

## **ABSTRACT**

*Capital structure is an equalization between the use of debt and the use of own capital, it means how much the own capital and how much the debt that will be used can produce an optimal capital structure. This study will examine the effect of asset growth, firm size, profitability, and business risk to capital structure and effect of the capital structure to stock return of manufacturing firms on food and beverage sector. The purpose of this study is to investigate and examine the influence of company size, business risk, asset growth and profitability to capital structure and also the effect of the capital structure to stock return manufacturing firms on food and beverage sector which listed in the Indonesia Stock Exchange (BEI) in the period 2006 to 2008.*

*Fifteen manufacture company are used as the sample of this research in food and beverage sector. The method of the research is purposive sampling which devine as a sample of taking method which take an object by certain criteria. The amount of sample which require to the criteria are 15 manufacture company in Indonesian Stock Exchange by using pooled data method then resulting 45 observation data. Analysis of data using path analysis, preceded by a classical assumption of normality test, multicollinearity, and the residual covariance test.*

*Results of data analysis or path analysis on the first model indicate that asset growth and profitability do not have a significant influence, although the business risks have a significant influence, but the company has a significant size in the 10% level on capital structure. The size of the coefficient of determination (adjusted R square) is approximately 0,239. This means that 23,9 percent of the dependent variable of capital structure can be influenced by four independent variables asset growth, firm size, profitabilitas, and business risk, and for the remaining amount of 73,9 percent of capital structure is explained by other variables. While in the second model shows that capital structure has no significant effect on stock return with determination coefficient of 0,054. This means 5,4 percent stake retrun influenced by capital structure.*

*Keywords: Capital Structure, Asset Growth, Company Size, profitability, and Stock Return.*