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THE EFFECT OF FREE CASH FLOW AND INSTITUSIONAL SHARE OWNERSHIP STRUCTURE ON DEBT TO EQUITY RATIO WITH INVESTMENT OPPORTUNITY SET AS MODERATING VARIABLE (EMPIRICAL STUDY ON NON-FINANCIAL COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE IN 2015-2019)

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KeyWords
Free cash flow, institusional share ownership structure, investment opportunity set and debt to equity ratio

ABSTRACT

- Objectives - This study aims to determine and analyze the effect of free cash flow and share ownership structure on the investment opportunity set and debt policy, as well as to determine and analyze the effect of free cash flow and share ownership structure moderated by the investment opportunity set on debt policy in non-profit companies. financial statements listed on the Indonesia Stock Exchange in 2015-2019.
- Methodology/Technique – The object of this research is a non-financial company listed on the Indonesia Stock Exchange with an observation period of 2015-2019. Determination of the sample using purposive sampling method so that the number of samples is determined as many as 20 companies. The analysis technique used is multiple linear regression, coefficient of determination test and hypothesis testing. Findings
- **The results** show that free cash flow has a significant effect on increasing debt policy (DER), share ownership structure has a significant effect on debt policy (DER), investment opportunity set (IOS) significantly increases debt policy, free interaction cash flow with investment opportunity set (IOS) has no effect on debt policy, and share ownership structure has a significant effect on debt policy moderated by investment opportunity set (IOS).
- **Novelty** – This research contributes to signaling theory or signal theory used by investors who invest their shares and can be a positive signal for investors to invest in shares so that it will increase debt policy (DER). Because the existence of free cash flow, share ownership structure and investment opportunity set can be a signal that the company has good prospects for investors.

I. Introduction

The current era of globalization causes increasingly fierce competition in the business world, which encourages every company to be able to increase profits and company value in front of the public. In managing its financial function, one element that needs to be considered is how much the company is able to meet the need for funds that will be used to operate and develop its business. These funds can be obtained from different sources, namely, internal funds and external funds. The company's internal funds are funds that can be obtained from within the company or funds generated by the company itself such as current profits, retained earnings, and share capital, while external funds are funds sourced from outside the company, such as debt, both long-term debt and long-term debt. short (Rodoni and Ali, 2014: 41).

Debt according to Munawir (2015: 56) is all the company's financial obligations to other parties that have not been fulfilled. This obligation must be repaid at a certain time accompanied by a certain amount of interest determined by the creditor. The size of the debt that will be used to fund the company is decided by the company through a debt policy.

Debt policy is a policy taken by the financial management in order to obtain financing sources from third parties to finance the company's operational activities. Debt policy is one of the important decisions faced by managers regarding funding decisions, because this decision will affect the value of the company so that it has an impact on the prosperity of shareholders. The greater the proportion of the company's debt, the higher the principal and interest that must be repaid and the higher the risk of bankruptcy. Given the risk, the company must be able to make an appropriate debt policy so that the debt used is able to help the company grow and develop so that there is no failure to pay debts. Because failure to pay principal and interest on loans usually leads to legal proceedings where shareholders will lose control of the company or part of their company in other words the company's liquidity will be threatened.

In order for debt policy to be used properly, it is necessary to carry out an Investment Opportunity Set (IOS). IOS has an effect on debt policy, as stated by Pagalung in Nurul Hidayah (2015) that IOS is a choice of future investment opportunities that can affect the growth of company assets or projects that have a positive net present value. So that IOS has a very important role for companies because IOS is an investment decision in the form of a combination of assets in place and investment options in the future, where the Investment Opportunity Set will affect the value of a company. The greater the IOS level, the better the financial condition of a company in predicting future profits, so this affects debt policy.

