Influence Analysis Of Debt Type Selection On Firm Value In Indonesia

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ABSTRACT

The choice between using bank debt and / or bonds requires an authentic reference basis before a strategic decision is made. Therefore, this research further analyzes the influence of debt type selection on firm value, using Tobin's Q ratio as the proxy, especially on public companies listed on the Indonesia Stock Exchange. The panel data formed of 34 companies is taken as research objects using information from their auditted financial statements during a period of five years (2012 - 2016). The data is then processed in the multiple regression test method using fixed effect model and it has been concluded that companies with greater bank debt structure than bonds have a better and significant company value.

Keywords**:** bank loan, bond, Tobin's Q

INTRODUCTION

For the sake of raising capital from external funding, companies are faced with the choice between getting debt and issuing shares. The choice of debt also consists of whether the company should move to the bank or to the debt market. The use of debt by firms to finance investments and operations is common in order to buy new assets to grow the business and generate greater profits. In line with the needs of expansion, the more aggressive the company, the higher the level of external financing will be. Which will cause the cost of capital, especially the cost of debt to multiply. The principle of developing with this debt also adopts trade off theory, which is the reason for elevating firm value to get the

annual income tax deductions within one year of operational period. (Myers and Myers, 1984)

The choice of a firm's debt source is influenced by the orientation of a country (Kang, King and Nguyen, 2014). A country's orientation affects the mix of public versus bank debt in the company's capital structure in the country. Companies in a bank-oriented economy will have a larger proportion of bank debt.

Mačí and Valentová Hovorková (2017) in his research mapped the differences of debt markets in developed and developing countries. The use of bonds is more prevalent in developed countries due to high income levels and large corporate assets, high demand for investment portfolio diversification, good corporate credit ratings and low levels of information asymmetries.

The capital structure, especially debt, will vary by company. Colla, Ippolito, & Li (2013) define the type of corporate debt and get the data: as much as 85% percent of companies borrow mostly with one debt type. Large companies diversify sources of debt in different types of debt whereas small firms have fewer diversification options. Companies that use fewer types of debt are linked to bankruptcy costs, poor prospects and lack of access to some segments in the debt market.

One of the major external funding source is bond. The reason why companies issue bonds debt as an alternative source of funding in addition to bank debts, according to Renaud (2018), is the existence of restrictions by banks and the fact that bank debt is considered more expensive than selling debt on the open market through bonds. The debt market becomes the represent of a perfect supply and demand pattern so that companies can make decisions depend on the market mechanisms.

According to Lioudis (2018), some finance directors view banks as a last-choice lender due to restrictions on the bank's indebtedness to direct corporate borrowings. On the other hand, issuing bonds gives the company significantly greater flexibility in running the appropriate operations, regardless of the restrictions that are often imposed on bank loans. For example, banks often grant a condition to the company to agree on various conditions, such as the borrowing company may not extend the debt or conduct corporate action merger and acquisition, until their loan is paid off. This limitation on their operational choices is a factor that inhibits the company's ability to expand its business and make breakthrough steps. Issuing bonds allows companies to collect unconditional money. In

other words, limitations placed on bank debt agreements only protect the interests of the bank.

Several previous studies on the comparison between debt of banks or bonds express the advantages and disadvantages of each. According to Arena (2011), companies with high credit quality generally prefer bond offerings. In addition, firms with good credit quality, who are not sufficiently able to overcome barriers caused by flotation costs and information asymmetry, are more likely to increase capital through traditional private offerings. Most firms characterized by moderate credit quality generally take advantage of bank loans, while high-risk firms with poor credit quality, have a preference for issuing junk bonds with yields higher than the average corporate bond yields.

If a company publishes public debt for funding it will potentially lead to leakage of important company information. Therefore, companies that have a lot of valuable information for competitors will prefer bank loans in order to keep the company's strategy confidential from competitors. When managerial action creates added value for the company, then bank debt will be preferred over public debt (Kale & Meneghetti, 2011)..

In addition, Ailis & Bauers (2013) confirmed the results of research that the issuance of bonds by large corporations is associated with increases in corporate value, indicating that bank monitoring for large and publicly listed companies has decreased and is relatively smaller than that of private companies or mid-level companies and start ups.

