

ABSTRACT

The purpose of this research is to test the influence of free cash flow, managerial ownership, and investment opportunity set, and firm size to debt policy which represented by debt to equity ratio with control variable firm size and profitability.

The population of this research is manufacture companies listed in Indonesian Stock Exchange in the year 2011 – year 2013, total 147 companies. The sample of this research is 83 companies selected according to certain criteria by purposive sampling method. The data collected of this research is quantitative data. The data source of this research is secondary source gotten from Indonesian Capital Market Directory and Indonesian Stock Exchange's website. The technique of data collecting is documentation technique. The method of data analysis of this research is multiple regressions analyze that use classic assumption test and hypothesis test. The dependent variable is the debt policy which represented by debt to equity ratio, while the independent variables are free cash flow, managerial ownership, and investment opportunity set with control variable firm size and profitability.

The result of the test shows that simultaneously free cash flow, managerial ownership and investment opportunity set and firm size and profitability have positif and significant influence to the debt to equity ratio. The partially free cash flow and firm size have positif and significant to the debt to equity ratio, profitability have negative and significant to the debt to equity, while managerial ownership and investment opportunity set have positif but don't significant influence to the debt to equity ratio.

Keywords: *free cash flow, managerial ownership, investment opportunity set, firm size, profitability, debt to equity ratio*