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# THE ROLE OF CORPORATE GOVERNANCE IN THE CAPITAL STRUCTURE OF BANKING COMPANIES

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***ABSTRACT***

*Decisions regarding capital structure are an important decision taken by financial managers to remain competitive in the long term. A strong capital structure is very important for banks, because with a strong capital structure banks can face global competition and economic crises that can occur at uncertain times. Banks can have a strong or optimal capital structure if the existing capital can be used well. Therefore, good corporate governance is needed so that existing capital can be used or managed well to achieve banking goals and make the right decisions in facing competition and the economic crisis. This research was conducted with the aim of determining the influence of corporate governance on the capital structure of banking companies. Corporate governance is measured by looking at the size of the board of directors, the size of the board of commissioners and managerial ownership, while capital structure is measured by the debt-to-equity ratio. The sampling method used the purposive technique for 37 banking sector companies listed on the Indonesia Stock Exchange in 2018-2022. The secondary data obtained from annual reports of banking companies. This research uses robust regression analysis. The research results show that the size of the board of directors has a positive and significant influence, the size of the board of commissioners has a positive and significant influence on the capital structure, and managerial ownership has a negative and significant influence on the capital structure of banking companies listed on the Indonesia Stock Exchange.*

***Keywords:*** *Capital structure, corporate governance, size of directors' board, size of commissioner's board, managerial ownership*

## 1. INTRODUCTION

One industry in the business world that has an important role in the economic development of a country is the banking industry. Bank financial performance can illustrate the progress or decline of a country's economy. The important role of banking in maintaining economic stability includes maintaining monetary stability, creating good performance of financial institutions, regulating and maintaining the smooth running of the payment system, carrying out research and monitoring, as a security net for the payment system, acting as a financial intermediary, accessing information that could threaten financial stability, maintaining foreign exchange reserves and as an intermediation institution (Sayangbati et al., 2022). Banks according to Republic of Indonesia Law no. 10 of 1996 dated 10 November 1998 is an institution that operates as a financial intermediation institution or financial intermediary institution with its main activity being to collect funds from the public in the form of credit and other forms to improve the standard of living of many people.

Figure 1 below shows the development of the banking industry in Indonesia starting in the 1980s and growing rapidly in the 1990s. This rapid growth is due to the convenience provided by the government in establishing banking businesses.


Figure 1. The Development of the Banking Industry
Source: Indonesian Financial Economic Statistics, Indonesian Banking Statistics

However, the financial crisis that occurred in 1997 was the beginning of the collapse of the banking industry in Indonesia. This is due to the decreasing level of public trust. Apart from that, in 1998 banks had not implemented corporate governance practices, resulting in many banks having to be liquidated and some banks having to be merged to form new banks.

According to Sukorini et al. (2021) Banking has stronger regulations compared to other industries, this is because a bank must have minimum CAR criteria which are used to cover the decline in its assets caused by risky assets. CAR or capital adequacy ratio is one way to calculate whether the existing capital in a bank is adequate or not (Oppusunggu & M.Allo, 2023). This ratio is used to protect depositors and increase the stability and efficiency of financial systems around the world. Related to this, the banking industry has become an industry of trust for investors. If investors find financial reports that are biased due to poor use of capital, they can withdraw funds which can result in a rush. To prevent this, good bank financial performance is needed. Good bank financial performance will make the bank healthy; this means that the bank can carry out its functions well. So, in carrying out its functions and achieving its objectives, a bank must have sufficient capital to carry out its operational activities and achieve its objectives.

According to Asmoro et al. (2023) the capital obtained can come from two sources, namely internal sources and external sources. Internal sources come from net profit and depreciation, while external sources come from debt and securities. Two types of funding sources, namely internal sources and external sources will form the capital structure.

Determining this capital structure is closely related to shareholders and stakeholders who have an interest in the company. However, differences in interests between shareholders and stakeholders can lead to ineffectiveness in the use of company capital. The differences in these goals include, among others, that the goal of shareholders is to require managers to work to increase the prosperity of shareholders, while the goal of stakeholders is to work to obtain prosperity and rewards. This difference in goals is called an agency problem.

