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Good Corporate Governance, Firm Age, and Capital Structure (Studies on Property and Real Estate Companies Listed on the IDX)

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ABSTRACT: *This study examines the effect of Good Corporate Governance and firm age on property and real estate companies' capital structure. The data used are secondary in financial statements from the Indonesia Stock Exchange on property and real estate companies in 2015-2017. The variables tested are Good Corporate Governance, which is proxied by the board of directors' size, independent commissioners, managerial ownership, audit committee, and the firm age. One dependent variable is the capital structure. The hypothesis was tested using multiple linear regression with the help of SPSS for Windows Release 23. This study provides evidence that the board of directors and audit committees' size influences the capital structure. Independent commissioners have a negative effect on capital structure, while managerial ownership and firm age do not affect capital structure.*

Keywords: *Capital Structure, Firm Age, Good Corporate Governance.*

INTRODUCTION

The company's capital structure is part of its financial structure, which reviews how it funds its operational activities. The capital structure refers to corporate funding using shareholder capital, long-term debt, or preferred stock. In essence, the capital structure is a combination of debt and equity in the company's long-term financial structure, which describes the company's long-term debt and equity composition targets (Asad, Iftikhar, & Jafary, 2019; Das & Swain, 2018). The company's capital structure is determined by taking into account various aspects based on its courage to take risks, access to funds, and the benefits obtained from each source of funds. Each source of funds that the company can use has its advantages and disadvantages.

One sector that is developing and playing an essential role in development is the property and real estate sector. The development of the property and real estate sector in a country reflects the increasing need for buildings, both as housing and apartments, like a decent place to live, the business world's needs such as hotels, office buildings, warehouses, etc. (Kencana, 2019). Property and real estate companies are one of the industrial sectors listed on the Indonesia Stock Exchange (IDX). The property and real estate industry is multiplying and will continue to experience developments in the future. This growth is due to the constant supply of land while the population continues to increase. In 1968, the property and real estate industries began to emerge, and in the 80s were listed on the IDX.

The property and real estate sectors play a role in supporting the development of other industrial sectors. Many investors are interested in investing in this sector because they consider the business prospects in the property and real estate sector in the future to be very good. Judging from the land is getting narrower and more expensive because the population continues to increase, while houses continue to be built, especially in big cities and developing countries. The property and real estate industry had experienced a downturn due to the unstable economy in Indonesia. However, in 2010-2013 the property and real estate industry rose again. In the last few years, the property industry has experienced another decline. Decreasing or inhibiting property business development is KPR (20.36%), down payment requirements (16.47%), taxes (16.13%), permits (14.45%), increases in building prices (11.68%). More than 76% of consumers still rely on bank credit (KPR / KPA) to buy a house (Sugianto, 2017).

A company engaged in property and real estate can be a liable company to economic conditions. Along with its development, property and real estate companies are one of the sectors that can survive macroeconomic conditions in Indonesia. This condition is evidenced by the number of property and real estate sectors expanding land banks (land assets) and expanding their business.

In the perspective of corporate financial management has a vital role in determining how to create and maintain economic value or wealth. Consequently, companies must focus on all decisions on wealth (Astohar & Savitri, 2019). In the capital structure policy and its relation to trade-off, which is a balance between risk and return, companies that use larger debt will have greater risk, including shareholders.

The advantage of using debt for a company is that the interest paid on debt will be a tax deduction, while dividends paid on shares are not a tax deduction. The return on debt is fixed, so shareholders do not receive the company's profit when they get a large profit. Brigham & Houston (2014) argue that companies exchange the tax benefits of debt benefits with problems caused by potential bankruptcies that make companies think of trade-offs between savings and funding difficulties.

The weakness of using debt for the company is that if the company uses large amounts of debt, it will increase its risk, which can increase the cost of debt. Brigham and Houston (2014) argue that companies that use more considerable external debt or funds will increase their risk. Suppose the company experiences a period where the company is in a bad financial condition and the operating profit is not sufficient to cover interest expenses. In that case, shareholders must cover the shortfall in debt, or the company will be declared bankrupt. Therefore, the company needs to consider and analyze before determining the source of funds to be used, whether it be met from internal capital or the company's external capital.

