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Original article

The Effect of Ownership Structure on Financial Performance with Capital Structure as a Mediating

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Abstract - *Financial performance is the company's ability to manage and control its resources. The purpose of this study is to determine: (1) the effect of managerial ownership structure and institutional ownership structure on capital structure; (2) the influence of managerial ownership structure, institutional ownership structure, and capital structure on financial performance; (3) whether the capital structure can mediate the influence of managerial ownership structure and institutional ownership structure on financial performance at agriculture companies in the Indonesia Stock Exchange. The data used in this research is quantitative data for the period 2015-2019 which is sourced from annual financial reports published by companies listed in the Indonesia Stock Exchange. This research uses the path analysis technique. This research uses path analysis technique. The results show that the influence of managerial ownership structure has no effect on capital structure, institutional ownership structure has a positive effect on capital structure. Managerial ownership structure, institutional ownership structure, and capital structure have no effect on financial performance. In addition, the capital structure is also proven to be unable to significantly mediate the influence of managerial ownership structure and institutional ownership structure on the financial performance of agricultural companies on the Indonesia Stock Exchange.*

Keywords - *Financial Performance, Capital Structure, Managerial Ownership Structure, Institutional Ownership Structure.*

I. INTRODUCTION

Indonesia is a country that rich of natural resources. Its strategic geographical location makes Indonesia one of the most fertile countries in the world. This also supported by the tropical climate and volcanic soil structure that makes Indonesia rich (Pratiwi, 2017). The agriculture sector has a very important role in the Indonesian economy, both in terms of economic growth, foreign exchange earnings, meeting food needs, and employment. The agriculture sector, which plays an important role in Indonesia's economic growth, continues to grow (Sari & Azizah, 2019). Plantation Law Number 39 of 2014 explains that Indonesia is an agriculture country that has abundant natural resources consisting of earth, water, and the natural resources contained therein. The potential of these natural resources is very important to be used for the development of agriculture activities in Indonesia.

The agriculture sector is one of the backbones in the development of the national economy because companies engaged in agriculture generate income from biological assets which are manifested in the cultivation of fruits and nuts, planting crops, livestock products, and forestry (Daly & Skaife, 2016).). Land use in Indonesia has increased every year, both in terms of agriculture and plantations. The development of the agriculture sector in Indonesia in recent years has attracted investors to invest in this sector. The following is a table of data on agriculture companies in Indonesia by sector in 2020.

Table 1. Data at Agriculture Companies in Indonesia by Sector in the Indonesia Stock Exchange in 2020

Sector	Quantity	Presents (%)
Food Crops Sector	1	0,04
Plantation Sector	22	0,88
Livestock Sector	1	0,04
Fishery Sector	1	0,04
Total	**25**	**100**

Source: Indonesia Stock Exchange, 2020

Data from the Central Statistics Agency (BPS) recorded that the agriculture business sector was the largest contributor to Indonesia's Gross Domestic Product (GDP) growth in the second quarter of 2020, which contracted by -5.32 percent year on year (YoY). BPS also stated that there were only three business fields that recorded positive growth, namely agriculture, information and communication, and water supply. The agriculture sector grew 2.19 percent YoY in the second quarter of 2020. This was supported by the food crop sector, which grew 9.23 percent due to a shift in the harvest period.

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Furthermore, the forestry and logging sector, which grew 2.23 percent YoY, was driven by the performance of the upstream forestry sector for the production of industrial timber logs. Based on the description of the data, it can be seen that the agriculture sector is one of the pillars of the Indonesian economy so that companies engaged in the agriculture sector are companies that are of interest to investors.

The main purpose of a company is in the form of short-term goals and long-term goals. The short-term goal is that the company can get the maximum profit possible by utilizing the resources owned by the company while the long-term goal is to maximize the value of the company. One of the ways to increase the value of the company is through increasing the prosperity of shareholder ownership (Brigham & Daves, 2019).