There are several variables that influence debt policy, which can be seen from the size of the free cash flow (free cash flow) and the structure of share ownership by managerial and institutional parties. Free cash flow according to Brigham and Houston (2017: 99) is cash flow that is available for distribution to all investors (shareholders and debt owners) after the company places all of its investment in fixed assets and working capital needed to maintain ongoing operations. In other words, free cash flow can be used to pay off the company's debts. The greater the free cash flow available, the greater the company's ability to pay its debts. So when the company has adequate free cash flow, the company's management can take a policy to use higher debt to fund the company. Aisyah's research (2019), Bertha (2013) found that free cash flow had a positive and significant effect on debt policy. However, in contrast to the research conducted by Pramiska (2017) the findings that free cash flow has no effect on debt policy.

In addition to free cash flow, the structure of share ownership has an effect on debt policy, as stated by Sujoko and Subiantoro (2007) that share ownership by company management is measured by using the percentage of the number of shares owned by management. Ross et al (1999) in Tarjo (2008) stated that the greater the proportion of management ownership in the company, the management tends to try harder for the interests of shareholders who only pay attention to their own company. High share ownership by managers will increase the risk of non-diversiviable debt, so managers will be more careful in using debt (Moh'd, et.al. 1998). This indicates that the greater the proportion of share ownership owned by the manager will reduce the level of debt so as to minimize the level of risk experienced by the company. Aisyah's research (2019) that stock ownership has a positive effect on debt policy, however, Gusti (2013) found that managerial ownership has a negative effect on debt policy. Thus, a research gap was found in this study.

This study uses the Investment opportunity set as a moderating variable, because IOS in a company is a management policy. Utilization of company investment opportunities is able to show the company's prospects in the future, where company profits will increase as a result of the company's current investment activities (Brigham and Houston, 2011). By raising funds through debt, shareholders can maintain their control over the company while simultaneously limiting their investment. The increased use of the investment opportunity set can increase the value of the company. Or in other words IOS is an important characteristic of the company and greatly influences the perspective of managers, owners, investors and creditors of the company. The availability of investment alternatives in the future for this company is called the Investment Opportunity Set.

IOS is a set of investment opportunities that can also be used as a control tool to determine debt policy in the company (Isrina, 2006). IOS can be used as a basis for determining the classification of company growth in the future whether a company is included in the growth classification or not. Myers (1977) in Pramudita (2010) states that companies at a high growth stage generally have greater investment opportunities than companies at a low growth stage. However, companies with high growth characteristics usually do not have enough assets that can be used as collateral if the company has to use debt as collateral for funding. This can be seen from several previous studies such as Jensen's (1986) research which states that companies with large free cash flows tend to have high debt levels when the company has a low opportunity set. Lang et al. (1996) found that there is a negative relationship between leverage and future firm growth for only firms that have a limited set of growth opportunities. Gull and Jaggi (1999) found that there is a difference between free cash flow and debt policy between companies with low investment and companies with high investment opportunity sets. Jensen's research (1996) states that companies with large free cash flows tend to have high debt levels when the company has a low opportunity set. Then Aisyah's research (2019) that the investment opportunity set weakens the influence of free cash flow on debt policy. So there is a research gap in this research.

Then IOS as a moderator between share ownership structure and debt policy, as Gusti's research (2013) states that the presence of IOS ownership will strengthen the relationship between institutional ownership and debt policy. The higher the level of supervision by institutional parties, the lower the use of corporate debt by managers because the company will be more likely to take the opportunity to invest for profit. In contrast to the research conducted by Pramiska (2016) which states that the investment opportunity set (IOS) is not able to influence the relationship of institutional ownership to debt policy. So that there is a research gap in this study, where there are those who find it can moderate and some find that it cannot be used as a moderating variable between share ownership and debt policy.

In connection with the description above, this research was conducted on non-financial companies listed on the Indonesia Stock Exchange in 2015-2019. As a go public company, every company listed on the Indonesia Stock Exchange needs to use debt to fund the company's activities, because the problem that occurs is that the average non-financial company carries out free cash flow or free cash flow distributed by the company to creditors and shareholders. so that the large free cash flow forces the company to seek additional funds from outside parties in the form of debt, resulting in the company having a high level of financial risk. So with these problems, every company needs to carry out a debt policy because the debt policy used is able to help the company to grow and develop so that there is no failure to pay debts.