Romadona (2019) said that one of the important decisions for financial managers to remain competitive in the long term is the decision regarding capital structure. Sukorini et al. (2021) say that a strong capital structure is very important for banks, because with a strong capital structure banks can face global competition and economic crises that can occur at uncertain times. Banks can have a strong or optimal capital structure if the existing capital can be used well. Therefore, good corporate governance is needed so that existing capital can be used or managed well to achieve banking goals and make the right decisions in facing competition and the economic crisis.

According to the OECD (Organization for Economic Co-Operation and Development) corporate governance is a set of relationships between company management, directors, commissioners, shareholders and other stakeholders (Nurliza, 2020). Corporate Governance focuses on how all parties in the company, including stakeholders , ensure that managers and people from other companies always have clear measuring tools or adapt mechanisms to maintain interests. stakeholders (Nurliza, 2020).

Corporate governance and capital structure are two components that form the basis of a company's economic stability. Without the above, the company's condition will not be optimal. If both can work well, it can prevent or eliminate poor control in the company and can also prevent failures that lead to bankruptcy. Because after all, the company must be controlled by people who are professional and able to make appropriate decisions for the company.

Research has been conducted on the influence of corporate governance on capital structure, including research conducted by Mardianto (2021) . The research results show that the size of the board of commissioners has a significant effect on capital structure, while managerial ownership and the size of the independent board of commissioners do not have a significant effect on capital structure. Then Budiman & Helena (2017) researched the Analysis of the Influence of corporate governance on Capital Structure with the Quality of Financial Reports as a Mediator in Companies Listed on the Indonesian Stock Exchange with indicators of the size of the board of directors and managerial ownership. The results of this research state that the size of the board of directors has an insignificant negative influence on capital structure. Managerial ownership has a significant negative influence on capital structure.

Uwuigbe et al. (2014) in Corporate Governance and Capital Structure: evidence from listed firms in the Nigerian stock exchange with indicators of board of directors' size, managerial ownership and board of commissioner's size. The research results show that the three variables above have a significant negative influence on capital structure.

Meanwhile (Ali et al., 2014) in The Effect of Corporate Governance on Capital Structure Decisions – A Case of Saudi Arabian Banking Sector with the size of the board of directors, managerial ownership as indicators. The research results show that the size of the board of directors has a positive and insignificant effect on capital structure. Meanwhile, managerial ownership has a negative and insignificant effect on capital structure.

Meanwhile (Hamzah & Suparjan, 2009) researched the Influence of Corporate Governance Characteristics on Capital Structure with the size of the board of directors and the size of the board of commissioners as indicators. The results of this research state that the size of the board of directors has a significant and positive influence on the capital structure of companies listed on the Indonesia Stock Exchange, while the size of the board of commissioners has a significant and negative influence on the capital structure of companies listed on the Indonesia Stock Exchange. Then Septianty (2013) in research regarding the Implementation of Good Corporate Governance on the capital structure of Go Public companies listed on the Indonesia Stock Exchange stated that managerial ownership has no effect on capital structure. Then (Agyei & Owusu, 2014) in research on The Effect of Ownership Structure and Corporate Governance on Capital Structure of Ghanaian Listed

Manufacturing Companies with the size of the board of directors and managerial ownership as indicators. The research results show that the three variables above have a significant positive effect on capital structure. Hasan & Butt (2009) in research on the Impact of Ownership Structure and Corporate Governance on Capital Structure of Pakistani Listed Companies with indicators of board size and managerial ownership. The results of this research show that the size of the board of directors has a significant effect on capital structure, while managerial ownership has a negative effect on capital structure. Naseem et al., (2017) in research on Capital Structure and Corporate Governance in The Journal of Developing Areas with indicators of board size and managerial ownership. The research results show that the size of the board of directors has a significant influence on capital structure and managerial ownership has a positive influence on capital structure.

From the research that has been carried out, it can be concluded that the influence of each board as a structure in realizing corporate governance on the company's capital structure still varies. So, this research is intended to support existing research.

