
FINANCIAL FLEXIBILITY, BANKRUPTCY RISK AND CAPITAL STRUCTURE

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Abstract

Industry in the infrastructure sector contributes to the development of a region and country. The funding needs for investment in this sector are very large, but the ability of the Indonesian government to fund infrastructure development using public funds from countries is very limited. This research was conducted to determine the determinants of capital structure in infrastructure sector companies in Indonesia. The sample companies in this study are infrastructure, utility and transportation sector companies listed on the IDX. Data used in the form of financial ratios from sample companies during the period 2013-2017. The analytical method used is multiple regression with the dependent variable being the capital structure; while financial flexibility, bankruptcy risk, growth opportunity, and asset structure act as independent variables. The results of analysis show that the variable bankruptcy risk, growth opportunity significantly influences the capital structure. While financial flexibility and asset structure variables do not affect the capital structure. This study is expected to be useful for company management especially as input and consideration in determining decisions on the capital structure of a company.

Keywords: capital structure, financial flexibility, bankruptcy risk, growth opportunity.

BACKGROUND

The source of company funds comes from the owner and the results of the company's operations and loans from creditors. Capital structure is a balance between the use of corporate debt with own capital. The problem of capital structure is an important problem for every company, because good or bad the company's capital structure will have a direct influence on its financial position. The company's capital structure is a reflection of the company's financial condition. Some factors that are generally considered in making decisions regarding capital structure in companies according to Brigham and Ehrhardt (2005) are sales stability, asset structure, operating leverage, growth rates, profitability, tax rates, controls, management attitudes, lenders' attitudes and credibility valuing companies. , market conditions, internal company conditions, and financial flexibility. The use of high debt in the capital structure will provide high additional costs and increase the risk of companies against the possibility of not paying interest is also high (Hanafi, 2013).

In making funding decisions, companies must consider the risk factors and the benefits to be gained by the company. Because the optimal capital structure for the company is a capital structure that can provide benefits and lift company performance both in the short and long term (Selfiana & Fidiana, 2016). Companies can be funded with debt and equity. The composition of the use of debt and equity is reflected in the capital structure. The use of debt is termed financial leverage (financial leverage). Debt (debt) in question is a debt for corporate funding that is not always the same as the liabilities (liabilities) and not the same as the bill (payable Debt incurs an

interest expense that can save tax. This means that interest expense can be deducted from income so that profit before tax becomes smaller and consequently taxes are smaller (Stretcher & Johnson, 2011). Meanwhile, if funding uses equity, there is no burden that can reduce corporate taxes. Companies can take advantage of tax savings arising from interest paid (interest can be deducted from taxes, while dividends cannot be used as tax deductions) (Ramli, et al., 2018)

Within the company there are several functions, including management and ownership functions. Jensen and Meckling (1976) say that the separation of management functions and ownership functions is very vulnerable to agency conflicts. This conflict occurs when managers tend to make decisions that benefit themselves rather than the interests of shareholders. Agency conflict can lead to agency cost, which is in the form of providing appropriate incentives to managers and monitoring costs to prevent hazardous actions. Agency cost also means the use of cash flow for bonuses or unnecessary expenses made by managers of free cash flow (Stretcher & Johnson, 2011). The use of debt can reduce conflicts between owners (shareholders) and agents (managers) over the misuse of free cash flow

Capital investment is one of the main aspects in investment decisions besides determining the composition of assets. Capital allocation decisions in investment proposals must be evaluated and linked to the risks and expected outcomes. According to signaling theory, investment expenditure provides a positive signal about the company's growth in the future, so that it can increase stock prices which are used as an indicator of company value (Hermuningsih, 2013). Funding decisions related to the source of funds is whether internal or external sources, the amount of debt and equity, and what type of debt and capital will be used. The financing structure will determine the cost of capital which will be the basis for determining the desired required return

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The financial statements issued by the company provide information about the company's performance. The financial statements are expected to provide information relating to the level of profit, risk, financial ratios and operational capabilities of the company. The financial statements also provide information about the company's cash flow, company liquidity, company financial flexibility, and the company's operational capabilities. The existing cash flow statement shows the company's financial flexibility. Financial flexibility (financial flexibility) is the company's ability to take effective actions related to the amount and timing of cash flow, so that the company can answer the challenges of unexpected needs and take the opportunity that exists (Murti, 2016). Companies with high financial flexibility experience lower impact during a crisis.

