ABSTRACT

The aim of this research to analyze the effect of corporate governance on firms' capital structure. In operating activities , the company would need capital . Without capital , businesses would be very difficult to achieve the goal , which is getting huge profits . In the process of fulfilling the need for capital , companies need good corporate governance . This research uses the size of the board of directors , independent directors , ownership concentration , managerial ownership , and remuneration in the measure of good corporate governance .

This research uses the annual report documentation on companies listed in Indonesia Stock Exchange (BEI) in 2010-2012 . The sampling method used in this study is purposive sampling with specified criteria . The number of samples obtained from these criteria amounted to 102 samples . Hypothesis testing using multiple regression analysis .

The results of this research indicate that ownership concentration and managerial ownership are significantly negative related to capital structure . While other variables such as the size of the board of directors , independent directors , and remuneration are not significantly effected . This research also uses the control variable and the result is liquidity and asset tangibility is significantly negative effected to capital structure . While another control variables such as profitability and firm size are not significantly effected.

Keywords : capital structure , corporate governance, agency problems , the company manufactures .