In this paper the authors aim to explore the theoretical options between bank debt and debt markets from the perspective of borrowing companies.

The previous research results that are quite surprising, according to Rajan & Petersen (1994), is that the level of debt or leverage in developed countries incorporated in the G-7 group (Canada, France, Germany, Japan, United States, Britain and Canada) is not influencedby the orientation of company source of debt in each of these countries. America is a country that relies on debt markets while German companies are the market of bank loans. Further research is needed on the interests of the money market or banks in a country does not see the level of corporate leverage but a combination of bank debt and public debt (Kale & Meneghetti, 2011). Empirical research by Hong (2017) show that firms that use more corporate bond debt have better corporate value than companies that use more bank debt. This also explains the previous research by Ailis & Bauers (2013) that bonds issued by big companies have an effect on the increase in the value of the company. It also

indicates that bank monitoring in large and public companies is not as big as private companies.

Although there are several studies that address various aspects of public debt versus private decisions, as far as the authors are concerned, there has been no scientific paper on similar topics specific to companies in Indonesia. Ailis & Bauers (2013), who did research on Nordic countries, also suggested further research on each country to know the specific influence of the state on the selection of corporate debt. For this reason the authors conducted this research to present the main theoretical and empirical findings on the decision of large companies in Indonesia to choose bank loans and bond debt as the main source of financing that has a significant effect on the value of the company.

Public companies on the Indonesia Stock Exchange and issuing bond debt are selected as the representatives of large companies in Indonesia with low information asymmetry and better credit ratings among similar industries. In addition, market participants can assess the company's performance and growth prospects from credit ratings and audited financial statements released regularly. Among the selected sample companies are members of LQ45 stocks index that also have greater stock liquidity and market capitalization among members of the Indonesia Stock Exchange. With these supporting factors, the theories resulted by previous researchers will provide an alternative source of debt to companies in Indonesia to use bonds or bank debt.

LITERATURE REVIEW

Bank Loan Vs Public Bond

According to Altunbaş et al. (2009), debt is the largest source of external funding for large corporations. Since the introduction of syndicated loans and corporate bonds in Europe, they have become a major source of large debt financing: in both markets, companies can raise large amounts of funds in the medium and long term. Today, many of the largest companies inEurope use corporate bonds and syndicated loans extensively, and often simultaneously to finance their investments. How corporate financial characteristics influence their debt choice between raising funds in the syndicated loan market and raising funds directly through the corporate bond market.

This is one of the first attempts to consider the determinants of financing options including syndicated loans as separate asset classes and direct competitors against

corporate bond financing. Despite the extensive literature on bank loans and direct bond financing, most studies consider financing instruments separately. Alternatively, they offer the option of public debt (ie corporate bonds) to bilateral bank loans, but not larger, more profitable, more high-profile syndicated loans, with a higher proportion of total fixed assets and lower growth options more choosing a syndicated loan than bond financing. Based on the pecking order theory of debt, syndicated loans are the instrument of choice at the extreme end where the company is very large, has high credibility and profitability, but fewer growth opportunities.

Several evidence for discussion on whether recent developments in the syndicated loan market (such as the development of a significant secondary market) have sparked a convergence between lending markets and syndicated loans from the perspective of corporate debt options. The results presented show that, in the European region, the characteristics (and possibilities of motivation) of very large companies to utilize this market are not the same. However, when considered as part of the spectrum of debt options for all firms (regardless of size), the characteristics of firms using these two alternative markets are found to be similar (Altunbaş et al., 2009)

Although there have been reform programs in the debt markets in the last decade, based on the studies that Subramaniam & Umakrishnan (2004) have made, most banks and internal sources remain the most important source of financing. The uniqueness of bank loans is evident in many flexible loan schemes and credit sanctions as well as existing options that facilitate appropriate debt regulation. The research tries to understand specifically the role of banks as a source of debt capital for various groups of companies in India. Even as the company continues to rely on banks for funding, the research discusses the determinants of various forms of bank finance - short-term, long-term and overall bank debt.