**Pecking Order Theory**

Pecking Order Theory states that companies with high levels of profitability actually have low levels of debt, because companies with high profitability have abundant internal funding sources. In the Pecking Order Theory there is no optimal capital structure, because specifically companies have hierarchical sequences in the use of funds. The order in choosing funding sources such as companies preferring to use internal funding sources or internal funding rather than external funding, if an external approach is needed then the company must choose first from the safest securities, namely debt with the lowest risk, down to risky debt, there are A constant dividend policy means that the company will determine the amount of dividend payments that is not influenced by profits or losses. The choice of external funding sources is due to the existence of information asymmetry between management and shareholders (Myers, 1984)

**Agency Theory, Information Asymmetry Theory, and Signaling Theory**

Agency theory is the basis for the emergence of the problems that will be discussed. Agency theory is an approach where the capital structure is designed to minimize conflicts between various parties who have different interests. The conflict between shareholders and managers originates from free cash flow. Where there is a tendency for managers to want to maintain resources in order to have control over these resources. Debt is considered one way to reduce this conflict. The problems that arise in companies are not only that, but the lack of managerial share ownership can also cause agency problems to arise. The interests of shareholders who want prosperity for themselves, force managers to do what shareholders want. This is because shareholders are the holders of the highest power. Sudane et al. (2020) explain that agency theory can occur in two relationships, namely the relationship between shareholders and managers and the relationship between managers and creditors.

Myers and Maljuf's theory states that there is information asymmetry between management and outside parties. Managers have more complete information about the condition of the company compared to outside parties. Meanwhile, signaling is the development of a model where capital structure (debt use) is a signal conveyed by managers to the market. When the manager believes that the company's prospects are good, and wants its shares to rise, then he communicates this with investors. Managers tend to implement more debt as a more trustworthy signal. Because companies that increase debt can be assumed to be companies that have good company prospects in the future. It is hoped that investors will catch this signal, a signal that the company has good prospects.

**Capital Structure**

Inayah (2022) said that capital structure is the composition of a company's capital seen from sources, specifically showing the portion of the company's capital that comes from creditors and at the same time the portion of problematic capital from the owners themselves. Capital structure is a comparison of the capital owned by a company seen from the company's capital which comes from creditors and its own capital. Then Brealey et al. (2022) is a capital structure to raise funds needed by a company for investment and operational activities of the company. Rodoni & Ali (2010) defines capital structure as the proportion in determining the fulfillment of company spending needs where the funds obtained use a combination or combination of sources originating from long-term funds which consist of two main sources, namely those originating from within the company and outside the company.

**Corporate Governance**

According to Cadbury (1992) Corporate governance is the system by which companies are directed and controlled. The Indonesian Institute for Corporate Governance defines corporate governance as a series of mechanisms used to control a company so that the company's operations run in accordance with the expectations of stakeholders.

**Size of the Board of Directors**

The board of directors could be a company organ that has the specialist and full obligation for overseeing the company for the interface of the company in agreement with the company's points and goals and speaking to the company, both interior and exterior the court in understanding with the arrangements of the articles of affiliation (Zarkasyi & Wahyudin, 2008). The board of directors is supposed to decide or usually makes decisions, together with other members of the Board of Directors in determining the necessary actions. According to the Limited Liability Company Law, the Board of Directors is an organ consisting of one or more members known as directors. In Indonesia, the determination of the number of members of the board of directors states that the minimum number of members of the board of directors is 3 people (KEP-54/BL/2012 - Bapepam, 2012)

**Size of the Board of Commissioners**

The board of commissioners is part of the company's organs whose duties and responsibility are collectively to supervise and provide advice to the directors and ensure that the company implements GCG (KNKG, 2006) . The size of the board of commissioners is the total number of members of the board of commissioners in a company. Febrina & Sri (2022) say that the board of commissioners is the core of corporate governance which is tasked with ensuring the implementation of company strategy, supervising management in managing the company, and requiring accountability. According to Financial Services Authority Regulation No. 33/POJK.04/2014 CHAPTER III article 20 paragraph 1 concerning Directors and Board of Commissioners of Issuers or Public Companies states that the board of commissioners consists of at least two members of the board of commissioners.

**Managerial ownership**

According to Terzaghi (2012) defines managerial ownership as the total share ownership by management of the entire share capital of the company being managed. According to Santoso & Andarsari (2022) Managerial ownership is the large percentage of shares owned by management. Managerial ownership shows the dual role of a manager in a company, namely being a manager and being a shareholder. Kane & Marcus (2011) define managerial ownership as the separation of ownership between outsiders and insiders. Putri & Nurbaiti (2019) says that managerial ownership is the percentage of votes relating to shares and options owned by managers and commissioners of a company.

