

ABSTRACT

Capital as an important factor for the company to operate all the company's operational activities. Companies must be able to determine the optimal capital structure to prevent a high risk to the company and shareholders. In making decisions, agency problems often occur because of differences in interests between management and shareholders, therefore corporate governance is needed to reduce the agency problem.

This study aims to determine the effect of corporate governance on the company's capital structure in the consumer cyclicals sector listed on Indonesia Stock Exchange in 2016-2020. Elements of corporate governance include institutional ownership, boards of commissioners, independent commissioners, audit committee as independent variable and capital structure is proxied by Debt to Equity Ratio (DER).

In this study using secondary data with documentation techniques. In the selection of samples, using purposive sampling techniques and obtained 72 companies for 5 years in order to obtain 360 samples. The analysis techniques used is panel data analysis. The analysis uses software eviews 12 and the fixed effect model was selected as the best model in this study.

The result showed only institutional ownership have a significant effect on capital structure. Size of the board of commissioners, independent commissioners and audit committees have no significant effect on capital structure. Simultaneously, institutional ownership, the size of the board of commissioners, independent commissioners and audit committees have a significant effect on capital structure.

The results showed that companies need to maximise effectiveness of the board of commissioners, independent commissioners, and audit committees in carrying out control of capital structure decisions. The result of this study are expected to be used as an information for companies in the relationship of corporate governance to capital structure decisions and can be as consideration in determining the company's decision in the future.

Keywords: capital structure, corporate governance, institutional ownership, boards of commissioners, independent commissioners, audit committee