

ABSTRACT

One of the company's goals is to maximize profits. What must be done to achieve this goal is to pay attention to funding decisions. Funding can be obtained through internal funds or external funds. The combination of internal funds and external funds is called the capital structure.

This study aims to determine the effect of profitability, diversification, managerial ownership, firm size, and asset structure on capital structure. The population of this study is the various industrial sector companies listed on the Indonesia Stock Exchange for the 2016-2020 period.

The sampling technique used in this study was purposive sampling technique and obtained a total of 95 research samples consisting of 19 companies with a five-year research period, namely 2016-2020. The regression model used is a panel data regression model using the EViews 11 software.

The results show that profitability, diversification, managerial ownership, firm size, and asset structure simultaneously affect the capital structure. Partially, profitability and firm size variables have no effect on capital structure, diversification and managerial ownership variables have a significant negative effect on capital structure, and asset structure have a significant positive effect on capital structure.

Based on the results of the study, the company management is advised to improve the diversification strategy, with increasing diversification, the company will generate more profits but with a lower level of debt. The company is also advised to increase share ownership by its management to produce an optimal capital structure. Meanwhile, if the company has a high asset structure and a high level of debt, the company is expected to use its debt as effectively as possible by utilizing the assets owned by the company. Investors are advised to invest in companies that have a high level of diversification with low debt levels and high managerial ownership, so that the company can maximize the profits.

Keywords: *Asset Structure, Capital Structure, Diversification, Firm Size, Managerial Ownership, Profitability.*