**The Relationship Between the Size of the Board Directors and Capital Structure**

The greater the number of board of directors in a company, the greater the debt the company has. This is because the larger the board of directors, the greater the network they have and the greater expertise they have in their field, so that corporate governance becomes better and provides confidence in the eyes of investors to lend their funds to the company. Companies that have a small board of directors tend to have weak corporate governance and will use debt to reduce agency problems. Several researchers found that the size of the board of directors has a significant and positive influence on the capital structure of companies listed on the Indonesia Stock Exchange. Skeikh and Wang (2012), (Hamzah & Suparjan, 2009), (Kajananthan, 2012) , Agyei & Owusu (2014) , (Ali et al., 2014)

**The Relationship Between the Size of the Board Commissioners and Capital Structure**

The board of commissioners is responsible for supervising banking activities and ensuring that company risks are managed properly. With a larger board size, a wider range of experience and expertise can be obtained from its members. This can help in making better decisions regarding capital structure to manage risk effectively. The size of the board of commissioners, or the number of members on the board of commissioners, can have a significant influence on the capital structure of a banking company. For example, larger boards may be more likely to be aware of the risks associated with high leverage, which may influence decisions regarding the use of borrowed capital. Siromi & Chandrapala (2017) found that the size of the board of commissioners has a significant effect on capital structure.
Share ownership by banking managers can lead to more concentrated interests in the company. Managers who own company shares tend to have greater motivation to maximize long-term company value, because their profits will be correlated with company performance. In this case, management will usually try to maintain a capital structure that supports the company's long-term growth and success. Rahadian & Hadiprajitno (2014) in research on the Effect of Good Corporate Governance on Company Capital Structure (Empirical study on manufacturing companies listed on the Indonesia Stock Exchange in 2010-2012) said that managerial ownership has a significant positive effect on capital structure. Naseem et al. (2017) in research on Capital Structure and Corporate Governance said that managerial ownership has a positive effect on capital structure.

Based on the theory and the relationship between the variables above, there are several factors that can influence a company's capital structure which have been proven from previous research. This research wants to investigate the influence of corporate governance as proxied by the size of the board of directors, size of the board of commissioners and managerial ownership on capital structure. The research model is described as follows:

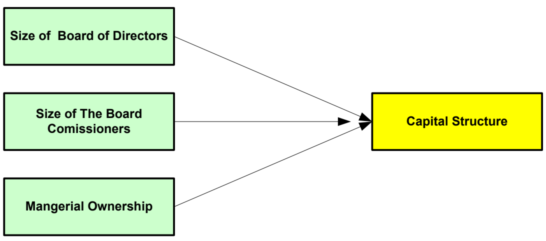


Figure 2. Research Model

Based on the research model above, the research hypothesis is formulated as follows:

$H_1$ : There is a positive influence between the size of the board of directors on the capital structure of banking companies listed on the Indonesia Stock Exchange.

$H_2$ : There is a positive influence between the size of the board of commissioners on the capital structure of banking companies listed on the Indonesia Stock Exchange.

$H_3$ : There is a positive influence between managerial ownership on the capital structure of banking companies listed on the Indonesia Stock Exchange.

## 2. RESEARCH METHOD

### Population, Sample Selection Technique, and Sample Size

The research design uses a quantitative approach. The research population is banking companies listed on the Indonesia Stock Exchange during the 2018-2022 period, totaling 39 companies. The sampling technique used is purposive sampling, namely by setting certain criteria. The criteria required for sample selection are that the company has been registered on the Indonesia Stock Exchange during 2018-2022 and has complete financial reports during that period. Based on these criteria, there were 37 samples in this study

### Operational Variables and Instruments

The dependent variable in this research is capital structure which is proxied by DER. The independent variable is corporate governance which is proxied by the size of the board of directors, the size of the board of commissioners, and managerial ownership. The operationalization of research variables is summarized in the following table:

Table 2. Operationalization of Research Variables

| Variable | Size | Scale |
|---|---|---|
| Size of the Board of Directors (SBD) | Number of members of the Board of Directors in the company | Ratio |
| Size of the Board Commissioners (SBC) | Number of members of the Board of Commissioners in the company | Ratio |
| Managerial Ownership (MANAG_OWN) | $\frac{\text{total shares owned by the manager}}{\text{total shares owned by the company}} \times 100\%$ | Ratio |
| Capital Structure (DER) | $\frac{\text{Total Debt}}{\text{Total Equity}}$ | Ratio |

### Data Analysis

Data analysis was carried out by looking at descriptive statistics on research data. Descriptive statistical tests aim to reflect the nature and distribution of sample data based on the minimum, maximum, average and standard deviation values of each independent and dependent variable.