Performance is also an important thing that must be achieved by every company anywhere because performance is a reflection of the company's ability to allocate its resources. The results of measuring performance achievement become the basis for management or company managers to improve performance in the next period and are used as the basis for reward and punishment (Mahrani & Soewaryo, 2018). One measurement of performance achievement is to look at financial performance. Understanding financial performance is the company's ability to manage and control its resources. Financial performance can be measured by analyzing financial statements using financial ratios (Mahrani & Soewaryo, 2018). Financial performance is the determination of certain measures that can measure the success of a company in generating profits (Brigham & Daves, 2019: 291)

One of the factors that can optimize financial performance is ownership structure. The company's share ownership structure greatly affects the continuity of the company which in turn influences the performance and quality of the company to achieve the vision of a company which is to maximize the company's value (Apriada & Suardhika, 2016). The ownership structure is a variety of patterns and forms of ownership of a company or the percentage of share ownership owned by internal shareholders and external shareholders (Wongso, 2013). According to Nuraina (2012), the ownership structure that can affect the value of the company is divided into two, namely managerial ownership and institutional ownership. Jensen and Meckling (1976) stated that in reality, managers will prioritize the interests of achieving high levels of salary and compensation rather than trying to maximize the wealth of company owners.

Another factor that affects the company's financial performance is the capital structure. Funding decisions for the company's capital must be made carefully because they can directly affect the performance and value of the company. The capital structure shows a comparison between long-term external capital and own capital which influences the company's performance. The capital structure is a source of funding within the company, which can be obtained from internal companies in the form of retained earnings and depreciation and external companies in the form of debt or the issuance of new shares. Large capital and debt can generate large net profits so that the ROA value increases (Brigham & Daves, 2019: 291).

Capital structure is a balance or comparison between foreign capital and own capital. The optimal company capital structure is a mixture of debt and equity that maximizes stock prices. At any time, management has a certain target capital structure in mind, perhaps the optimal one, but this target may change over time (Brigham and Daves, 2019:693). Capital structure can be expressed by the Debt to Equity Ratio (DER), which is measured by dividing total assets by total debt. DER can prove that the company can fulfill its debt payment obligations shown by the users of its funds (Sadiq & Fateh, 2016). Companies that use debt will signal to investors that future cash outflows will increase, so companies are considered to have attractive options soon (Ross, 1977). Signaling theory explains that company managers will send signals or signs to investors through the company's capital structure decisions (Serraquero & Caetano, 2014). The signal theory also explains that debt can be used as a signal in revealing the characteristics of the company, the characteristics in question are companies with high debt and low debt companies (Gumanti, 2017: 87).

The mediating role of capital structure has been discussed in several previous studies but research with capital structure as a mediating variable related to institutional and managerial ownership structure has not been widely carried out. On the other hand, Sheiler and Vishny (1994) state that there is a negative relationship between institutional ownership and capital structure, that the greater the share ownership by the institution, the greater the ability to monitor the behavior of managers to continue to act in the interests of shareholders. An increase in external supervision of management performance can reduce the use of external funds or debt and increase the use of internal funds. The existence of ownership by the institution will reduce the debt ratio. Institutional supervision can reduce the use of debt.

This study aimed to determine: (1) the significance of the influence of managerial ownership structure on capital structure; (2) the significance of the influence of institutional ownership structure on capital structure; (3) the significance of the influence of managerial ownership structure on financial performance; (4) the significance of the influence of institutional ownership structure on financial performance; (5) whether the capital structure can mediate the influence of the managerial ownership structure; (6) whether the capital structure can mediate the influence of institutional ownership structure at agriculture sector companies in the Indonesia Stock Exchange.

II. LITERATURE REVIEW AND HYPOTHESIS

A. Signaling Theory

Signaling theory is used to explain that basically information is used by companies to give positive or negative signals to the wearer. Signal theory (Scott, 2012) states that company executives who have better information about their company will be encouraged to

convey this information to potential investors where the company can improve company performance through reporting by sending signals through its annual report.

B. Agency Theory

The agency relationship perspective is the basis used to understand corporate governance. Managers should maximize the welfare of shareholders. But on the other hand, managers also have an interest in maximizing their welfare. This pooling of interests often creates a conflict called an agency conflict (Brigham & Houston, 2019).

C. Financial performance

Performance is a reflection of the company's ability to manage and allocate its resources. The purpose of performance appraisal is to motivate employees in achieving organizational goals and in meeting predetermined standards of behavior to differentiate between desired outcomes and actions. Standards of behavior can be in the form of management policies or formal plans as outlined in the budget.

D. Capital Structure

In the capital structure of a company, broadly speaking, there are mostly two types of capital, namely equity and debt. Beyond this, debt is considered a cheaper source of finance because interest payments are a tax-deductible expense and the cost of debt remains constant during the redemption point. Brigham & Houston (2019) states that capital structure can be proxied by financial leverage. Financial leverage is a measure that shows how much-fixed income securities (debt and preferred stock) are used in the company's capital structure. The capital structure suggests the firm is useful in selecting the best financing level of debt and equity which will save the organization from financial problems (PeiZh et al., 2020).

