ABSTRACT

Capital structure is the ratio of the company's long-term funding, that is shown by a comparison of long-term debt to equity (own capital). However, if the company's funding from its equity (own capital) still lacks, so it is needed to consider about the outside funding, that is a debt. The purpose of this study is to investigate and to analyze the effect of asset structure, profitability, firm size, sales growth, liquidity, cash holding and non-debt tax shields towards the capital structure in manufacturing companies, listed on the Indonesia Stock Exchange (IDX) in 2007 to 2011.

This study uses secondary data. The source of the data is from financial statements of manufacturing companies, listed on the Indonesia Stock Exchange (IDX) in the year 2007 to 2011, that are contained in the Indonesian Capital Market Directory (ICMD). The sampling method used is purposive sampling. It is a method that takes an object with certain criteria. The sample which fulfills the specified criteria are 49 manufacturing companies in Indonesia Stock Exchange (IDX) by using the pooling data method, the writer gets 245 observational data. However, from the observation, there are as many as 46 data outlayer, so there are 199 observational data used in this study.

The result of the analysis shows that variable asset structure, profitability, firm size, sales growth, liquidity, cash holding and non-debt tax shields simultaneously affect the capital structure. While, partially, the variable that influences towards the capital structure is asset structure, profitability, liquidity, and cash holding. Moreover, firm size, sales growth, and non-debt tax shields, partially, do not affect to the capital structure. The coefficient of determination adjusted R square is equal to 0.422. It means that 42.2% of capital structure of the dependent variable can be explained by the seven independent variables, namely asset structure, profitability, firm size, sales growth, liquidity, cash holding and non-debt tax shields. While, the remaining 57.8% of capital structure is shown by variables or other causes outside the model.

Keywords: Capital structure, asset structure, profitability, firm size, sales growth, liquidity, cash holding and non-debt tax shields.