ABSTRACT

Decision making related to optimal capital structure needs to be done to strike a balance between own capital and debt in order to be able to finance business activities to the fullest. Measurement of capital structure using total debt to total assets is expected to be able to represent the company's capital structure. Many variables affect the company's capital structure decisions. The effects of these variables are certainly different each phase of the company.

The company's life cycle as proposed by (Dickinson, 2011) adds an explanation of the company's capital structure decisions. The differences in the life cycle are grouped according to the operating, financing and investment cash flows. This research only uses two life cycle phases, namely growth and mature phases. The sample in this study uses data of manufacturing companies listed on the Indonesia Stock Exchange for the 2015-2018 period and is grouped based on the life cycle each year and then added supporting variables such as profitability, tangibility, business risk, size, sales growth, liquidity and tax shield and life cycle using dummy variables.

The results of this study are in the growth phase the factors that influence are tangibility, business risk, size and liquidity. While in the mature phase the factors that influence are profitability, sales growth and liquidity. While in the Pool test the factors that influence are profitability, tangibility, size, and liquidity.

Keywords: Capital structure, life cycle, capital structure's determinant