Companies that meet their funding needs from outside sources must consider the proportion between debt and equity. The use of funds must be carried out efficiently, and managers must manage the funds used to provide maximum benefits and returns. To solve this agency problem, a company needs corporate governance.

Corporate governance is a set of rules or systems that direct. It controls the company by determining the relationship between management, shareholders, creditors, employees, government, and other stakeholders concerning their rights and obligations. The purpose of implementing Good Corporate Governance is to create a control system, manage resources and risks more effectively and efficiently. A sound corporate governance system can protect interested parties, namely management, creditors, and shareholders. Corporate governance mechanisms are divided into two groups: managerial ownership composition, board of directors, board of commissioners, executive compensation, and second, external mechanisms, such as level of debt financing and control by the market (Barnhart & Rosenstein, 1998).

The ability to manage company finances indicates the company's sustainability or extends the company's life. Company age is how long a company can survive, compete and take advantage of business opportunities in the economy (Syafi'i, 2013). The public will better know a long-established company about the company. This knowledge will lead to public trust and loyalty to the company.

Kartika (2009) states that the firm's age shows how long it can stay on the stock exchange. The longer the company can survive, the more likely the company will return the investment because it has experience. A company that has been established for a long time is possible to have a better reputation than a company that has just been established. Over time, it means that the company has faced various conditions that are always evolving and different. Companies that can go through these conditions show stability in company management. This stability is one of the factors that creditors consider in providing loans.

Companies in the property and real estate sectors certainly need a large amount of capital to run their business, so they need internal and external funding sources. The company management must choose the source of funding that the company will use, whether it is funding from within or outside. Of course, if you use outside financing, you need to get creditors' trust so that the creditor is willing to give debt to the company. Companies that have been established for a long time tend to find it easier to get outside funding because they have been carrying out economic activities for a long time to predict whether the company can return their debt to creditors.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Pecking Order Theory

Pecking order theory states that companies with high profitability levels have low levels of debt because companies with high levels of profitability have abundant internal sources of funds (Myers, 1984). Meanwhile, according to (Hanafi, 2004) Pecking Order Theory establishes a sequence of funding decisions where the manager will first choose to use retained earnings, debt, and share issuance as the last option. Myers (1984) argues about a company's tendency to determine the choice of funding sources based on the pecking order theory.

The effect of board director size on capital structure

The pecking order theory explains that companies will tend to prefer debt over issuing shares. This theory is because debt has a lower financial risk and is to prevent moral hazard. The board of directors has an essential role in managing the company, implementing business decisions, including funding decisions. Law supports this policy no. 40 of 2007 concerning Limited Liability Companies, which states that the board of directors is fully authorized and responsible for the company's management for the company's benefit, following the company's goals and objectives.

The board of directors supervises management plans, decisions, and actions. It monitors ethical behavior, financial reporting, and legal compliance, which can be very effective in realizing Good Corporate Governance and protecting stakeholders' interests. This GCG means that the directors have a monitoring function to oversee the manager's actions. This function is used to prevent managers from acting in their interests, not to cause agency problems and asymmetric information. According to Jensen (1986) and Alnodel & Hussainey (2010), the greater the board of directors' size, the greater the level of leverage. According to Sheikh & Wang (2012), financial institutions such as banks are more confident in providing loans to companies that have large board sizes. The results of research conducted by Rachmawati, Sari, & Putra (2017), Septianty (2012), and Rahadian & Hadiprajitno (2014) state that the size of the board of directors affects the capital structure.