II. Literature Review

Agency Theory (Agency Theory)

Agency theory describes the relationship between shareholders as principals and management as agents. Management is a party contracted by shareholders to work in the interests of shareholders. Because they are elected, the management must be accountable for all its work to the shareholders. Jensen & Meckling (1976) stated that the agency relationship is a manager (agent) contract with shareholders (principal). Both parties have a contract that states their respective rights and obligations. The principal provides the facilities and funds to run the company, while the agent has the obligation to manage what the shareholders have assigned to him. For this purpose, the principal will receive results in the form of profit sharing, while the agent will receive salaries, bonuses, and various other compensations. In agency theory, it describes two conflicting economic actors, namely the principal and the agent. Agency relationship is a contract in which one or more people (principals) instruct another person (agent) to perform a service on behalf of the principal and authorizes the agent to make the best decisions for the principal. carry out all that is ordered by the principal. (Ichsan, 2013: 44).

Signaling Theory

Signaling theory was first introduced by Spence in his research entitled Job Market Signaling. Spence (1973) suggests that the signal or signal gives a signal, the sender (the owner of the information) tries to provide relevant pieces of information that can be utilized by the recipient. The receiving party will then adjust its behavior according to its understanding of the signal. According to Ratnasari (2017) Signaling theory suggests how a company should give signals to users of financial statements. This signal is in the form of information about what management has done to realize the owner's wishes. Signals can be in the form of promotions or other information stating that the company is better than other companies.

Pecking *Order Theory*

The pecking order theory emphasizes the problem of information asymmetry. Companies that have sufficient financial slack do not need to issue risky debt or shares to fund their new projects so that information problems will not arise. The company will be able to accept all the good projects without harming the old shareholders. This theory is an explanation of the behavior of companies that retain some of their profits and create large amounts of cash reserves. Pecking order theory states that managers prefer internal funding over external funding. If the company needs external funding, managers tend to choose the safest securities, such as debt (Made Sudana, 2015:176). This theory is based on the existence of asymmetric information, which is a situation where management has more information about the company than the owners of capital. This asymmetric information will affect the choice between internal or external users of funds and between the choice of adding new debt or by issuing new equity.

Definition of Free Cash Flow

Free Cash Flow (FCF) is one of the tools to measure growth, financial performance, and company health. Typically, FCF represents cash left over from operating business activities that can be used for dividend payments, expansion, or debt repayment. The more FCF scores a company prints, the better. So, FCF can be a very useful indicator to see the true profitability of any business. FCF metrics tend to be more difficult to manipulate than other common metrics or indicators like Profit After Tax. According to Warner R Murhadi (2013: 48) Free Cash Flow is: "Free Cash flow is cash available in the company that can be used for various activities. The concept of free cash flow focuses on cash generated from operating activities after being used for reinvestment needs.

Free Cash Flow Elements

Free cash flow is the cash flow that remains after the company sets aside cash to invest in its fixed assets or after the company issues working capital which is used as a continuation of the economic activities of a company.

According to Harahap (2015:260), the elements in the free cash flow statement are: 1. The company's operating activities (operating), which consist of: a. Cash receipts from the sale of goods and services, including receipts and receivables from sales, either long term or short term, and b. b. Receipt of interest on loans on receipt of other securities such as interest or dividends. Examples of cash outflows from operating activities. 2. Cash flow from financing/financing activities and 3. Cash flow from investing activities

Share Ownership Structure

The ownership structure can be individual investors, government, and private institutions. The ownership structure is divided into several categories. Specifically, the ownership structure category includes ownership by domestic institutions, foreign institutions, governments, employees and domestic individuals. The ownership structure is a form of commitment from shareholders to delegate a certain level of control to managers. The owner of the company will appoint professional agents who have been previously selected through selection which will then carry out their duties to manage the company which in the end is required to be able to maximize the value of the company. According to Sudana (2016:11), the ownership structure is a separation between company owners and company managers. The owner or shareholder is the party who includes capital into the company, while the manager is the party appointed by the owner and given the authority to make decisions in managing the company, with the hope that the manager acts in the interests of the owner.