E. Managerial Ownership Structure

Research conducted by Al Najjar (2015) states that the company's ownership structure is one of the most important things in determining how to protect the interests of shareholders from potential exploitation by management. Managerial Ownership Structure is the number of shares owned by the company's management. Managerial Ownership Structure refers to the fraction of ownership of shares in the company held by management (Lawal et al., 2019).

F. Institutional Ownership Structure

Institutional Ownership Structure is a major force in the capital market and significantly and positively affects company performance. Jafarinejad, et al. (2015), explained that the higher the proportion of institutional share ownership, the higher the firm value. Institutional monitoring helps improve managerial efficiency, and independent improvement in Institutional Ownership Structures (Baghdadi, et al. 2018).

With the ownership of shares by the insider, the insider will also benefit directly from the decisions he makes, but will also bear the risk directly if the decision is wrong. Ownership by insiders will also reduce the improper allocation of resources (misallocation). Thus, share ownership by insiders is an incentive to improve company performance.

G. Previous Research and Hypothesis

Previous research on managerial ownership has been carried out by Awais, et al. (2018), Mirsha and Kapil (2016), Gill and Obradovich (2012), and Ming-Hsiang (2012). The results of the study indicate that managerial ownership has a positive effect on the company's financial performance, stating that managerial ownership has a positive effect.

Managers' policies in a company are also limited by the presence of commissioners and institutional ownership as a company management mechanism so that policies related to the capital structure cannot be decided by managers themselves. This shows that the capital structure in a company is also controlled by commissioners and institutions, not only by management or directors. The research of Brailsford et al. (2002) stated that managerial ownership structure has a positive and significant effect on capital structure.

For companies, the higher the institutional ownership of a company, the higher the control that occurs from outside the company. Guo (2019) finds that institutional ownership has a positive impact and its influence is mainly driven by independent institutional ownership, not driven by private institutional ownership. Lin (2017), Firth (2016), Hammerström & Jersov (2014) find that institutional ownership has a positive effect on firm performance and is strong to account for deregulation, contemporary market conditions, and different stock markets.

Talab et al., (2018) research entitled “Ownership Structure, External Audit and Firm Performance in Iraq. Social Science and Humanities Journal” states that the managerial ownership structure has a positive and significant effect on ROA. Awais et al., (2018) also stated that the managerial ownership structure has a positive effect on the company's financial performance. Different research results were found by Jusoh et al., (2013) with the research title "Managerial Ownership, Audit Quality and Firm Performance in Malaysian. International Journal of Arts and Commerce" explains managerial ownership has a negative and significant effect on financial performance, according to Rehman & Ali (2013) which shows that managerial ownership has a negative and significant effect on ROA, the results of research conducted by Research by Rehman et al., (2012), Brailsford et al. (2002) show that managerial ownership has a significant negative relationship with firm performance as measured by financial performance.

Research conducted by Talab et al., (2018) with the title "Ownership Structure, External Audit and Firm Performance in Iraq" states that managerial ownership structure has a positive and significant effect on financial performance. According to Hossain (2016), Armozdi & Hadi (2013), Talab et al., (2018) stated that managerial ownership has a positive influence on the company's financial performance, while Kuo et al., (2019) explains that Managerial Ownership Structure has a significant negative impact on the company's financial performance

with ROA proxy. Research from Garba and Mohammed (2018) states that executive ownership has a negative effect on ROA.

Lin et al., (2017) explained that institutional ownership structure is a major force in the capital market and significantly and positively affects company performance, a larger institutional ownership structure can improve company performance through intensive analytical capabilities.

Ngatemin et al., (2018) show that institutional ownership structure has a positive effect on firm performance with ROA as a proxy. Research conducted by Abdul & Anis (2013) shows that institutional ownership has a positive effect on ROA. The results of the study differ from Awais et al., (2018) which states that institutional ownership has a negative effect on the ROA of a company.

