ABSTRACT

This research aims at empirically examine the effect of institutional ownership, managerial ownership, investment opportunity set, and free cash flow of the debt policy on financial companies listed on the Indonesia Stock Exchange in 2010-2012.

The theory used in this research is the agency theory. The selected samples total of 101 companies. The data used, use the cross section with a multiple regression analysis technique.

The results show that the institutional ownership and managerial ownership negatively affect to the debt policy and the investment opportunity set and free cash flow have a positive effect on the debt policy.

Keywords: institutional ownership, managerial ownership, investment opportunity set, free cash flow, debt policy.

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