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Institutional Ownership Structure

Institutional ownership has an important meaning in monitoring management because institutional ownership will encourage more optimal supervision. Supervision carried out by institutional investors will ensure the prosperity of shareholders. The influence of institutional ownership as a supervisory agent is suppressed through their sizeable investment in the capital market. A high level of institutional ownership will lead to greater supervisory efforts by institutional investors so that it can hinder the opportunistic behavior of managers. The ownership structure in this case is institutional ownership in the monitoring role of management, institutional ownership is the party that has the most influence on decision making because of its nature as the majority shareholder, besides that institutional ownership is the party that gives control to management in the company's financial policies. According to Pasaribu, Topowijaya and Sri (2016:156) institutional ownership is the percentage of shares owned by institutions. Institutional ownership is a tool that can be used to reduce conflicts of interest.

Managerial Ownership Structure

Managerial ownership will encourage management to improve company performance, because they also own the company. Increased company performance will increase company value (Ikin Solikin, Mimin, Sofie, 2013). The existence of managerial ownership in the company will lead to the assumption that the company's value increases due to increased management ownership. In this case, an agency problem will arise, where the agent appointed by the principal does not work in accordance with the objectives of the shareholders. According to Pasaribu, Topowijaya and Sri (2016:156) managerial ownership is the owner/shareholder by the company management who actively plays a role in company decision making. Managerial ownership is very useful where managers take part in the company's share ownership. The manager will then try his best to increase the value of the company so that he too will enjoy his share of the profits.

Debt policy (DER)

Debt policy is a very important decision for a company. Because the debt policy is one part of the company's funding policy. Where the debt policy is a policy taken by the management in order to obtain a source of financing for the company so that it can be used to finance the company's operational activities. Sources of funding can be obtained from internal capital and external capital. Internal capital comes from retained earnings, while external capital comes from owners and creditors, participants or participants in the company. Capital originating from creditors is the company's debt and is included in external capital. According to Harmono (2014:137), debt policy is a funding decision by management that will affect the company which is reflected in stock prices. Therefore, one of the tasks of financial managers is to determine funding policies that can maximize share prices which are a reflection of a company's value." This study uses the debt to equity ratio to measure the debt policy. This ratio shows the comparison between debt and equity. Based on this understanding, the debt to equity ratio formula is obtained as follows:

$$DER = \frac{\text{Total Debt}}{\text{Equity}} \times 100\%$$

Investment Opportunity Set (IOS)

The Investment Opportunity Set (IOS) is the value of the company, the amount of which depends on the expenditures set by management in the future, but at this time it is still investment choices that are expected by the company to generate a greater return. In general, IOS describes the breadth of investment opportunities for a company, but it is very dependent on expenditure or investment or company expenses in the future. Hidayah (2015: 189) Investment Opportunity Set (IOS) is a company's investment decision in the form of a combination of assets owned by the company (assets in place) and the company's investment choices in the future with a positive Net Present Value (NPV) will affect the value of the company.

Hypothesis

H1 = Free cash flow has a positive and significant effect on debt policy

H2 = Share ownership structure has a positive and significant effect on debt policy

H3 = Investment Opportunity Set has a positive and significant effect on Debt Policy
H4 = Free Cash Flow has a positive and significant effect on Debt Policy Moderated By Investment Opportunity Set
H5 = Institutional Ownership has a positive and significant effect on Debt Policy Moderated By Investment Opportunity Set.

III. Research Method

This study uses a quantitative approach with an associative form, namely to determine the relationship between two or more independent variables and the dependent variable. The location or scope of this research are non-financial companies listed on the Indonesia Stock Exchange (IDX) using audited financial reports that can be accessed through www.idx.co.id. The object in this study is the debt policy of non-financial companies listed on the Indonesia Stock Exchange in 2015-2019.
According to data from www.idx.co.id, 2021 that the research population consisting of 79 non-financial sub-sector companies that meet all the criteria in this study, there are 20 non-financial companies observed that went public because the companies mentioned above have published reports finance for the last 5 years.

IV. Results and Discussion

Multiple regression test aims to determine the direction of the relationship between the independent variable and the dependent variable whether each independent variable is positively or negatively related and to predict the value of the dependent variable if the value of the independent variable increases or decreases.