Financial flexibility is part of a company's business strategy and is important for capital structure decisions (Bancel & Mitoo, 2011).

Financial flexibility can influence capital structure decisions to be taken by company managers and at each stage the size of the company's capital structure decisions will vary. The higher the leverage of the company, the less flexibility the company has, which means the company will use less additional debt. Research conducted by Denis (2011) states that companies achieve financial flexibility through managing company liquidity, through capital structure policies and payment policies. Companies that have a lot of debt will be inflexible because cash will be limited for expansion and must pay off the debt. Cash holdings enable companies to quickly fund investment opportunities when external financing (debt or equity) is expensive or time consuming.

Companies with high flexibility usually do not have problems in raising capital when sales rise and revenues are in strong condition. The lower the level of corporate debt, the more financial flexibility the company has. Research by Alipour, et al. (2015) and Rapp, et al. (2014) found that companies with higher financial flexibility would have lower debt levels. Meanwhile, Anderson and Carverhill (2012) state that higher levels of long-term debt will increase company flexibility and reduce short-term debt. The findings of Byoun (2008) also show that large companies prefer to use internal funds to maintain financial flexibility. On the other hand, small companies issue equity and increase cash holdings despite having low leverage to overcome the lack of financial flexibility, thereby reversing the external financing hierarchy suggested by the pecking order theory.

Companies that have multiple debts are often better than companies with no debt at all, but too much debt increases the risk of bankruptcy. In technical terms, additional debt reduces the weighted average capital cost (WACC) (Brigham & Houston, 2011). Of course, at some point additional debt becomes too risky. Additional debt is only optimal up to a point because there are bankruptcy costs to be faced. According to the trade off model, the optimal capital structure is a balance between tax savings on the use of debt and the cost of difficulties due to the use of debt, because costs and benefits will negate each other

When companies take on more debt, they must service the debt with higher interest payments, which decreases revenue and cash flow. Because of the high debt in the capital structure, the costs of paying off the debt have increased and the risk of default has also increased. Companies that have high risk will have difficulty finding external funds. The higher the risk faced by the company, the company tends to have little debt. The results of research on bankruptcy risk are Eldomiaty (2007); Stretcher and Johnson (2011) state that the risk of bankruptcy affects the capital structure. Seppa (2014) found that the use of debt was significantly and positively related to the probability of bankruptcy. Determination of an optimal capital structure will keep the company from bankruptcy due to the inability to pay debts (Margaretha & Ginting, 2016).

Capital structure tends to follow the company's growth cycle. Startups and new companies that are growing rapidly, prefer equity over debt because their shareholders will delay dividend payments for future price returns. Companies with high growth rates require more funds in the

future to meet investment needs or meet the operational needs of the company. Profit taking is seen as having a more efficient cost than issuing shares, debt also contains a positive signal of the company's growth opportunities in the future. High growth companies don't need to give these shareholders cash today, but lenders will expect quarterly or quarterly interest payments.

Companies with stable growth will increase creditor confidence so that companies can obtain larger loans (Dewi & Lestari, 2014; Borochin & Yang, 2016; and Ramli, et al., 2018). In other words, the higher the growth opportunity of the company, the debt taken by the company will also increase. Hermuningsih's research results (2013) found that capital structure is influenced by variables namely growth opportunity and profitability. Meanwhile, the results of other analyzes state that company growth has a positive but not significant relationship with capital structure (Harjito, 2011 and Kartika, 2016).