The mediating role of capital structure has been discussed in several previous studies but research with capital structure as a mediating variable related to institutional and managerial ownership structure has not been widely carried out. On the other hand, Sheiler & Vishny (1994) stated that there is a negative relationship between institutional ownership and capital structure, that the greater share ownership by the institution will be able to monitor the behavior of managers to continue to act by the interests of shareholders. An increase in external supervision of management performance can reduce the use of external funds or debt and increase the use of internal funds. The existence of ownership by the institution will reduce the debt ratio. Institutional supervision can reduce the use of debt. Research conducted by Petta and Tarigan (2017) explains that capital structure can mediate the effect of institutional ownership structure on company performance.

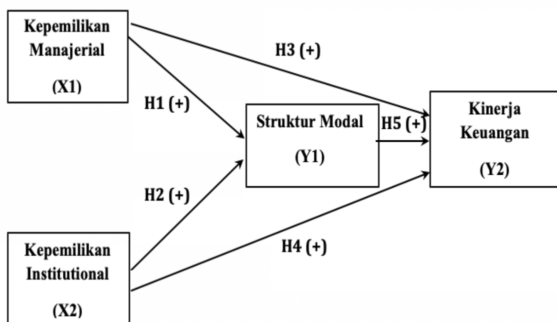

Fig. 1 Conceptual framework

Based on previous research and the conceptual framework in Figure 1, the hypotheses in this study are:

H1: Managerial ownership has a positive effect on capital structure

H2: Institutional ownership structure has a positive effect on capital structure

H3: Managerial ownership has a positive effect on the company's financial performance

H4: Institutional ownership structure has a positive effect on the company's financial performance.

H5: Capital structure has a positive effect on the company's financial performance.

H6: Capital structure can mediate the influence of managerial ownership structure on financial performance

H7: Capital structure can mediate the effect of institutional ownership structure on financial performance

III. METHOD

This study uses a quantitative approach in the form of associative. The variables that can be identified in this study are: (1) exogenous variables: managerial ownership (X1) and institutional ownership (X2); (2) mediating variables: capital structure (Y1); (3) endogenous variable: financial performance (Y2). The data used in this study is quantitative data for the 2015-2019 period. The data is secondary data sourced from the Indonesia Stock Exchange website and the Indonesia Capital Market Directory (ICMD). The source of data used in this study is the annual financial report. The population collected is 17 companies. Determination of the sample used by using purposive sampling method with the amount so that the total sample size is 7. Use of financial report data published by companies listed on the Indonesia Stock Exchange and the Indonesia Capital Market Directory. This study uses path analysis techniques (path analysis).

IV. RESULTS AND DISCUSSION

Description of Research Variables

The data used in this study is data sourced from the company's annual financial statements for the period 2015 to 2019. Based on data from the company's annual financial statements, it can be calculated that the financial ratios used in this study are financial performance ratios (returns). on assets), capital structure ratio (debt to equity ratio), managerial ownership structure, and institutional ownership structure.

Table 2. Data Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
Managerial Ownership Structure	35	0.00	49.05	8.8088	13.61454	185.356
Institutional Ownership Structure	35	28.37	89.04	70.7486	19.00543	361.206
Capital Structure	35	12.72	794.54	159.2491	138.99842	19320.562
Financial Performance	35	-43.63	8.37	-2.9569	9.76521	95.359
Valid N (listwise)	35					

Table II shows the average value (mean), the highest value, the lowest value, standard deviation, and variance of the variables of managerial ownership structure, institutional ownership structure, capital structure, and financial performance in agriculture companies listed on the IDX for the 2015-2019 research period.

A. Path Analysis Results

Based on the results of the study, it can be seen the relationships between research variables, which are the path coefficients in this study. Path analysis is carried out by regressing two equations, namely the sub-structural equation 1 and the sub-structure equation 2. The regression of the substructure 1 and substructure 2 equations is used

to determine the direct effect, the indirect effect, and the total effect. The results of the regression test for sub-structural equations 1 and sub-structure 2 found their respective path coefficients:

1) Equation Sub Structure 1

$\widehat{Y}_1$ = -1,000X1 + 1,164X2
$S_b =$ (0,492) (0,482)
$t =$ (−2,030) (2,417)
$sig =$ (0,051) (0,022)
$R^2 = 0,159$

Sub-structure equation 1 states the relationship between the variables of managerial ownership structure, institutional ownership structure to capital structure

2) Equation Sub Structure 1

$\widehat{Y}_1$ = 0,095X1 + 0,115X2 + 0,077Y1
$S_b =$ (0,144) (0,144) (0,049)
$t =$ (0,664) (0,797) (1,578)
$sig =$ (0,511) (0,432) (0,125)
$R^2 = 0,203$

In equation 2, this sub-structure explains the relationship between the variables of managerial ownership structure, institutional ownership structure, and capital structure on financial performance.