Table 1. Multiple Linear Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	123.69				
	Free Cash Flow	73.20	21.12	.305	3.466	0.001
	Share owner structure	-.895	0.265	-0.280	-3.382	0.001
	Investment Opportunity Set	12.762	3.32	0.339	3.850	0.000
	R = 0,600	Fhit = 17,990				
	Rsquare = 0,160	Sign = 0,000				

Source: Data processed, 2021

The results of the regression test regarding the effect of free cash flow have a significant effect on debt policy which is proxied by the debt to equity ratio. The structure of share ownership can affect the decrease in debt policy (DER). investment opportunity set proxied by market to book value of assets (MBVA) has a positive and significant influence on debt policy. The reason is because when the company has a low investment opportunity set, the company will use a high level of debt. Then to see the relationship of free cash flow, share ownership structure and investment opportunity set seen from the value of R = 0.600 which can be said to have a strong relationship with debt policy (DER). While the value of R square = 0.360, it can be interpreted that 36 percent of free cash flow, share ownership structure and investment opportunity set are able to explain debt policy (DER) and the remaining 64 percent (1 – 0.360 x 100) can be explained by other factors outside the model. which were not included in this analysis.

To determine the effect of free cash flow on debt policy (DER) moderated by the investment opportunity set, the results of the moderating regression test on the effect of free cash flow on debt policy moderated by the investment opportunity set show that the investment opportunity set cannot moderate the effect of free cash flow on debt policy. debt policy which is proxied by DER, the reason is because the p-value = 0.427 > 0.05. Then to test the effect of share ownership structure on debt policy moderated by the investment opportunity set using a moderated regression analysis (MRA), then from the results of the regression test the share ownership structure on debt policy is moderated by the investment opportunity set (MBVA), where it can be said that investment The opportunity set (MBVA) can strengthen the influence of share ownership structure on debt policy (DER) in non-financial companies listed on the IDX for the 2015-2019 observation period. In relation to the description above, a summary of the results of hypothesis testing that has been stated previously through table 2 will be presented as follows:

Table 2. Summary of Research Hypothesis Testing

No.	Research Hypothesis	ρvalue	Threshold	Conclusion
H1	Free cash flow affects debt policy	0,001	≤ 0,05	Received
H2	Share ownership structure affects debt policy	0,001	≤ 0,05	Received
H3	Investment opportunity set affects debt policy	0,000	≤ 0,05	Received

H4	Free cash flow has an effect on debt policy, moderated by the investment opportunity set	0,798	≤ 0,05	Rejected
H5	Share ownership structure influences debt policy moderated by investment opportunity set	0,047	≤ 0,05	Received

Source: Data processed, 2021

Effect of free cash flow on debt policy (DER)

The results of research data analysis regarding the effect of free cash flow on debt policy (DER) in non-financial companies during the 2015-2019 observation period, which in this study shows that free cash flow from each non-financial company observed for 2015-2019 can provide positive and significant influence. The results of this study can be said that free cash flow can have a significant influence in improving forest policy (DER), especially for non-financial companies listed on the IDX in 2015-2019. According to Wu (2004) Conflicts that occur between shareholders and managers in companies that generate substantially free cash flow usually use debt to reduce agency costs that arise as a result of the conflict. The use of debt allows managers to effectively commit to issuing future cash flows. In other words, free cash flow can be used to pay off the company's debts.

The greater the free cash flow available, the greater the company's ability to pay its debts. So when the company has adequate free cash flow, the company's management can take a policy to use higher debt to fund the company. Agency theory in relation to debt is explained through free cash flow in accordance with the free cash flow theory of capital structure (Keown et al, 2000) in Damayanti (2006). Agency costs are the sum of monitoring expenditures by shareholders, expenditures on the use of debt by managers, residual loss. Thus, free cash flow has no significant effect on the company's debt policy. These results indicate that free cash flow has not been able to influence the level of use of company debt in order to reduce agency costs. Aisyah's research (2019), Bertha (2013) found that free cash flow had a positive and significant effect on debt policy. However, in contrast to the research conducted by Pramiska (2017) the findings that free cash flow has no effect on debt policy. In relation to the description above, the research found by researchers who are in line with the agency theory theory proposed by Wu (2004), the opinion expressed by Keown et al, (2000) in Damayanti (2006). research conducted by Aisyah (2019), Bertha (2013), and is not in line with the results of Pramiska's research (2017).