Theoretical and empirical studies based on the context of developed countries have brought the characteristics of firms that determine their direct financial and bank financial composition. Bolton et al. (2000) through their theoretical work shows that riskier companies prefer bank loans, while companies with "investment grade" status choose bond markets, and some prefer to spend equities and bonds. Dominant bond financing is in established companies while bank financing is the main source of start up funding (Rajan & Petersen 1994). Houston & James (1996) reported an inverse relationship between bank

financing and firm size stating that publishing costs restricted smaller companies' access to public debt markets. This is because the cost of producing information required for public debt financing is too high for small firms [Fama, 1985 on (Subramaniam and Umakrishnan 2004)]. According to Krishnaswami, Spindt, & Subramaniam (1999), companies that have favorable information but have high levels of information asymmetry tend to increase their bank lending rates. On the other hand, firms that have favorable information and are facing low levels of information asymmetry tend to increase their finances with bonds or equities. Other theoretical works [Leland & Pyle 1977; Campbell and Kracaw 1980; Ramakrishnan and Thakor 1984] at (Subramaniam and Umakrishnan 2004) also predicted that borrowers with the problem of 'information asymmetry' borrow from banks. Diamond (1991) modeled the role of monitoring and reputation in the company's decision to borrow directly or through the bank. The conclusion is that while companies with high credit ratings choose to go directly to the market, borrowers with a lower middle-ranking spectrum rely on bank loans.

Tobin's Q Performance Measurement

Measuring company value can also be done by using market value. The measurement method used in measuring market value is remarkable Tobin's Q method. Tobin's Q method is a company performance measurement tool discovered by James Tobin of Yale University, a Nobel laureate in economics. Tobin's Q, also known as Q ratio, measures the opportunity to grow a company by dividing the market value of a company's assets by replacing the value of its assets. Tobin's Q is the market value ratio of a company's assets (measured by the market value of the outstanding shares and its debt) to the replacement cost of the company's assets. (Tobin 1969)

Tobin's Q plays an important role in various aspects of corporate finance to explain various corporate phenomena, such as cross-sectional differences in investment and decision diversification (Jose, Nichols and Steen, 1986 and Malkiel, Furstenberg, and Watson, 1979), the relationship between managerial equity ownership and firm value (McConnell and Servaes, 1990) and (Morck, Shleifer, and Vishny, 1988), the relationship between managerial performance and tender offer gains (Lang, Stulz, and Walking, 1989), and financing, dividend, and compensation policies Smith and Watts, 1992). Nevertheless, the use of Tobin's Q in the analysis of decision-making in firms is small. This is because

the use of Tobin's Q is less familiar and the availability and accuracy of the Q data is very limited compared to other financial variables such as beta (Pruitt and Stephen 1994).

Basically Tobin's Q is the market value of the outstanding shares and the company's debt to the replacement cost of the company's assets. However, due to difficult corporate data, some researchers attempt to formulate Q by performing some important calculations, such as Linderberg and Ross (1981), Lang and Litzenberg (1989), and Pruitt and Stephen (1994).

The formula for this study is adjusted to the conditions of financial transactions of companies in Indonesia, so the formula used to measure Tobin's Q using the following formula :

$$\text{Tobin's}\ Q = \frac{\square\square\square + \square\square\square\square}{\square\square\square\square\square\ \square\square\square\square\square\square} \qquad (1)$$

According to Brigham & Einhardt (2011), the value of the firm is the price that the prospective buyer or potential investor wants to pay if the company is sold. The value of the company is one of the investors consideration in choosing investment situations. Company value can be reflected through the stock price, the higher the stock price of a company, the higher the value of the company (Mussato & Mayne, 2014). Estimating the value of a company can be done by way of valuation. In this study, firm value reference is the value of Tobin's Q or Q ratio.