H1: The size of the board of directors affects the capital structure

The effect of independent commissioners on capital structure

Independent commissioners are parties outside the company who assess the company's performance and make decisions for the company's progress, not for personal or group interests. The stronger the independent commissioner, the greater the capital funding because it affects the decisions taken. The company will choose debt as a source of financing for its capital because it has a smaller risk and prevents moral hazard. Besides, independent commissioners also consider issuing shares, which will increase interest among shareholders. Independent commissioners will provide the best advice and policies for companies, such as choosing capital (Rahadian & Hadiprajitno, 2014). Sheikh & Wang (2012) found a positive and significant influence between independent commissioners and capital structure. Different results conducted by Kurniawan & Rahardjo (2014) found that independent commissioners did not affect capital structure.

H2: Independent commissioners do not affect the capital structure

The effect of managerial ownership on capital structure

Managerial ownership is the ownership of shares by company management. Agency problems will be reduced because of the harmony between the interests of shareholders and company management. Managers have an enormous amount of information because they are in the operational sphere. Managers want profits for the company as managers themselves and profits as shareholders. Managers will choose debt to be used as a source of capital funding because it has a smaller company risk and benefits managers as shareholders as seen based on the value of share ownership that is not reduced (Rahadian & Hadiprajitno, 2014). Research conducted by Thesarani (2017) proves that managerial ownership has a negative effect on capital structure.

H3: Managerial ownership affects the capital structure

The effect of the audit committee on the capital structure

The Audit Committee is a committee formed by the Company's Board of Commissioners, whose members are appointed and dismissed by the Board of Commissioners, whose task is to assist in conducting examinations or research deemed necessary to implement the functions of the board of directors in managing the company.

According to Kurniawan & Rahardjo (2014), an audit committee's existence will encourage companies to publish more accurate financial reports. It will reduce default risk and increase the company's debt rating. Rianingsih (2008) states that companies with an audit committee will have a higher debt security rating than companies that do not have an audit committee. With the existence of the audit committee, the company's internal control can well be done. The audit committee must design a restrictive control manager to prosper himself. With more and more audit committees inside companies, it is hoped that corporate funding decisions will be better. This policy indicates that the audit committee affects the debt ratio. This statement is in line with Asrida's (2011) research, which found the audit committee's positive effect on the debt-to-equity ratio.

H4: The audit committee affects the capital structure

The influence of firm age on capital structure

The firm's age is the beginning of its operation to maintain its existence (going concern) in the business world. The longer the company's life, the more visible its presence, to create confidence from outside the company's quality (Nugroho, 2006). The company's age shows the company's credibility and reputation in the eyes of the community. If the company has been established for a long time, it is usually considered good performance, thereby generating public trust. A company that has been established for a long time indirectly proves that the company can survive and profit in various economic conditions. It also shows how companies can maintain their reputation and position in the industry is increasingly fierce competition. With the community's trust, it will be easier for companies to get external sources of funds. This result is in line with Rahma, Muslim, & Nalurita (2019), who found empirical evidence that company age does not affect capital structure. On the contrary, Jefrianus, Prasasyaningsih, & Kristanti (2015) found that firm age positively impacts capital structure. Based on the description above, the research hypothesis is:

H5: Firm age affects capital structure

The relationship between variables is depicted in figure 1.