The summary of the regression results of the sub-structure 1 and sub-structure 2 equations can be seen in Table III The significance of the direct effect can be determined using the test. The t-test is used to determine the effect of each independent variable on the dependent variable partially.

Table 3. Results of Equation Regression Test for Sub Structure 1 and Sub Structure 2

	Standardized Coefficient	Standard Error	T	Sig.	Description
	Beta				
X1 → Y1	-1.000	0.492	-2.030	0.051	Non-significant
X2 → Y1	1.164	0.482	2.417	0.022	Significant
X1 → Y2	0.095	0.144	0.664	0.511	Non-significant
X2 → Y2	0.115	0.144	0.797	0.432	Non-significant
Y1 → Y2	0.077	0.049	1.578	0.125	Non-significant

The error value (e) needs to be calculated to complete the path diagram. This study has two error values (e), namely e1 which comes from regression of the sub-structure equation 1, and e2 which comes from regression of the sub-structure equation 2. The calculation of the values of e1 and e2 is calculated using R2 from the regression of equation substructure 1 and substructure 2.

e1= √(1- r^2)
e1= √(1- 0,159)= 0,917

Whereas for e2 it is calculated by R2 from the substructure equation 2, namely:

e2= √(1- r^2)
e2= √(1- 0,203) = 0,892

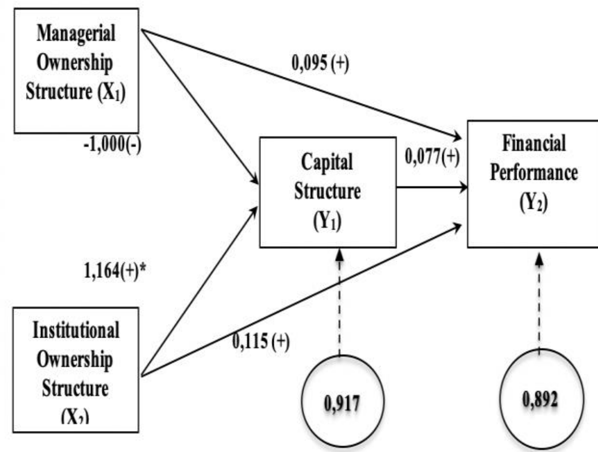

Fig.2: Result of Path Diagram Analysis

Figure 2 shows a research path diagram that has been equipped with a direct influence coefficient and error value.

The indirect effect between variables is obtained from multiplying the influence of the managerial ownership structure variable on the capital structure with the capital structure on the company's financial performance. The indirect effect between variables is obtained from multiplying the effect of the institutional ownership structure on the capital structure with the capital structure on the company's financial performance.

Table 4. Direct Effect, Indirect Effect, and Total Effect Coefficient

Variable Relation	Effect		Total
	Direct	Indirect	
X1 → Y1	-1,000		-1000
X2 → Y1	1,164		1,164
X1 → Y2	0,095	-0,077	0,018
X2 → Y2	0,115	0,090	0,205
Y1 → Y2	0,077		0,077

Table IV shows the coefficient of indirect influence of managerial ownership structure variables on the company's financial performance through the capital structure of 0.018. This explains that indirectly the managerial ownership structure through the capital structure has a positive effect on the company's financial performance.

Table IV shows the total effect coefficient for the relationship between variables. The total effect is calculated by adding up the direct and indirect effects. The coefficient of total influence of managerial ownership structure on financial performance through capital structure is 0.018. The coefficient of the total effect of institutional ownership structure on financial performance through capital structure is 0.205.

B. Sobel Test Results

The Sobel test is conducted to determine whether the effect is significant or not, the calculation of the standard indirect coefficient error.

Table 5. Results of the Sobel test on

Variable's Effect	Coefficient of Indirect Effect	Sobel Value
X1-Y2-Y1	0,018	-0,737
X2-Y2-Y1	0,205	0,791

Table V explains the results of the Sobel test on the effect of Managerial Ownership Structure (X1) on financial performance (Y2) through the capital structure (Y1), the value of Z- test shows a value -0.737, Z count is smaller than 1.96 which means there is no indirect effect between a dependent variable with the independent variable mediated by the mediator. The results show that the capital structure is not able to mediate the Managerial Ownership Structure on the company's financial performance.

