Abstract

The purpose of this research is to test whether there is an influence of corporate governance characteristics (Board Size, Board Composition, Percentage of Managerial Ownership and Institutional Shareholding) on capital structure in Indonesian Firms, using five control variables: tangibility, profitability, growth opportunity, size and cash holding. This research used the non-financial firms listed in Indonesian Stock Exchange (IDX) at the period 2000-2010 and used panel data regression analysis method. The results showed that at the period 2000-2010, institutional shareholding, profitability, size and cash holding have a significant effect on capital structure (long term debt ratio in market values) and board size, board composition, profitability and size have a significant effect on long term debt ratio in book values. In a whole, all of the independent variables have significant effect on capital structure.

Keywords: Corporate Governance, Capital Structure, Board Size, Board Composition, Percentage of Managerial Ownership, Institutional Shareholding, Tangibility, Profitability, Growth opportunity, Size, Cash holding, Panel Data Analysis.