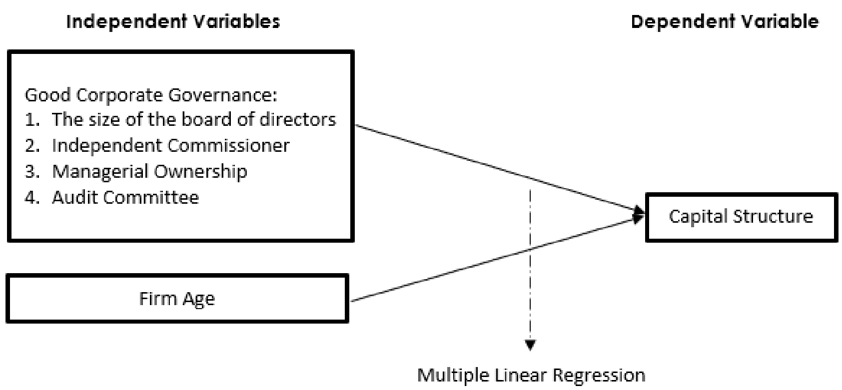

Figure 1. The Relationship of Research Variables

RESEARCH METHODS

This study uses secondary data in the form of annual report data to determine company executives' characteristics. The financial reports determine the number of boards of directors, the proportion of independent commissioners, the proportion of managerial ownership, the audit committee's number, and the firm's age seen when they first conducted an IPO. The property company's capital structure and real estate are listed on the IDX for 2015-2017 and processed by the SPSS 23.0 program. This research is an empirical study in the form of hypothesis testing.

This study's population is property and real estate companies listed on the Indonesia Stock Exchange for the period 2015-2017. The sampling technique was purposive sampling. In the Indonesia Stock Exchange Data, property and real estate companies registered as of December 31, 2017, are 64 companies, 59 property, and real estate companies registered in 2015, in 2016 there were 59 companies, and in 2017 there were 64 companies. In this study, the sample selection method used was purposive sampling. Based on the research sample target selection and sample selection criteria that refer to the limitations described in chapter 3, a sample of 78 companies was obtained from 26 companies in 2015, 26 companies in 2016, and 26 companies in 2017.

The operational definition of each variable used in this study is as follows:

1) The board of directors' size is the number of company directors chosen by the shareholders to represent their interests in managing the company. The board of directors' size in this study is measured by the number of members of the board of directors in the company.
2) An independent commissioner is a member of the board of commissioners who are not affiliated with management, other members of the board of commissioners, and controlling shareholder and is free from business and other relationships that may affect his ability to act independently solely for the benefit of the company. In this study, independent commissioners are measured by the formula:

$$\text{Independent Commissioner} = \frac{\text{Number of Independent Commissioner}}{\text{Total Number of Commissioner}}\ x\ 100\% \ \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ (1)$$

3) Managerial ownership is the manager's ownership of shares in the company as measured by the formula:

$$\text{Managerial Ownership} = \frac{\text{Stock owned by Company's Manager}}{\text{Total Number of outstanding Stock}}\ \text{x}\ 100\% \ \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ (2)$$

4) The Audit Committee is a committee formed by the board of commissioners to help carry out its duties and functions. In this study, the audit committee was measured by:

$$\text{Audit Committee} = \text{The number of Audit Committee in the company} \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ (3)$$

5) Firm age is the length of time that a company is listed on the Indonesia Stock Exchange. Firm age is calculated from the difference between the research year and the year of listing or the year of IPO (first issue) on the IDX. In this study, company age was measured using:

$$\text{Firm Age} = (\text{Year N} - \text{the first IPO in IDX}) + 1 \ \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ (4)$$

6) Capital structure is a mix of long-term debt and equity funding (Brealey et al., 2011). Capital structure is a way for companies to form the right side of a balance sheet consisting of capital and debt (Zani et al., 2013). This study uses the debt-to-equity ratio. The debt-to-equity ratio shows the relationship between total liabilities and the amount of equity provided by the company's owner. According to (Brigham and Houston, 2006), this ratio can be formulated as follows:

$$\text{DER} = \frac{\text{Total Liabilities}}{\text{Total Equities}}\ \text{x}\ 100\% \ \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ (5)$$

RESULTS AND DISCUSSION

Results

Descriptive Statistics

Table 1 shows the descriptive statistics for each variable. Capital structure in this study uses a DER (Debt Equity Ratio) proxy. The capital structure has a minimum value of 0.0347, a maximum value of 2.6924, and an average of 0.8821 with a standard deviation of 0.6704, indicating that the capital structure distribution tends to be homogeneous. It is smaller than the average. In this study, the highest DER is in the Company PT. Acset Indonesia Tbk amounting to 2.6924, and the lowest DER is at the Company PT. Rista Bintang Mahkota Sejati Tbk amounting to 0.0347.