The company's capital structure is also influenced by the asset structure of the company. Companies with large asset values are more easily trusted to get loans from outside parties because it is easier to access sources of funds compared to companies that are still small scale. This is contrary to pecking order theory, when companies have a greater proportion of tangible assets, valuation of their assets becomes easier so that the problem of information asymmetry is lower. Thus, the company will reduce its use of debt when the proportion of tangible assets increases. A number of analysis results show that the company's asset structure has a positive and significant effect on the company's debt ratio (Harjito, 2011; Alipour, et al., 2015). Meanwhile other research states that asset structure has no effect on capital structure (Kartika, 2016; Mahapsari, 2013; and Novitasari, 2016).

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The optimal capital structure also varies by industry, mainly because some industries are more asset intensive than others. In general, the greater the investment in fixed assets (factories, property and equipment), the greater the average use of debt. This is because banks prefer to make loans to fixed assets that can be used as collateral rather than intangible assets (Ramli, et al., 2018). Industries that require a lot of investment, such as infrastructure, property, and telecommunications, generally use more long-term debt. The results of the research by Margaretha and Ginting (2016) structure of assets have a positive effect on the ratio of long-term debt. While the research of Sansoethan (2016) and Yudiarthi (2016) states that asset structure has a negative and significant effect on capital structure.

HYPOTHESIS DEVELOPMENT

Financial Flexibility and Capital Structure

According to Byoun (2008) financial flexibility is the level of capacity and speed of a company to be able to mobilize its financial resources or take preventive, reactive, and exploitative actions in order to maximize company value. One way for a company to be able to maintain its financial flexibility is to manage the proportion between debt and equity as appropriate. Financial flexibility of a company can be observed through the company's cash flow (Murti, et al., 2015).

Financial flexibility is a major concern for company managers. The company achieves financial flexibility through managing company liquidity, capital structure policies, and payment policies (Denis, 2011). Considerations of financial flexibility shape the company's financial policy. Companies with high financial flexibility values choose a lower leverage ratio (Rapp, et al., 2014).

Companies with high financial flexibility tend to have a small proportion of debt, because companies try to minimize external financing needs by increasing their flexibility. In other words, if there are financial difficulties or there are sudden profitable investment opportunities, then the company does not need to look for sources of funding from outside. So companies with higher financial flexibility will have less debt. This statement is proven by the research of Alipour, et al. (2015). Financial flexibility has a negative relationship with all proposed financial structure components, namely long term debt, short term debt and total debt. Companies avoid the need for external funding by increasing financial flexibility (Margaretha & Ginting, 2016).

H₁: financial flexibility has a negative effect on the company's capital structure

Bankruptcy risk and Capital Structure

Bankruptcy risk is the level of risk or opportunity for bankruptcy. Bankruptcy costs can significantly affect a company's capital costs. When a company invests in debt, the company is asked to service the debt by making the necessary interest payments. When debt increases, the likelihood of financial difficulties or even bankruptcy increases. With a higher risk of bankruptcy, debtholders will insist on higher interest rates, and increase the cost of debt before taxes (Brigham and Houston, 2011). Companies that take high-risk projects can cause companies to go bankrupt.

Bankruptcy risks can also result in agency costs. Where a higher level of debt can affect the behavior of managers to reduce various wasteful expenses or reject projects with positive NPV. Companies with high operational costs will tend to avoid funding from debt/loans compared to companies with lower risk. Companies with more risks tend to avoid using external financing and instead rely more on internal financing to prevent bankruptcy (Alipour, et al., 2015).

The emergence of a potential bankruptcy will cause lenders to demand higher interest rates and enforce tighter loan agreements. Problems related to bankruptcy or bankruptcy are most likely to arise when a company enters a large amount of debt in its capital structure. Therefore, bankruptcy costs make companies withhold their use of debt to a certain level and not excessive.

