

ABSTRACT

This study aims to analyze the factors that influence the capital structure decisions of Indonesian companies. Capital structure refers to the proportions of debt and equity that a company uses to fund its operations. There are many factors that strongly affect the capital structure decisions of a company. However, it has been proven that many companies in different countries have different considerations when making their capital structure decisions. Thus, this study will examine the validity of the chosen determinants and their relationship with Indonesian companies' capital structure decisions in general.

There are six chosen determinants to test. These determinants are liquidity, interest coverage ratio, growth rate, company's size, profitability, and dividend payout ratio. The data for this study will include all the companies listed on the Indonesian Stock Exchange from 2010 to 2014. With several limitations applied, the final sample that was used for the research consisted of 181 companies.

Using panel data analysis, this study found that liquidity, interest coverage ratio and the dividend payout ratio have negative relationships with capital structure. Meanwhile, growth rate, company's size and profitability's relationships with capital structure are insignificant.

Keywords: Corporate finance, capital structure, Indonesian companies