The Effect of Stock Ownership Structure on Debt Policy

The results of observations on tests regarding the effect of share ownership structure on debt policy in non-financial companies listed on the IDX during 2015-2019, from the results of this study indicate that share ownership has a negative effect on debt policy (DER). This study indicates that the larger the share ownership structure controlled by the institutional from each non-financial company in 2015-2019, the lower debt policy will be followed. Sudana (2015:11) states that the ownership structure is the separation between company owners and company managers. The greater the percentage of shares owned by institutional parties, the more effective the monitoring effort will be. Managers will feel more supervised and more careful in making funding decisions so they use low debt levels.

Jensen, et al. (1986) suggests that there is an influence between the ownership structure and the company's debt policy. Increasing management ownership will equate the interests of management with the interests of shareholders. Thus the manager co-owns the company, so managers are unlikely to act opportunistically, because they will bear the consequences and be more careful in using debt. The results of research conducted by Akbar (2017) show that institutional ownership has a positive and significant effect, the existence of effective supervision by institutional parties causes the use of debt to decrease. The higher the institutional ownership, the stronger the control over management is expected. Agency theory from Jensen and Meckling (1976) which states that the agency relationship is a manager (agent) contract with shareholders (principal). The principal provides the facilities and funds to run the company, while the agent has the obligation to manage what the shareholders have assigned to him. Crutchley et al. (1999) in Agnes (2009) suggests that institutional ownership can also reduce agency costs, because with effective monitoring by institutional lead to a decrease in the use of debt. This is because the role of debt as a monitoring tool has been taken over by institutional ownership. Thus, institutional ownership can reduce the agency cost of debt. So in agency theory it can be said that the stock ownership strategy can affect debt policy.

Aisyah's research (2019) that stock ownership has a positive effect on debt policy, however, Gusti (2013) found that managerial ownership has a negative effect on debt policy. So that in research that is in line with agency theory proposed by Jensen and Meckling (1976), Crutchley et.al. (1999) in Agnes (2009), and has also been in line with research by Aisyah (2019), Gusti (2013).

The Effect of Investment Opportunity Set on Debt Policy

Based on the results of an analysis of the effect of the investment opportunity set (IOS) on debt policy (DER) in non-financial companies during 2015-2019, from observations made by researchers who found that the investment opportunity set had a positive and significant influence on debt policy (DER), where the higher the investment opportunity set made by each non-financial company listed on the IDX, the higher the debt policy (DER) will be.

The Pecking Order Theory was developed by Myers and Majluf (2004) This theory is based on the existence of asymmetric information, which is a situation where the management has more information about the company than the owners of capital. This asymmetric information will influence the choice between internal or external users of funds and between the choice of adding new debt or issuing new equity. Then in research by Patricia (2014) it shows that the investment opportunity set has a positive effect on debt policy. When the investment opportunity set is high, the company's use of debt will remain low, because the company prefers to invest rather than using debt, but when the investment opportunity set is low, the company will use a high level of debt.

Then Pagalung in Nurul Hidayah (2015) that IOS is a choice of future investment opportunities that can affect the growth of company assets or projects that have a positive net present value. So that IOS has a very important role for companies, because IOS is an investment decision in the form of a combination of assets in place and investment options in the future, where the Investment Opportunity Set will affect the value of a company. The greater the IOS level, the better the financial condition of a company to predict future profits, so that this affects debt policy. (2014), Pagalung in Nurul Hidayah (2015) which is in line with what was found by researchers.

The Effect of Free Cash Flow on Debt Policy is moderated by the Investment Opportunity Set

The results of research data analysis using MRA analysis, namely the influence of free cash flow on debt policy is moderated by the Investment Opportunity Set in non-financial companies listed on the IDX in 2015-2019, which in this study shows that the Investment Opportunity Set cannot moderate the effect of free cash flow on debt policy (DER), the reason is because the observed free cash flow in the observed company is negative (FCF 0), so the observed company does not invest less and besides there are still non-financial companies that do not increase their debt to invest from the activities they carry out so far.

