

## **ABSTRACT**

*This study was purposed to examine the influence of diversification strategies to the capital structure and to verify the influence of foreign ownership to the relation between diversification strategies and capital structure. The diversification level of the firm was measured using entropy index, whereas the capital structure was measured using book value leverage and also market value leverage. Foreign ownership as moderation variable was measured using dummy variable. This paper used ROA, asset tangibility, non-debt tax shield, ownership concentration, board of commissioners, independent commissioners, size and age of the firm as the control variable.*

*The population used in this study is manufacture company which is listed in Indonesia Stock Exchange on 2012-2014. The selection method of the paper is purposive sampling. There were 84 samples of manufacture firm got by the sampling. Multiple regression analysis is used to examine the hypothesis.*

*The empirical evidence showed that related diversification gives positive impact to capital structure, whereas unrelated diversification gives negative impact. Besides, geographic diversification influences capital structure positively. The result of data analysis that using moderating variables show that there is inaccurate evidence of foreign ownership to weaken the positive relation of unrelated diversification to capital structure. The foreign ownership also weaken the negative relation of related diversification to capital structure. Besides, there is inaccurate evidence shows that foreign ownership weaken the positive relation of geographic diversification to capital structure.*

**Keywords:** *Product diversification, related diversification, unrelated diversification, geographic diversification, capital structure, foreign ownership*