ABSTRACT

A company has an important role in the Indonesian economy. Capital structure is the key to funding decisions in a company, because the good or bad of the capital structure will have a direct impact on the company's financial position. Financial managers are required to be able to create a maximum capital structure by raising funds from inside or outside.

This study aims to determine the effect of diversification, profitability, firm size, liquidity and sales growth on the capital structure either partially or simultaneously on the capital structure of infrastructure, utility, and transportation companies listed on the Indonesia Stock Exchange for the 2016-2020 period.

Purposive sampling is a method that is applied in taking research samples and the samples studied amounted to 38 companies from a population of 79 companies. The data used in this study is secondary data sourced from the Indonesia Stock Exchange. Panel data regression model is used as a model to examine the effect of profitability, sales growth, asset structure, firm size and liquidity variables on capital structure.

The results of the study reveal that simultaneously diversification, profitability, firm size, liquidity, and sales growth affect the capital structure. The variables of firm size and sales growth each have a significant positive effect on the capital structure partially. Meanwhile, profitability, liquidity, diversification partially have no effect on capital structure.

Based on the results of the study, investors are advised to invest in companies that are large and have good sales growth and consider the composition of debt and equity owned by a company so that the investment made can provide a maximum profit and with low investment risk. Company management is advised to increase the size of the company and maintain good sales growth in order to obtain an optimal capital structure and attract investors to invest in the company.

Keywords : *Capital Structure, Diversification, Profitability, Firm Size, Liquidity*