Jensen's research (1996) states that companies with large free cash flows tend to have high debt levels when the company has a low opportunity set. Then Aisyah's research (2019) that the investment opportunity set weakens the influence of free cash flow on debt policy. Thus, from the research found by the researcher which is not in line with the research conducted by Jensen (1996) and Aisyah (2019)

The Effect of Share Ownership Structure on Debt Policy (DER) Moderated by Investment Opportunity Set

The results of the analysis of research data regarding the effect of share ownership structure on debt policy moderated by the investment opportunity set in non-financial companies listed on the IDX in 2015-2019. From the results of the moderation test using MRA analysis which shows that the investment opportunity set can strengthen the influence of the share ownership structure on debt policy (DER), where the interaction of the share ownership structure with the investment opportunity set will be able to have a significant effect on increasing debt policy in the company. non-financial year 2015-2019. Gull and Jaggi (1999) that with share ownership, both managerial ownership and institutional ownership, where if there is an investment opportunity (high IOS) while stock ownership also increases, it is expected to reduce debt policy. On the other hand, if there is no investment opportunity (low IOS), even though managerial ownership and institutional ownership increase, the company will continue to use debt to finance the company. So, the higher the share ownership structure, namely managerial ownership and institutional ownership where there is an investment opportunity, it is expected that the stronger internal control over the company will be able to reduce the use of debt by managers. Then the opinion expressed by Nengsi, (2015) that the ownership structure expected by the company is able to reduce the agency problem, namely institutional ownership. Share ownership is concentrated by institutional investors will optimize the effectiveness of monitoring management activities because of the large amount of funds invested. Institutional parties who act as supervisors will make managers feel supervised so that they work more effectively to reduce the risk of bankruptcy.

Research conducted by Akbar (2017), Gusti (2013) whose research results found that Institutional Ownership has a significant effect on debt policy which is moderated by the investment opportunity set. Meanwhile, in research by Nofiani (2017) and Pramiska (2016) who found that the opportunity set (IOS) was not able to influence the relationship of institutional ownership to debt policy. So that the investment opportunity set can be used as a moderator between institutional ownership and debt policy. So that the investment opportunity set can be used as a moderator between institutional ownership and debt policy. In relation to the description above, the research found by the researcher is in line with the opinions expressed by Nengsi, (2015) and research by Akbar (2017), Gusti (2013) and is not in line with those found by Nofiani (2017) and Pramiska (2016).

V. Conclusion

Based on the results of the analysis and discussion that have been stated previously, several conclusions will be presented that free cash flow has a real influence in increasing debt policy (DER), where the higher the free cash flow owned by non-financial companies during 2015-2019, it will have an impact on debt policy (DER). The share ownership structure has a significant effect on debt policy (DER). The investment opportunity set (IOS) significantly increases debt policy, especially for non-financial companies, where the higher the opportunity set (IOS) will lead to an increase in debt policy. The interaction of free cash flow with the investment opportunity set (IOS) has no effect on debt policy, as well as the share ownership structure on debt policy moderated by the investment opportunity set (IOS) in non-financial companies in 2015-2019, where this study finds that the ownership structure stocks have a significant effect on debt policy which is moderated by the investment opportunity set (IOS). The limitations of this study are: In this study, researchers did not observe all non-financial companies listed on the IDX but only observed 20 companies that were sampled in this study, another limitation is the number of variables used in predicting debt policy (DER) which is limited to variables free cash flow, share ownership structure and investment opportunity set, even though there are still many variables that could contribute to increasing debt policy (DER). Based on the conclusions that have been stated previously, it is recommended for non-financial companies to pay attention to their debt policies, considering that increasing debt can disrupt the company's financial health, so that the company's credibility will be maintained and can limit debt. For investors, before making investment decisions in a non-financial company, choose a company that has good financial performance. In future research, it is better to add other variables outside of the research model such as dividend policy and use other groups of companies so that they represent behavior companies on the Indonesia Stock Exchange.

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