The size of the Board of Directors shows how many directors there are in the company. Based on Table 1, the board of directors' average size in this study was 5.12 with a standard deviation of 1.914 indicating that the size distribution of the board of directors tends to be homogeneous because it is smaller than the average. The minimum and maximum values are 2 and 12. PT Ciputra Development Tbk owns the maximum value, and PT holds the minimum value. Pudjiati Prestige Tbk and PT. Rista Bintang Mahkota Sejati Tbk.

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Capital Structure	78	0.0347	2.6924	0.8821	0.6704
Size of Board Director	78	2	12	5.12	1.914
Independent Commissioner	78	0.1429	0.6667	0.3693	0.1003
Managerial Ownership	78	0.0000	0.9797	0.0927	0.2278
Audit Committee	78	2	5	3.13	.519
Firm Age	78	1	29	12.69	9.209

Source: Data Processed

Independent Commissioners show the proportion of the number of independent commissioners in the company. Based on Table 1, the average ratio of independent commissioners in this study is 0.3693 with a standard deviation of 0.1003, indicating that the distribution of independent commissioners is relatively low because it is smaller than average, which means that the proportion of independent commissioners between companies is almost the same. The minimum and maximum values are 0.1429 and 0.6667. PT Pakuwon Jati Tbk owns the highest value and the lowest score. Total Bangun Persada Tbk.

Managerial ownership is management's ownership of shares in the company. Based on Table 1, the standard deviation is 0.2278. The average managerial ownership is 0.0927 with a maximum value of 0.9797 owned by PT. Binakarja Jaya Abadi Tbk and a minimum value of 0,000 owned by PT. Ciputra Development Tbk and PT. Wijaya works. Most of the companies in the study had few managerial shares. The standard deviation of 0.2278 indicates that the spread of management ownership is relatively high because it is greater than the average.

The Audit Committee is a committee formed by the board of commissioners to help carry out its duties and functions. Based on Table 1, the standard deviation is 0.519 lower than the average, which means that the audit committee's distribution tends to be homogeneous. The average audit committee is 3.13. The audit committee variable in this study shows the maximum value of 5 is PT. Nusa Konstruksi Enjiniring Tbk and PT. Wijaya Karya, and the minimum score of 2 is PT. Bekasi Asri Pemula Tbk.

Firm age is how long the company has conducted an IPO, or its shares have been listed on the Indonesian stock exchange. Based on Table 1, the average age of the sample companies in this study was 12.69 with a standard deviation of 9.209, indicating that the companies' age distribution tends to be uniform because it is smaller than the average. The minimum and maximum values are 1 and 29. PT Pakuwon Jati Tbk owns the maximum value, and PT Bina Karya Jaya Abadi Tbk owns the minimum value., PT. Greenwood Sejahtera Tbk, PT. Indonesia Pondasi Jaya Tbk and PT. Mitra Pemuda Tbk.

Hypothesis Testing

The coefficient of determination (R2) shows how much the independent variable can explain the dependent variable. In Table 2, the Adjusted R2 square value is 0.432, which means that the ability of the board of directors, independent commissioners, managerial ownership, audit committee, and company age can explain the capital structure of 43.2%, the remaining is defined by variables not examined in this study.

Table 2. Determination Coefficient Test Results

Model	R	R Square	Adjusted R Square	Std. Error of Estimate	Durbin-Watson
1	0.685[a]	0.469	0.432	0.5054184	1.865

Source: Data Processed

Based on the multiple linear regression analysis's summary results in Table 3, the study's regression coefficient shows positive and negative values. The coefficient with a positive sign indicates a unidirectional change between the independent and dependent variables and vice versa for the negative one.