Hypotheses

If large companies in developed countries more commonly use bond debt than bank debt then what are the debt source decision of indonesia larger and public companies listed in Indonesia Stock Exchange. Whether the use of bank debt and bond debt in companies in Indonesia has an effect on corporate value.
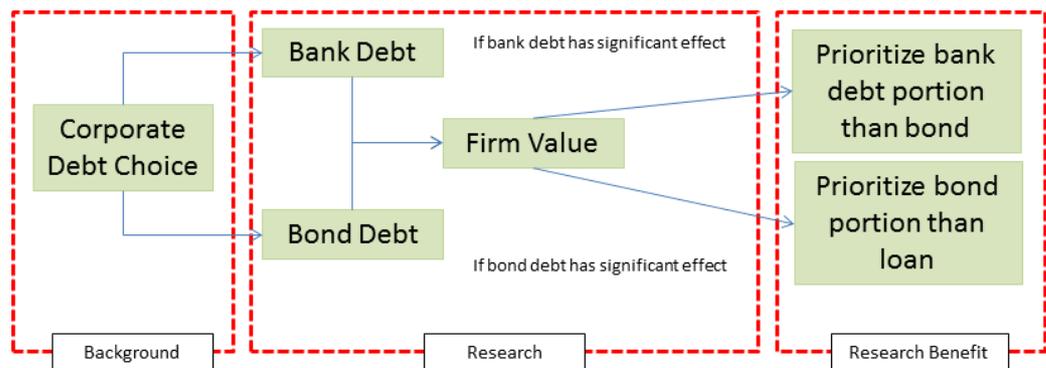
Conceptual Framework

Source : Developed by author (2018)

Based on the above conceptual framework, the alternative hypotheses can be formulated to answer the aforementioned research question.

H_1: Bank debt has significant effect to elevate firm value and not the bond

H_2: Bond has significant effect to elevate firm value and not the bank loan

METHODS

The author uses secondary data, to support this study, derived from Bloomberg Terminal and company reports from the Indonesia Stock Exchange website. In addition, other information related to this research is obtained from various books, articles or previous studies.

The data population entry in this study consists of companies that are still registered, until last accessed date on May 15, 2018, as a public company on the Indonesia Stock Exchange (BEI) and among others included in the LQ45 index. Sampling is done by purposive sampling with the following criteria:1. Non-Industrial companies financial services due to the differences in ratio calculations. 2. Having a structure of debt of banks and bonds in the balance sheet in their annual financial statements from 2012 to 2016.

The study aims to explain the effect of selecting the type of debt to the value of companies listed on the Indonesia Stock Exchange until 2018.

Model Equation 1 :

$$\text{Tobin's } Q_{it} \text{ or } MTB_{it} = \alpha + \beta_1 Loan\_D_{it} + \beta_2 SG_{it} + \beta_2 ROA_{it} + \beta_2 SIZE_{it} + \beta_2 DAR_t + \beta_2 RISK_{it} + \varepsilon_{it} \quad (2)$$

Model Equation 2 :

$$\text{Tobin's } Q_{it} = \alpha + \beta_1 Loan\_D_{it} \quad (3)$$

The model formula above represent Tobin's Q as (Market Value of Equity + Book Value of Debt) / Book Value of Total Assets. MTB is Market to Book Value is Market Value of Equity / Book Value of Equity. $Loan\_D_{it}$ is dummy variable, score 1 If the loan value is greater than the bond, otherwise 0. SG is Sales Growth. ROA is Return on Asset. SIZE represents natural logarithm of total asset. DAR is the abbreviation of Debt to Asset ratio and RISK represents EBIT estimation to sales value.

1. Data and Variables

Financial data collected from the 34 companies listed on the Indonesia Stock Exchange as the sample of this study were collected in cross section and followed in the five-years

period from 2012 to 2016 combined into a panel data. Financial institutions such as banks and investment companies were excluded from data samples. With this panel data, the value of debt of banks and bonds and the change of portion per year to the total debt of the company can be seen. There is also a set of size value ratios of the company's profitability from year to year during the research period.

Panel data is called cross-sectional time series, where observations are made over two or more time periods indicated by the use of time series data. Panel data can explain two kinds of information: cross-section information on differences between subjects, and time series information that reflects changes in time subject. When both information is available, panel data analysis can be used. The combination of date time series and cross section can improve the quality and quantity of data with an unlikely approach by using only one of these data (Gujarati, 2003).