The results of the Sobel test with a Z value of 0.791 on the effect of Institutional Ownership Structure (X2) on financial performance (Y2) through the capital structure (Y1), Z test shows a value smaller than 1.96 which means there is no indirect effect between the dependent variable and the independent variable mediated by a mediator. The results show that the capital structure is not able to mediate the institutional ownership structure on the company's financial performance.

V. DISCUSSION

The results of the path analysis explain that the managerial ownership structure variable has a negative and insignificant effect on the capital structure at agriculture companies in the Indonesia Stock Exchange in 2015-2019.

Managerial ownership does not affect capital structure because these results indicate that the management will be more careful in determining the source of funding. The tendency of the management will avoid funding sources through debt because it will be at risk of sharing the cost of capital from the use of the debt. The higher managerial ownership in the company will reduce the use of company debt (Wimelda and Marlinar, 2013).

Managers' policies in a company are also limited by the presence of commissioners and institutional ownership as a company management mechanism so that policies related to the capital structure cannot be decided by managers themselves. This shows that the capital structure in a company is also controlled by commissioners and institutions, not only by management or directors. Managerial ownership can affect the capital structure, because the greater managerial ownership, the manager tends to apply a small debt policy because management shares the cost of capital borne by the company (Maftukhah, 2013). Research conducted by Bathala et al., (1994) with the research title "Managerial Ownership, Debt Policy, and the Impact of Institutional Holdings: An Agency Perspective" explains that managerial ownership structure has a negative and insignificant effect on capital structure. Research conducted by Butt and Hasan (2009) with the research title "Impact of Ownership Structure and Corporate Governance on Capital Structure of Pakistani Listed Companies" states that managerial ownership structure has a negative and insignificant effect on capital structure.

The results of the path analysis explain that the institutional ownership structure variable has a positive and significant effect on the capital structure at agriculture companies in the Indonesia Stock Exchange in 2014-2019. With increasing institutional ownership, corporate management decisions are properly put aside and appropriate measures are adopted to create confidence in the effective and efficient use of resources. However, the use of debt in the capital structure leads to tax advantages (Salehi et al., 2016). Research conducted by Salehi et al., (2016) with the research title "The Impact of Institutional Ownership on the Relationship between Tax and Capital Structure" explains that institutional ownership structure has a positive and significant effect on capital structure. Research conducted by Hayat et al., (2018) states that debt and institutional ownership both serve the same purpose of disciplining managers; hence both are alternatives to each other. In addition, likely, managers do not control a large sample of medium-sized firms.

The results of the path analysis explain that the managerial ownership structure variable has a positive and insignificant effect on the financial performance at agriculture companies in the Indonesia Stock Exchange in 2015-2019.

Managerial ownership is the owner of the company as well as the manager of the company. The greater the proportion of managerial ownership, the smaller the chance of conflict, because if the owner acts as the manager of the company, he will be very careful in making decisions so as not to harm the company. If managerial ownership is small, there will be fewer shareholders involved in managing the company, so the higher the emergence of agency problems due to differences in interests that are getting bigger.

Research conducted by Talab et al., (2018) with the research title "Ownership Structure, External Audit and Firm Performance in Iraq" explains that managerial ownership structure has a positive effect on financial performance as proxied by profitability.

The results of the path analysis explain that the institutional ownership structure variable has a positive and insignificant effect on the financial performance at agriculture companies in the Indonesia Stock Exchange in 2015-2019. A large proportion of institutional ownership can increase the supervision effort by the institution so that it can hinder the opportunistic behavior of managers and can help the company's decision-making, to improve the company's financial performance as measured by ROA. The existence of institutional investors in the company can help reduce agency problems that occur, namely problems that arise between management and shareholders.

Institutional investors increase shareholder value by attracting more analysts and reducing insider ownership, on the other hand, when a company needs funds to grow, these institutional investors can provide funds or use their relationships to help source the company's funding. Investors become more focused on generating profits and therefore can pressure managers to generate profits and increase the value of their investments (Firth et al., 2016). Strong company performance is the managerial efficiency of the institutional ownership structure.

Research conducted by Ngatemin et al., (2018) with the research title "Effects of institutional ownership and profitability to Firm Value with the capital structure as an intervening variable (empirical study at company tourism industry sector listed in Indonesia)" which states the Institutional Ownership Structure positively affect the company's performance.