Table 3. Results of Multiple Linear Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Conclusion
	B	Std. Error	Beta			
(Constant)	-0.485	0.469		-1.035	0.304	-
Size of Board Director	0.209	0.032	0.598	6.639	0.000	H1 accepted
Independent Commissioner	-1.233	0.588	-0.185	-2.095	0.040	H2 accepted
Managerial Ownership	0.176	0.271	0.060	0.649	0.518	H3 rejected
Audit Committee	0.258	0.116	0.199	2.222	0.029	H4 accepted
Firm Age	-0.006	0.007	-0.077	-0.858	0.394	H5 rejected

Source: Data Processed

The multiple linear regression equation based on Table 3 is as follows:

$$\mathbf{Y = -0.485 + 0.209X1 - 1.233X2 + 0.176X3 + 0.258X4 - 0.006X5} \text{.............................} (7)$$

Where, Y = Capital Structure, X1 = Size of Board Director, X2 = Independent Commissioner, X3 = Managerial Ownership, X4 = Audit Committee, and X5 = Firm Age.

The following is an interpretation of the regression coefficient:

1. A constant value of -0.485 means that if there are no other variables, the capital structure's value is -0.485.
2. The variable size of the board of directors has a regression coefficient of 0.209. If the board of directors increases, the capital structure variable will increase by 0.209 and vice versa assuming other variables are constant.
3. The independent commissioner variable has a regression coefficient of -1.233. If the number of independent commissioners in the company increases, the capital structure will decrease by -1,233, assuming other variables are constant.
4. The managerial ownership variable has a regression coefficient of 0.176. If the managerial ownership variable increases, the capital structure will increase by 0.176 and vice versa assuming other variables are constant.
5. The audit committee variable has a regression coefficient of 0.258. If the capital structure variable increases, the capital structure will increase by 0.258 and vice versa assuming other variables are constant.
6. The company age variable has a regression coefficient of -0.006. If the company's age variable increases, the capital structure will decrease by -0.006 and vice versa, assuming other variables are constant.

After interpreting the regression coefficient, then hypothesis testing can be done. Hypothesis testing is done by looking at the t-test value, which partially determines the independent variable's effect on the dependent variable.

1. The t-test value for the size of the board of directors is 6.639 with a significance of 0.000. This significance value is less than 0.05, so it can be concluded that the board of directors' size has a positive effect on the capital structure. Thus, the more the number of boards of directors in the company, the greater the use of debt.
2. The t-test value for the independent commissioner variable is -2.095 with a significance level of 0.040. This significance value is less than 0.05, so it can be concluded that independent commissioners have a negative effect on capital structure. Thus, it can be said that the number of independent commissioners in the company, the use of debt will be smaller.
3. The t-test value for the managerial ownership variable is 0.649, with a significance level of 0.518. This significance value is higher than 0.05, so it can be concluded that managerial ownership does not affect capital structure. Thus, it can be supposed that although the manager has shares in the company, it does not affect the use of capital from debt by the company. Thus, it can be said that managers who own shares in the company cannot influence the decision-making of funding. It can also be due to the relatively small percentage of management share ownership.
4. The t-test value of the audit committee variable is 2.222, with a significance level of 0.029. This significance value is less than 0.05, so it can be concluded that the audit committee has a positive effect on the capital structure. Thus, it can be said that the existence of an audit committee within the

company as a supervisor and knowing the internal conditions of the company, management will tend to choose to fund from debt.
5. The t-test value of the firm's age variable is -0.858 with a significance level of 0.394. This significance value is higher than 0.05, so it can be concluded that the company's age does not affect the capital structure. Thus, it can be said that a company that has been established for a long time is not a guarantee that it will get outside funding because what investors and creditors see is the ability and experience in managing the company.

Discussion

The effect of the board of director size on capital structure (H1)

Based on the results of this study, it can be seen that the size of the board of directors positively affects the capital structure. The results of this study are also consistent with research conducted by Njuguna & Obwogi (2015), Jaradat (2015), Septianty (2014), Sheikh & Wang (2012), and Uddin, Khan, & Hosen (2019). A successful company must have an effective board in planning and decision making, especially in funding. The higher the number of boards of directors in the company, the higher its debt. The bigger the board of directors, they have an extensive network, so access to funding will be easier.