2. Summary Statistics

Descriptive statistical analysis of this study, describes the minimum and maximum, mean (average) and std / deviation (standard deviation). Descriptive statistical test results can be seen in the following table :

Table 1 : Summary of Descriptive Statistics

	Max	Min	Mean	Std. Dev	Unit
LOAN	54902.72	0.00000	6636.24	10718.59	Miliar IDR
BOND	26367.00	0.00000	3279.14	4953.218	Miliar IDR
DAR	355.5636	10.46304	42.28786	40.11090	%
RISK	0.363697	-2.07468	0.067398	0.244714	Ratio
ROA	18.15197	-48.1457	2.935133	8.434397	%
SG	72.80855	-98.2543	10.54644	22.63290	%
SIZE	12.47555	6.929239	9.559294	1.286699	Miliar IDR
TOBIN'S Q	6.243956	0.645186	1.589600	0.739416	Ratio

Source : Bloomberg terminal, data processed (2018)

Based on the above table, it can be seen that the Loan variable (Bank Debt) has a maximum value of 54902.72 and a minimum value of 0.000000. The mean value obtained is 6636.235 with a standard deviation of 10718.59. Variable Bond (Bond) earns a maximum value of 26367.00 and a minimum of 0.000000. The mean value obtained is 3279.135 with a standard deviation of 4953,218.

Meanwhile, the DAR earned a maximum value of 355.5636 and a minimum of 10.46304 with a mean of 42.28786 and a standard deviation of 26.21349. ROA variable get a maximum value of 17,14772 and a minimum of -48,14567 with a mean of 3,121253 and a standard deviation of 40.11090.

The RISK variable obtains a maximum value of 0.363697 and a minimum of -2.074675 with a mean of 0.067398 and a standard deviation of 0.244714. For the ROA variable the maximum value obtained is 18.15197 and the minimum is -48.14567 with a mean of 2.935133 and a standard deviation of 8.434397.

For the SG variable (Sales Growth), it is known that the maximum value is 72.80855 and the minimum is -98.25427 with a mean of 10.54644 and a standard deviation of 22.63290. The SIZE variable obtained a maximum value of 12.47555 and a minimum of 6.929239 with a mean of 9.559294 and a standard deviation of 1.286699.

Meanwhile, the Corporate Value (Tobin's Q) has a maximum value of 6.243956 and a minimum value of 0.645186 with a mean value of 1.589600 and a standard deviation of 0.739416. The highest valued company is PT Nippon Indosari Corpindo, Tbk (ROTI) in 2012 had a higher trend of firm value compared to 33 other companies in this study. The company's high average value was achieved when the company used bond debt greater than bank debt, except in 2012 when bank debt is bigger than bond debt.

The lowest valued company is PT Aneka Tambang Tbk (ANTM) in 2015. At that time, the amount of bank debt was also higher than the bond debt but gave an opposite effect to that experienced by PT Nippon Indosari Corpindo, Tbk. Greater bank debt did not make this company better.

RESULT AND DISCUSSION

1. Fixed Effect Model Regression

From the three tests of regression panel data selection model that has been done (Chow test, Hauman test and Langrage Multiplier), each generated different results which can be seen in the table below :

Table 2 : Data Panel Regression Model Selection

Nama Uji	Keterangan	Hasil
Chow-Test	CEM Vs FEM	*Fixed Effect Model*

Uji *Langrage Multiplier*	CEM Vs REM	*Random Effect Model*
Hausman-Test	REM Vs FEM	*Fixed Effect Model*

Source : Data processed using eviews 9 (2018)

The results obtained from the selection of the best panel data regression model above shows that the Chow-test test follows the Fixed Effect Model. The Langrage Multiplier test follows the Random Effect Model and the Hausman test follows the Fixed Effect Model. Thus, for the method of data testing, the Fixed Effect Model method as a panel data test will be used in this study.

The best model in this research is Fixed Effect Model (FEM), in spite of heteroscedasticity problem. To answer the hypothesis in this research, FEM uses countermeasure through White cross-section method which can be done to cure heteroscedasticity. These results can be seen in the following table.

