

## **CHAPTER V**

### **CONCLUSIONS, LIMITATIONS & SUGGESTIONS**

#### **5.1 Conclusions**

Based on the research results and discussions, the researcher can conclude that the first conclusion is all of the independent variables which are managerial ownerships, outside blockholders, and institutional ownership do not have a significant effect on the capital structure decisions of manufacturing companies listed on IDX for years 2015-2019. This means that institutional investors and outside blockholders as the party monitoring agents are limited to management action and do not play an active role in the decision making of the company's capital structure. Due to the low level of managerial ownership, the opportunistic activities by managers are not found and managerial ownership is not a determining factor in the capital structure decisions.

The second conclusion is the tendency of the management is to avoid sources of funding through debt, because the use of debt will share the risk of capital costs from the use of the debt and it will increase the risk of bankruptcy. An increase in usage of debt still can occur due to certain reasons so that debt must be increased, for example, a company is expanding its business, or the company buys a new machine and many more.

The third conclusion is there were no agency problems found in manufacturing companies listed on the IDX in 2015-2019. All of the agents work in line with the goals of the principals and are not motivated to maximize their personal benefits. This result is in accordance with stewardship theory.

#### **5.2 Limitations**

1. Data from managerial ownership in companies in the manufacturing sector are small, so it cannot maximally show the opportunistic activities of managers.

2. Based on the result only control variables with indicator target debt ratio and profitability show a significant value.

### **5.3 Suggestions**

1. For companies in determining the capital structure decisions, the company's managers should pay attention to the target debt ratio and profitability variable. If the company obtains a high level of profitability and the target debt rate is high, the company manager should use its internal funds first, rather than using debt to finance its company's activities, so that the level of debt used by the company is relatively low and will reduce the risk of bankruptcy and pay high debt costs.
2. To support the development of manufacturing companies, the composition of institutional ownerships and outside block holders needs to be maintained or enlarged to anticipate managerial opportunistic actions to occur in the future and reduce the company debt to minimize the agency cost of debt.
3. For future researchers, the control variable in this study needs to be studied further and it is expected to increase the number of independent variables understudy to better describe the fundamental condition of the manufacturing companies listed on IDX.

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