foreign ownership monitoring hypothesis. Tanaka (2015) argues that foreign ownership is a control tool that disciplines corporate management, enabling them to access long-term debt and lower costs. In this case, foreign ownership extends its supervisory function by issuing long-term debt. Horne & Wachowisz (2009) explains that the higher the debt ratio and the greater the financial risk, the greater the risk in question is the possibility of default because companies use too much debt to fund many assets. Based on the Pecking Order Theory (POT), the higher the debt ratio, the company will bear greater the costs to fulfill its obligations which can reduce the company's profitability (ROE). So high foreign ownership will make the company's leverage also high and cause the resulting financial performance to decrease.

Relationship between Managerial Ownership and Leverage-mediated Financial Performance

The results that can be disclosed in this study indicate that leverage does not mediate between managerial ownership variables on financial performance. This illustrates that leverage is not an intermediary in managerial ownership of financial performance. According to the pecking order theory, managers will make hierarchical choices in determining sources of financing, namely retained earnings, debt, and issuance of shares. From the results of the study, higher managerial ownership does not affect the decrease in company capital from retained earnings and vice versa. If the capital comes from retained earnings, the control over the capital will be weaker because there are no costs and risks. There is no two-way causality relationship between managerial ownership and leverage (debt), mainly due to managerial ownership's belief that funding sources will be allocated for prospective investments. Thus, the increase in managerial ownership has no effect on the company's sources of financing, both internal and external. The role of equity in bearing the company's debt has no significant effect on increasing the company's financial performance. Companies that pay off their short-term liabilities quickly are also proven to be unable to improve the company's financial performance significantly because if the company continues to use its current assets to pay off short-term liabilities, the company's reserves of funds to invest in other sectors will decrease. So that the higher managerial ownership will not affect the company's leverage which has an impact on financial performance and also does not have any effect. because if the company continues to use its current assets to pay off short-term liabilities, then the company's reserves for investment in other sectors will decrease. So that the higher managerial ownership will not affect the company's leverage which has an impact on financial performance and also does not have any effect. because if the company continues to use its current assets to pay off short-term liabilities, then the company's reserves for investment in other sectors will decrease. So that the higher managerial ownership will not affect the company's leverage which has an impact on financial performance and also does not have any effect.

The Relationship between Institutional Ownership and Financial Performance Mediated by Leverage

The results that can be disclosed in this study indicate that leverage mediates a significant negative between institutional ownership variables on financial performance. This illustrates that the higher the institutional ownership, the higher the leverage generated by the company. This will have an impact on the performance of the company which will decrease drastically(Fadli et al., 2020). According to Abdoli et al., (2012), there is a positive relationship between institutional share ratios and financial leverage because they easily access various sources of financing such as loans or bonds. Joher Huson et al, (2006) found the same significant relationship with the debt ratio, indicating that institutional ownership plays an important role as a monitoring tool to minimize agency problems.(Ayudia & Hapsari, 2021).

According to the Pecking Order Theory (POT), the higher the debt ratio, the more costs the company will incur to fulfill its obligations, which can reduce the company's profitability (ROE). The higher the ratio, the more loan capital is used for capital to generate profits for the company. A high ratio indicates increased creditor risk due to a company's inability to meet all of its

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obligations. The higher the ratio, the higher the interest payments, which will eventually reduce dividend payments, and the effect between the debt ratio and ROE is negative, Vidyanata et al., (2016) debt ratio has an effect on ROE. The theory of Pecking Order (POT) (Ayudia & Hapsari, 2021).

CONCLUSION

The results can be concluded as follows: Foreign Ownership has a significant positive effect on leverage. Managerial ownership has no significant effect on leverage. Foreign Ownership has a significant positive effect on leverage. *Leverage significant* negative effect on financial performance. *Leverage mediates* significantly between foreign ownership variables on financial performance. *Leverage does* not mediate significantly between managerial ownership variables on financial performance. *Leverage mediates* significantly between institutional ownership variables on financial performance.

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