Then the classical assumption test was carried out consisting of the Normality Test, Multicollinearity Test, and heteroscedasticity test. To test the data hypothesis, multiple regression analysis was used, consisting of a partial test of the influence of the independent variable on the dependent variable (t-test) and a coefficient of determination test (R-squared test). If the normality assumption is not met then the analysis is carried out using a robust regression model.

## 3. RESULTS AND DISCUSSIONS

### Description of Research Subjects and Objects

The subjects used in this research are those operating in the banking sector who are listed on the Indonesian Stock Exchange. The research sample was selected using the purposive sampling method. The total research sample was 37 observations. The independent variable that is the object of research is corporate governance This was done by measuring using the size of the board of directors, the size of the board of commissioners and managerial ownership.

### Descriptive Statistics of research data

Descriptive statistics aims to describe a reflection of the nature and distribution of sample data based on the minimum, maximum, average and standard deviation values of each research variable. Below is a table of descriptive statistical analysis results obtained in this research:

Table 4. Results of Descriptive Statistical Analysis

| | DER | SBD | SBC | MANAG_OWN |
|---|---|---|---|---|
| Mean | 5.1950 | 6.8919 | 5.2973 | 0.0251 |
| Median | 4.9039 | 6,0000 | 4,0000 | 0.0000 |
| Maximum | 13.6159 | 12,0000 | 11,0000 | 0.3370 |
| Minimum | 0.7249 | 3,0000 | 3,0000 | 0.0000 |
| Std. Dev. | 3.2079 | 2.5904 | 2.4137 | 0.0619 |

From the results of descriptive statistics, it can be seen that for all variables the mean value is higher than the standard deviation value. This indicates that DER, SBD, SBC, and MANAG_OWN in the research data have a low level of data variation. Thus, the *mean value* is a good representation of the data distribution for each variable.

### Data Analysis Assumption Test Results

### Normality test

Based on the results of the normality test shown in Figure 3 below, the probability value is 0.0000. This value is the indication that the data is not normally distributed since the value is lower than 0.0500. So,  the normality test was not fulfilled. Therefore the analysis of this study was carried out using the Robust liner regression technique, which is used for data that cannot meet classical assumptions due to unstable of data distribution.

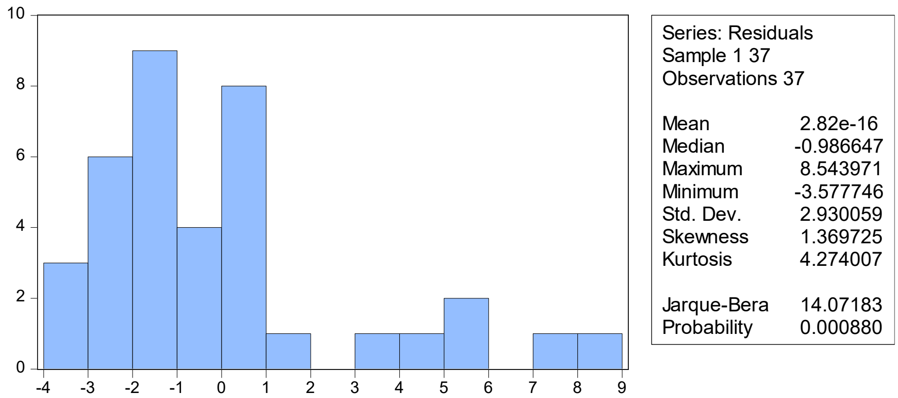


Figure 3. Normality Test Results

**Multicollinearity Test**
The results of the multicollinearity test are displayed in the following table:

Table 5. Multicollinearity Test Results

| Variables | Coeff. Variance | Uncentered VIF | Centered VIF |
|---|---|---|---|
| SBD | 0.166 | 34.354 | 4.152 |
| SBC | 0.206 | 26.631 | 4.475 |
| MANAG_OWN | 76.488 | 1.279 | 1.094 |

The results of the multicollinearity test above obtained a VIF value of less than 10, so the regression model in this study did not find any multicollinearity problems between independent variables (Ghozali, 2016) .

