ABSTRACT

The purpose of this study is to provide empirical evidence on the influence of general determinants on the capital structure of the firm. This study also tries to provide empirical evidence whether the cognitive bias arising from managerial overconfidence behavior in the decision-making process has a role in corporate capital structure policy. The moderating role of institutional ownership also tested in this study.

The sample used in this research is all non-financial companies listed in Indonesia Stock Exchange 2007-2016 period. The sampling technique used is purposive sampling so that the sample obtained by 34 companies. The data analysis technique used is regression analysis with preceded by initial estimation of the model as well as detection of classical assumption deviation.

The results of this study indicate that the profitability of the company has a negative relationship and significant influence. This study provides empirical evidence that the cognitive bias that arises through managerial overconfidence has an important role in corporate capital structure policy. This study also provides evidence that institutional ownership has a role in moderating the relationship between managerial overconfidence with the firm's capital structure. This fixed asset variable in this study not proven to have an effect on the company's capital structure.

Keywords: capital structure, fixed asset, profitability, cognitive bias, managerial overconfidence, institutional ownership.