ABSTRACT

Each firm is competing to improve its performance with the aim of gaining profits and optimizing stakeholder satisfaction. One of the way is by a combination of optimal capital structure so the changes in capital structure and the factors that affect it's important to note. The aim of this research was to analyze the effect of profitability, liquidity, asset tangibility, and growth opportunity on capital structure with firm size was added as control variable. The capital structure in this study was measured by Debt to Total Equity (DER).

This study uses secondary data with a total population of 183 manufacturing firms listed on the Indonesia Stock Exchange for the 2014-2018. By using the purposive sampling method, 60 manufacturing firms were obtained as a research sample. The data used was obtained from firm's financial statements through the Bloomberg Terminal. The hypothesis testing of this study using multiple linear regression analysis in a significance level of 5% with IBM SPSS 25 Statistics.

The results of this study found that profitability, liquidity, and asset tangibility had a negative and significant effect on capital structure, while growth opportunity had a positive and significant effect on capital structure. Firm size as control variable can maintain the consistency of the effect of profitability, liquidity, asset tangibility, and growth opportunity on capital structure.

Keywords: Capital Structure, Profitability, Liquidity, Asset Tangibility, Growth Opportunity, Firm Size