**Heteroscedasticity Test**
To find out whether or not there is heteroscedasticity in the regression model, this research uses the Glejser test. The test results are displayed in the following table.

Table 6. Heteroscedasticity Test Results

| Heteroskedasticity Test: Breusch-Pagan-Godfrey | | | |
|---|---|---|---|
| F-statistic | 0.321948 | Prob. F(4.32) | 0.8612 |
| Obs*R-squared | 1.431407 | Prob. Chi-Square(4) | 0.8387 |
| Scaled explained SS | 1.752706 | Prob. Chi-Square(4) | 0.7811 |

From table 6, it can be seen that the probability chi-square value from Obs*RSquared is 0.8387, which is greater than 0.05. So it can be concluded that heteroscedasticity does not occur in this model (Ariawaty & Evita, 2018).

**Multiple Regression Analysis**
The first test in multiple linear regression analysis is to determine the effect of the independent variable on the dependent variable. Robust multiple linear regression analysis with M -estimation was carried out with the aim of determining the significant influence between each independent variable, size of the board of directors, size of the board of commissioners, and managerial ownership on the dependent variable, namely capital structure (DER) . The calculation results of the robust multiple linear regression analysis are shown as follows:

Table 7. Multiple Linear Regression Analysis of Capital Structure Variables (DER)

| Variables | Coefficient | Prob. |
|---|---|---|
| C | 3.6931 | 0.0000 |
| SBD (Size of the Board of Directors) | 0.1545 | 0.0242 |
| SBC (Size of the Board of Commissioners) | 0.5003 | 0.0000 |
| MANAG_OWN ( Managerial Ownership) | -8.4700 | 0.0000 |

Based on the results of multiple linear regression as seen in Table 7, the coefficient column shows the magnitude of the influence of the independent variable on the dependent variable, while the Prob column shows the significance of the influence of the independent variable on the dependent variable. A Prob value that is smaller than 0.05 indicates a significant influence, while if the Prob is more than 0.05 it means that the influence of the independent variable is not significant on the dependent variable.

According to the results of the regression analysis in Table 7 above, the multiple linear regression model for the capital structure variable is displayed as below:

**DER= 0.1545*SBD+ 0.5003*SBC - 8.4700* MANAG_OWN + 3.6931**

The complete interpretation of the results above is explained as follows:

The results of the regression analysis calculations in the table above obtain a constant value (C) in the regression equation, namely 3.6931. The constant coefficient value shows that the DER value is 3.6931 if the independent variables are size of the board of directors, size of the board of commissioners, managerial ownership equal to zero.

Partially, the SBD variable has a positive and significant effect of 0.1545 on the DER variable. Partially, the SBC variable has a positive and significant effect of 0.5003 on DER. Meanwhile, the MANAG_OWN variable has a significant effect of - 8.4700 (negative), meaning that every increase in the MANAG_OWN value will cause a decrease of 8.4700 units in the DER variable, and vice versa.

The next test in multiple linear regression analysis is the Coefficient of Determination (Adjusted $R^2$) test . The test results found an R-squared value of 0.1461. These results indicate that the dependent variable capital structure can be explained by the independent variables, namely the size of the board of directors, the size of the board of commissioners, and managerial ownership of 14.61%, while the remainder is explained by other variables that do not act as objects in this research, namely 85.39%.

**The Influence of the Size of the Board of Directors on the Capital Structure of banking companies**

The board of directors is the person who plays a role in managing the company to manage the company and make company funding decisions. The results of this research indicate that the size of the board of directors has a significant positive effect on capital structure. Several arguments support a positive relationship between the size of the board of directors and the capital structure of banking companies, firstly, there is better supervision, where a larger board of directors tends to have more diverse expertise and experience. This can improve the board's ability to oversee corporate management more effectively, including financial risk management and capital structure decisions. The second argument is the existence of stronger control, where a larger board of directors can also provide stronger control over company management, including financial policies such as financing and capital structure. A large board size can create a more effective system of checks and balances in reducing potential conflicts of interest between management and shareholders. In terms of support in decision making, a large board size can also provide more human resources to support strategic decision-making regarding capital structure. More in-depth and varied discussions among board members can result in more thoughtful and informed financial policies. In addition, banking companies tend to need greater access to financial resources to meet strict capital requirements and support their business growth. With a large board size, a company can have more connections and potential access to investors and other financial institutions. The results of this research are in line with research by Krisnauli & Hadiprajitno (2014) and Rahmawati & Harymawan (2022) , which states that the greater the number of the board of directors, the more effective the company's operational control will be. Agency theory states the relationship between principals and agents who have different interests. These differences in interests can cause a conflict. From an agency theory perspective, the board of directors has an important role in bridging the interests of the two parties between the principal and the agent. Pecking order theory states that companies prefer debt over shares when they have to spend external funds, because the cost of debt is considered cheaper than the cost of equity. According to Seikh and Wang (2011), companies with a large board of directors have the ability to obtain funds from external sources, namely debt, to increase company value.