The results of the path analysis explain that the capital structure variable has a positive and insignificant effect on the financial performance at agriculture companies in the Indonesia Stock Exchange in 2015-2019.

Companies with high profits are considered to have good prospects so that they require a larger amount of funds to meet expansion needs so that the use of debt will increase. The existence of a combination of debt and capital from the company is expected to determine the optimal composition to obtain low costs (Sari & Sedana., 2020). Companies with a high rate of return on investment will use the debt relatively small. So the higher the level of company profitability, the company's debt level will also increase to be smaller (Brigham & Daves, 2019:666).

There is no significant positive relationship between capital structure and profitability in that the company must find the optimal capital structure that suits each company by increasing the debt ratio. Static trade-off theory predicts a positive correlation between profitability ratios and debt ratios because high-performing firms have less expected bankruptcy costs (Amanda et al, 2018)

Based on the results of the Sobel test, the managerial ownership structure indirectly has an insignificant effect on financial performance through the capital structure at agriculture companies listed in the IDX during the research period, namely 2015 to 2019. The increase or decrease in the capital structure has no effect on the financial performance at agriculture companies in the Indonesia Stock Exchange.

Al Najjar (2015) states that the company's ownership structure is one of the most important things in determining how to protect the interests of shareholders from potential exploitation by management. Managerial Ownership Structure is the number of shares owned by the company's management. Managerial Ownership Structure refers to the fraction of ownership of shares in the company held by management. The managerial ownership structure is negatively correlated with the debt to equity ratio. This is quite consistent with other studies which argue that increasing share ownership of managers in a company, tends to decrease the size of the company's debt to reduce the risk and cost of bankruptcy.

Based on the results of the Sobel test, institutional ownership structure indirectly has an insignificant effect on financial performance through the capital structure at agriculture companies listed in the IDX during the research during the study period 2015 to 2019.

Theoretically, institutional ownership is a monitoring agent, so it can reduce agency conflict because it can control and direct managers to make debt and dividend policies that favor the interests of institutional shareholders. However, the results of this study do not support this, institutional ownership does not affect management decisions in taking debt policies (Miraza & Muniruddin, 2017)

This could be because institutional ownership such as insurance companies, banks, investment companies, and ownership by other institutions in the form of companies does not encourage more optimal supervision of company performance so that the monitoring agent function carried out by the institution is not optimal. Institutional investors as those who monitor agents are only limited to supervising management actions and do not play an active role in making decisions regarding capital structure.

Lin et al., (2017) stated that institutional ownership can affect management and increase shareholder value. Institutional investors increase shareholder value by attracting more analysts and reducing insider ownership, on the other hand, when a company needs funds to grow, these institutional investors can provide funds or use their relationships to help source the company's funding. Abukosim et al., (2014) explain that increasing the Institutional Ownership Structure in the company can encourage institutions to supervise the management and will provide greater impetus to optimize company performance so that the value of the company will also increase.

The use of a capital structure can also have a negative impact on the company, where the risk of management's inability to pay loan interest will cause the company to go bankrupt. Where the research conducted by Rahman et al., (2019) explains that the capital structure with the Debt to Equity Ratio proxy has a negative effect on financial performance which is proxy by profitability.

VI. CONCLUSION

The results showed that Managerial ownership structure has no effect on capital structure, institutional ownership structure has a positive effect on capital structure in agriculture companies in the 2015-2019 period. Managerial ownership structure has an insignificant positive effect on financial performance, Institutional ownership structure has a positive effect on financial performance, the Capital structure has no significant positive effect on financial performance in agriculture companies in the 2015-2019 period. The Capital structure is not able to mediate managerial ownership structure on financial performance, the Capital structure is not able to mediate institutional ownership structure on financial performance in agriculture companies in the 2015-2019 period

Based on the results of the study, it is recommended for companies in the agriculture sector listed on the BEI to pay attention to the portion of the Managerial Ownership Structure, Managerial Ownership Structure and capital structure of the company to improve performance through improving company performance so that it can attract investors to invest in the company.

This research is limited to the role of the variables of Managerial Ownership Structure, Institutional Ownership Structure, capital structure, and financial performance. For further research, it can be suggested to add other variables such as foreign ownership, macroeconomic aspects and increase the research period that has not been included in this study so that it can expand the research.

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