ABSTRACT

Capital structure is important for every company because capital is the driving factor of every function in the company to be able to carry out its activities. Managers must be able to streamline funds collected by the company. The purpose of the capital structure is the incorporation of sources of funds used by companies in paying for operations.

The mistake of determining the capital structure has a broad impact, especially if the company uses large debt. The burden borne by the company will be even greater, and increase the financial risk, that is, the company cannot pay interest and debt installments. This study aims to obtain empirical evidence of the influence of firm size, business risk and profitability on capital structure.

The population in this study were coal mining companies listed on the Indonesia Stock Exchange in 2013-2016. The sample selection technique used purposive sampling and obtained 18 companies included with a period of 5 years so that 72 samples were observed.

The results of the study show that the variable size of the company, business risk, and profitability simultaneously influence the capital structure. While partially, the variable size of the company, business risk, and profitability have a significant effect on the capital structure towards the negative.

For further research to add or replace independent variables with other variables such as liquidity, company growth. Especially for those who choose the same object, namely a coal mining company. The author also suggests further research to add other sectors found on the Indonesia Stock Exchange to be generalized.