

## ***ABSTRACT***

*Companies that use external funding sources often do not pay attention to capital structure that resulted in an imbalance in the use of funds*

*The method used is the causal research, which aims to examine the effect of independent variables on the dependent variable. The selected variables such as agency costs, bankruptcy costs, non-debt tax shield, profitability, firm size, return on investment and asset structure.*

*The study population were manufacturing companies listed in Indonesia Stock Exchange, selected through random sampling from 24 companies. Factors affecting capital structure are calculated based on data from 2004 to 2008 financial statements. Analysis of data using multiple regression analysis.*

*The results stated that the factors tested, only affect the capital structure of 17.4%. The conclusion of all variables that jointly affect the capital structure. While partially, only bankruptcy costs and the asset structure does not affect the capital structure. For futher study, expected to add other factors such as rising fuel, electricity, etc.*

**Keywords:** *Capital structure, leverage, agency costs, bankruptcy costs, non-debt tax shield, profitability, firm size, return on investment, and asset structure.*