Table 3 : Fixed Effect Regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.898249	0.784768	6.241653	0.0000
LOAND	0.203748	0.085424	2.385146	0.0185
SG	0.001507	0.001347	1.119162	0.2651
ROA	0.010309	0.007137	1.444430	0.1510
SIZE	-0.370820	0.087536	-4.236180	0.0000
DAR	0.000690	0.002170	0.317774	0.7512
RISK	0.216505	0.083479	2.593532	0.0106

Source : Data processed using eviews 9 (2018)

2. Significant Variable Test (T Test)

An independent variable is said to have a significant influence on the dependent variable if the value of $t_{arithmetic} > t_{table}$, or if the probability value of each independent variable (p_{-value}) < α. Based on the test results with panel data analysis, the results of testing hypothesis in this study are as follows:

Variable LOAN_D has value of $t_{arithmetic}$ equal to 2,385146 and significant equal to 0,0185. These results show that $t_{arithmetic}$ is greater than t_{table} (2.385146> 1.9740) and the value is significantly smaller than the error rate α = 5% (0.0922> 0.05). These results indicate that LOAN_D has a significant effect on the value of public companies in the Indonesia Stock Exchange. These results indicate that the composition of the ratio between the amount of

debt and bonds in public companies on the Indonesia Stock Exchange affects the value of the company. And the result of coefficient value, which is positive sign, means the bigger bank debt than bond can elevate firm value. Big bank debt will give bigger funding ability to company, which means that management can do investment activity so as to increase company return. The results of this study do not support Hong, and College (2017) which found that the composition of larger bank debt from bonds has a significant negative effect on the value ofthe company, which means that the larger the company's bank debt, the lower the value of the company will be.

The results also showed that without control variables, LOAN_D obtained $t_{arithmetic}$ value of -0.198768 and significant of 0.8427. The result shows that $t_{arithmetic}$ is smaller than t_{table} (1.094044 <1.9740) and significant value is greater than error rate α = 5% (0,2755> 0,05). These results indicate that LOAND has no significant effect on the value of public companies in the Indonesia Stock Exchange. Thus it can be concluded that the control variable consisting of sales growth, ROA, Size, DAR, and Risk proved to not affect the relationship between LOAN_D and the value of public companies in Indonesia Stock Exchange.

Variable Sales Growth (SG) obtained a $t_{arithmetic}$ of 1.119162 and significant of 0.0886. The result shows that $t_{arithmetic}$ is smaller than t_{table} (1,119162 <1,9740) and significant value is greater than error rate α = 5% (0.2651> 0,05). These results indicate that Sales Growth (SG) has no significant effect on the value of public companies in Indonesia Stock Exchange.

ROA variables get $t_{arithmetic}$ value equal to 1.444430 and significant equal to 0,0057. The results show that $t_{arithmetic}$ is greater than t_{table} (1.444430 <1.9740) and the value is significantly smaller than the error rate α = 5% (0.1510> 0.05). These results indicate that ROA has no significant effect on the value of public companies in Indonesia Stock Exchange.

SIZE variable got $t_{arithmetic}$ value equal to -4,236180 and significant equal to 0,0000. The results show that $t_{arithmetic}$ is smaller than t_{table} (-4.236180 <1.9740) and the value is significantly smaller than the error rate α = 5% (0,000 <0.05). These results indicate that SIZE has a significant negative effect on the value of public companies in Indonesia Stock Exchange. The larger the size of the company in terms of assets, the lower the value of the company.

DAR variable got $t_{arithmetic}$ equal to 0,317774 and significant equal to 0,7512. The result shows that $t_{arithmetic}$ is greater than t_{table} (0,317774> 1,9740) and significant value greater than error rate $\alpha = 5\%$ (0,7512> 0,05). These results indicate that the DAR has no significant effect on the value of public companies in the Indonesia Stock Exchange. As Eugene F. Brigham & Houston (1998) and Ross et al. (2015) studied that leverage also negatively affects the value of the firm because of the high leverage ratio, indicating a high risk that will be charged to shareholders and lower their stock returns.

