

## ABSTRACT

Conceptually objectives to be achieved in this research is to develop new theoretical approach, in an attempt to resolve the conceptual controversy about the influence of capital structure on firm value. Meanwhile, the efforts is a way to include growth and innovation, so that it can be built a grand theoretical proposed model.

Operationally, this study aims to examine and analyze: the influence of capital structure, business risk, investment opportunity set, and firm size to firm value, the effect of capital structure, investment opportunity set, firm size towards innovation-based growth, the effect of innovation-based growth of the firm value, the effect of capital structure, investment opportunity set, and firm size to firm value mediated by innovation-based growth.

The population of this research is manufacturing companies and corporations non-financial listed on the Indonesian Stock Exchange with the period of observation from 2007 until 2013. The data collection method used is purposive sampling, and obtained as many as 22 samples of companies with R&D data specialized R&D expenditure, as well as for R&D data obtained in accordance with IAS 19 as much as 49 sample companies. Furthermore, testing of the entire hypothesis in this study is using path analysis through packet Amos program.

The main finding of this study is the concept of innovation-based growth is mediating the effects of capital structure, and investment opportunity set to the firm value for the sample R&D in accordance with IAS 19. The capital structure and investment opportunity set that the sample in this study has the indirect effect is significant in the efforts to enhance firm value through innovation-based growth. The findings of this research as well as encouraging firms to innovate by investing in growth assets and the cost of R&D. R&D costs suggested in this study is used for research activities such as human resource development (education, training), a scientific research and its application, as well as development activities which include product development and equipment.

Keywords: *firm value, capital structure, business risk, investment opportunity set, firm size, innovation-based growth.*