

## **ABSTRACT**

*Capital structure policy is as an important thing that must be seen to every company. Managing funding sources will have direct impact of the company financial position. This study aims to analyze the differences and determinants of capital structure of the manufacture firms between multinational (PMA) and domestic corporation (PMDN) in Indonesia over the period 2009–2012. Determinants that used for this study are profitability, free cash flow, firm size, earning volatility and assets tangibility.*

*This research employed purposive sampling method based on the certain criteria. There were 30 samples found that divided to be 15 foreign investor corporations (PMA) and 15 domestic investor corporations. The analysis used was multiple regression and chow test which was preceded by a test consisting of the classical assumption test for normality, multicollinearity, autocorrelation and test for heteroscedasticity. Hypothesis testing employed F test and t test. Last, chow test was used to know there are differences or not related to capital structure policy between PMA company and PMDN company.*

*The results obtained there three independent variables of PMA and PMDN which have significant influence on the 0,05 significance. Those three variables are profitability (ROA), free cash flow and assets tangibility. The magnitude of the coefficient of determination (Adjusted R Square) was 0,254 for PMA firms and 0,257 for PMDN firms. Chow test that used in this research showed that 6,613 is higher than F table value which was 2,29 that means there are significant differences on capital structure policy between PMA firms and PMDN firms.*

*Keywords : capital structure, profitability, free cash flow, firm size, earning volatility, assets tangibility.*