RISK variable get t value counted 2,593532 and significant equal to 0,0106. These results show that $t_{arithmetic}$ is smaller than t_{table} (2.593532> 1.9740) and the value is significantly greater than the error rate $\alpha = 5\%$ (0.0106 <0.05). These results indicate that the RISK has a significant effect on the value of public companies in the Indonesia Stock Exchange. The higher the risk of the company, the greater the expectation of abnormal return which results in the company being better valued.

1. Model 1 and Model 2 Result Comparison

To test whether the independent variable Loan_D has a different effect on the value of the company, a simple regression model without control variables has been tested. The comparison of the results can be seen in the table below :

Table 3 : Two Model Regression Result

Variabel	Model 1		Model 2	
	Coefficient	Prob.	Coefficient	Prob.
C	4.898249	0.0000	0.583572	0.0233
LOAN_D	0.203748	0.0185	-0.059795	0.8427
SG	0.001507	0.2651		
ROA	0.010309	0.1510		
SIZE	-0.370820	0.0000		
DAR	0.000690	0.7512		
RISK	0.216505	0.0106		
Observation	170		170	
Adjusted R²	0.789726		-0.005716	
F - Statistic	17.27469		0.039509	

Source : Data processed using eviews 9 (2018)

The two models above are different from the hypothesis and the results of previous research. In model 1 Loan_D has a significant positive effect which means that bank debt actually has a significant influence to the value of the company, while model 2 states that there is no significant influence by the company's debt source selection policy to the rise and fall of the value of public companies in Indonesia Stock Exchange.

2. Robustness Check

To overcome the weakness of categorical data analysis, the researcher performs robustness check. Robustness check is done by categorizing the research sample based on manufacturing and non manufacturing sector :

Table 4 : Robustness Check

Variabel	Model 1 Manufacture Companies		Model 1 Non Manufacture Companies	
	Coefficient	Prob.	Coefficient	Prob.
C	N/A	N/A	4.396940	0.0000
LOAND	-0.252305	0.4793	0.086581	0.1194
SG	0.018776	0.1284	0.000611	0.6228
ROA	0.270161	0.0000	0.007505	0.2200
SIZE	0.048766	0.6767	-0.316499	0.0000
DAR	-0.004474	0.8835	0.000684	0.7322
RISK	-2.614772	0.4853	0.253658	0.0048

Observation	30	140
Adjusted R^2	0.567236	0.759919
F- Statistic	N/A	14.33244

Source : Data processed using eviews 9 (2018)

The results of this robustness check equally indicate that there is no effect of selection of sources of debt, be it bank debt or debt market, to the increase in the value of companies.

CONCLUSION

By considering the analysis and discussion that has been done, the following conclusions, among others, are drawn:

The selection of bond debt greater than bank debt has no significant effect on the value of publicly listed companies as bond issuers in Indonesia Stock Exchange period 2012-2015. This means that the portion of debt / loan from banks larger than bond debt still has a larger contribution to the value companies than if the company prefers the bond debt portion.

Based on the results and conclusion of the research, the following suggestions to the financial managers of public companies in Indonesia Stock Exchange and for the government as regulator can be proposed:

a) For Corporate Management : As part of the strategy to minimize the cost of capital and elevate the value of the company, public companies in Indonesia is currently better off using the option source of debt from bank loans until further researches that develop research models with new variables are able to prove that the bond debt has significant influence on

the improvement of company value.

b) For Investors : Investors who intend to set an investment portfolio in securities better give more weight in the stock investment. The reason is because it has been proven that the prospect of corporate development as bond investment object in Indonesia is not as good as if the company uses more bank debt. Investors need to pay more attention to the company's debt structure as an object to invest. Return expectations will increase in companies that do not use bond debt greater than bank debt.

c) For Academics : The results of this study are comparable to previous studies in different countries. The benefits of bond debt as an instrument to minimize the cost of debt does not necessarily make the company's value in Indonesia better.

Given that the debt market in Indonesia will continue to grow, it is suggested that the next researcher test the research model of the composition of debt of these banks and bonds by taking samples of at least 100 public companies in Indonesia Stock Exchange, issuing bonds with a period of 10 years, to see the Indonesia macroeconomics effect on the election sources of corporate debt in order to create a significant reference for indonesia companies to elevate firm value.

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