

## ABSTRACT

*This research studies the impact of corporate governance mechanisms and capital structure on agency cost of Indonesian firms. Sample consists of 21 non financial firms listed on Index LQ45 during 2014 until 2018. Asset utilization ratio (AUR) used as a inverse measure of agency cost, and interaction of free cash flow and growth prospect (QFCF) used as a direct measure of agency cost. Corporate governance mechanisms involved in this research were institutional ownership, managerial ownership, number of the directors, and number of the independent commissioners. While debt ratio used as a measure of capital structure. Firm size, industry adjusted q ratio, and industry adjusted dividend payout ratio were used as control variables. Using Panel Data Regression, we found that managerial ownership, number of directors and debt ratio negatively related to agency cost. On the contrary, institutional ownership proven had a positive impact on agency cost. Number of independent commissioners had no significant impact on agency cost.*

**Keywords:** *corporate governance, capital structure, agency cost, institutional ownership, managerial ownership, number of the directors, number of the independent commissioners, debt ratio, asset utilization ratio, interaction of free cash flow and growth prospect.*

## INTISARI

Penelitian ini menguji pengaruh mekanisme *corporate governance* dan struktur modal terhadap *agency cost* di perusahaan Indonesia. Sampel penelitian ini terdiri dari 21 perusahaan non keuangan yang terdaftar di Indeks LQ45 selama tahun 2014 – 2018. *Asset utilization ratio* (AUR) digunakan sebagai pengukuran terbalik dari *agency cost*, dan *interaction of free cash flow and growth prospect* (QFCF) digunakan sebagai pengukuran langsung dari *agency cost*. Mekanisme *corporate governance* yang dilibatkan dalam penelitian ini adalah kepemilikan institusional, kepemilikan manajerial, ukuran dewan direksi, dan proporsi dewan komisaris independen. Sedangkan, rasio utang digunakan sebagai pengukuran dari struktur modal. Ukuran perusahaan, *industry adjusted q ratio*, dan *industry adjusted dividend payout ratio* digunakan sebagai variabel kontrol. Dengan menggunakan Regresi Data Panel, ditemukan hasil berupa kepemilikan manajerial, ukuran dewan direksi, dan rasio utang berhubungan negatif dengan *agency cost*. Sebaliknya, kepemilikan institusional terbukti memiliki hubungan positif dengan *agency cost*. Proporsi dewan komisaris independen tidak memiliki pengaruh signifikan terhadap *agency cost*.

**Kata kunci:** *corporate governance*, struktur modal, *agency cost*, kepemilikan institusional, kepemilikan manajerial, ukuran dewan direksi, proporsi dewan komisaris independen, rasio utang, *asset utilization ratio*, *interaction of free cash flow and growth prospect*.