**The Influence of the Size of the Board of Commissioners on the Capital Structure of Banking Companies**

The results of statistical tests as described above show that the size of the board of commissioners has a positive and significant effect on capital structure. The board of commissioners as a company organ has the duty and responsibility collectively to supervise and provide advice to the directors and ensure that the company implements GCG (KNKG, 2006). From an agency theory perspective, the board of commissioners represents the main internal mechanism for controlling management's opportunistic behavior so that it can help align the interests of shareholders and managers. The number of commissioners influences the company's capital structure. With its control function, the board of commissioners can control the actions of managers in company funding decisions. The greater the number of members of the board of commissioners, the easier it is to control managers and the more effective they are in monitoring management activities. Pecking order theory states that companies prefer debt over shares when they have to spend external funds, because the cost of debt is considered cheaper than the cost of equity. The greater the number of board of commissioners in a company, the greater the level of debt in a company. This is because, when a company has a larger board of commissioners, the company can renew and expand investment by utilizing external funding sources, namely debt. Apart from that, the control function carried out by the board of commissioners can be taken from agency theory. The research results are in line with research conducted by (Aldiansyah et al., 2023), (Novitasari & Bernawati, 2020), and (Thesarani, 2017) who found that the board of commissioners influences the capital structure. However, the results of this research are not in line with research (Dewi et al., 2018) which states that the size of the board of commissioners has no effect on capital structure decision making.

**The Influence of Managerial Ownership on Capital Structure**

Statistical analysis shows that managerial ownership has a significant negative effect on the debt-to-equity ratio. This means that the greater the percentage of share ownership by management of the total shares outstanding, the smaller the debt-to-equity ratio. The results of this research prove the agency theory put forward by Jensen, et al. (1976) which states that agency conflicts can be minimized by increasing managerial ownership. Management will be more careful in making funding decisions related to the company's debt to equity ratio. Management will prefer to use as little debt as possible to minimize capital costs and this will affect the small debt to equity ratio. This means that companies whose shares are partly owned by management tend to implement a small debt policy. This is because management also bears the capital costs borne by the company. If managers own company shares, this will influence the company's funding decisions. Managers will try to issue policies that will encourage the company to achieve high profits and develop the company. Company development requires new capital. The use of liabilities or issuing shares will be chosen by managers. The results of this research are in accordance with agency theory. The existence of managerial ownership will reduce agency problems. Managerial ownership will align the interests of management and shareholders, so that managers will directly experience the benefits and losses from the decisions taken. So the greater the shares owned by managers in the company, the smaller the funding sourced from liabilities will be. Managers whose position is equal to shareholders will think that funding from liabilities will further increase the company's interest burden. In carrying out its operational activities, management applies minimize costs and maximize value, so that management tends to implement a small debt policy with low capital costs. This statement is supported by research by Sheikh and Wang (2012) and (Mujahid & Akhtar, 2014) which shows that managerial ownership has a negative effect on capital structure.

## 4. CONCLUSIONS AND SUGGESTIONS

Based on the description contained in the analysis and discussion section, the conclusions that can be drawn from the following research are: The results of the research show that the size of the board of directors has a positive and significant influence, the size of the board of commissioners has a positive and significant influence on the capital structure, and managerial ownership has negative and significant influence on the capital structure of banking companies listed on the Indonesia Stock Exchange.

Suggestions that the author can give through this research include, based on the results of this research, the $R^{2\ \text{value}}$ is still very low, namely 14.61%. Therefore, for further research, it is hoped that we can further explore the variables that influence capital structure other than the three variables that have been used in this research, including the influence of profitability variables, fixed asset ratio, ownership control and asset structure, sales growth rate , cash flow stability , industry characteristics; asset structure, management attitude, lender attitude, etc

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