These findings imply that when the board of directors' size becomes large by members, the chairman or CEO cannot use more debt for their purposes and vice versa. In this situation, the council has a trade-off theory. The trade-in theory assumes that the board requires optimal use debt when the benefit of the debt equals the marginal cost of debt (financial hardship and agency fees). Companies must undertake the optimal level of debt and equity ratio in their capital structure.

The effect of the independent commissioner on capital structure (H2)

Based on the results of this study, independent commissioners have a negative effect on capital structure. The results of this study are in line with research conducted by Rachmawati et al. (2017). The more independent commissioners in the company, the smaller the use of debt. It is done to avoid the risk of bankruptcy or financial distress that might occur if the company forms a capital structure from large debts. The independent commissioner carries out strict supervision of the company and gives a warning to the company that if a lot of debt is borne by the company, the risk to be held is also significant. With that risk, it will endanger minority shareholders represented by the independent commissioner.

The effect of managerial ownership on capital structure (H3)

Based on the research results, managerial ownership does not affect capital structure. This study's results are in line with research conducted by Septianty (2012) and Anwar (2019) that managerial ownership does not affect the capital structure because its share ownership owned by management is very small, so that management does not have a voice in determining the capital structure.

Regarding managerial ownership, Uddin et al. (2019) suggest that the percentage of managerial ownership has been playing a positive and active role in using more leverage. An increase in managerial ownership leads to an increase in the debt ratio by maximizing firm value. Managerial ownership has been entrusted to experienced professionals who are responsible for maximizing the value of the company. They use more debt to increase firm value because debt is the cheapest cost of capital because of the tax shield. Managerial ownership has given preference to using trade-off theory to set up the leverage structure.

The effect of the audit committee on capital structure (H4)

Based on the research results, the audit committee affects the capital structure. Supporting research results are Asrida (2011) states that the existence of an audit committee will encourage companies to issue financial reports that are useful to all parties and accurate, and default risk will move down. The company's debt rating will move up. Another study conducted by Rianigsih (2008) states that companies with an audit committee will have a high debt rating. The audit committee knows the internal condition of the company. The more audit committees, the tighter the supervision will be. With close supervision, it will reduce the risk of fraud and errors so that the company produces useful financial reports; it will allow the company to increase debt because it has been monitored.

This study concludes that audit committee positively influences capital structure. However, results from Nugroho & Suryarini (2018) found that the size of audit committee negatively effect thin capitalization (capital structure). It proved that the more members of the audit committee, the practice of thin capitalization can be minimized. The different result may be due to the different sample and data. In this study, the audit committee will encourage the management to be more transparent in their decision-making regarding debt policy.

The effect of firm age on capital structure (H5)
Based on the research results, the age of the company does not affect the capital structure. Supporting research results are Jefrianus et al. (2015), which states that its increasing age does not affect the capital structure. The company that has long been established is not a determinant of getting debt but experience and managing the company. Longevity does not always indicate that the company is capable of managing the company.

According to Uddin et al. (2019), there is a negative and significant relationship between firm size and leverage structure. Larger firms are more diversified in producing services and making sources for them internal financing available. They prefer internal sources over external loans, which supports the pecking order theory.

CONCLUSION

Based on the research and analysis results discussed in the previous section, the board of directors and audit committee's size positively affects capital structure. It means that the board directors and audit committee's presence will increase the debt follows the pecking order theory. The larger non-executive directors become on board relates to the increase in the debt-to-equity ratio. Lower non-functional directors make the easier decision regarding debt-to-equity ratio. The presence of non-executive directors on board seeks the increased amount of debt because it is expected that the non-executive directors would maximize the profit by using the maximum debt, which is followed by trade-off theory.

Managerial ownership and firm age do not affect the capital structure, while independent commissioners have a negative effect on capital structure. Managers who own shares in the company cannot influence the decision-making of funding, and it can also be due to the relatively small percentage of management share ownership. A company that has been established for a long time is not a guarantee that it will get external funding because what investors and creditors see is the ability and experience in managing the company. An independent commissioner's presence makes the board meeting pressure to use less debt in capital structure and follow the code of corporate governance.

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