Companies with high operating leverage and with greater business risk must limit the use of their financial leverage. Likewise, companies that will face high costs in the event of financial difficulties should be less dependent on debt. Leverage trade-off theory, where companies compare the benefits of debt financing (favorable corporate tax treatment) to higher interest rates and bankruptcy costs. According to Seppa (2014) the use of debt is significantly related to the probability of bankruptcy. Huang, et al. (2017) found that the high level of bankruptcy costs caused hospitals to use less debt. Pratiwi and Supriadi (2014) state that a decrease in DER which means the portion of debt use is less than the equity makes the risk in the company also decreases. This risk reduction has a significant effect on the Z-Score because the decreasing DER number is always offset by an increase in the company's Z-Score. Companies that have high risk will have difficulty finding external funds because they have low creditworthiness for debt. So the higher the risk faced by the company, the company tends to have little debt.

H₂: Bankruptcy risk has a negative effect on the company's capital structure

Growth opportunity and capital structure

A company that is in an industry with a high growth rate must provide sufficient capital for corporate spending. Fast growing companies tend to use more debt from external funding sources than slow growing companies. Brigham and Houston (2011) say that companies with relatively stable sales can be more secure getting more loans and bear higher fixed costs than companies with unstable sales. Companies in making efforts to maintain sales stability and increase the rate of high sales growth must provide sufficient capital to finance the company's operations.

The company's optimal capital structure is related to a series of investment opportunities. Companies that have high growth cause companies to hold more concrete choices for future investments than companies that have low growth. In accordance with the trade-off theory, which states a company with rapid growth will depend on external funds, in this case funds from debt. In addition, the issuance costs of selling ordinary shares will usually be higher than the costs of issuing bonds. As a result, companies with fast growth will have higher debt than companies with slow growth. Companies that have high growth opportunities lead to greater creditor confidence compared to companies with low growth opportunities.

Empirically growth opportunity has a positive effect on capital structure (Dewi & Lestari, 2014; Eldomiaty, 2007; Hermuningsih, 2013; Margaretha & Ginting, 2016; and Ramli, et al., 2018). Growth opportunities basically reflect the productivity of the company and are an expectation desired by the company's internal parties as well as investors and creditors. On the other hand, the cost of issuing shares is more expensive than issuing debt securities, and this is an additional reason for companies with high growth to rely more on debt in the composition of the company's capital structure.

The results of Selfiana and Findiana's research (2016) also show that growth opportunity has a positive and significant influence on the company's capital structure. The company's growth which is proxied by changes in assets that have a positive value can give a signal about the company's growth that can be responded by investors thereby increasing capital structure.

H₃: Growth Opportunity has a positive effect on the company's capital structure

Asset Structure and Capital Structure

Asset structure affects the company's capital structure. Companies that have large assets can use assets as collateral to obtain debt from outside parties. Companies with large asset values are more easily trusted to get loans from outside parties because it is easier to access sources of funds compared to companies that are still small scale. Large companies in general have the possibility of bankruptcy that is relatively small compared to small companies so that it is easier to make loans to banks. This is in line with Signaling theory because companies with high growth rates tend to like debt. Because debt is considered a positive signal so managers believe that the company's prospects going forward is very good. So, the fixed assets owned by the company can be used as collateral to borrow external funds from creditors.

Many research findings indicate that there is a positive relationship between asset structure and debt ratio. According to Margaretha and Ginting (2016) asset structure has a positive effect on long term debt ratio (LTDR). Research by Sansoethan (2016) and Yudiarthi (2016) also states that the structure of assets and liquidity has a significant and positive effect on capital structure. The higher the asset structure of a company, the easier it will be for companies to obtain debt (Harjito, 2011; Alipour et al., 2015; Selfiana and Fidiana, 2016; and Ramli et al., 2018).

The positive relationship shows that the higher the asset structure, the greater the debt taken by the company. Companies will have a tendency to borrow more if the company's assets increase. Thus, a company that has large assets as collateral for debt tends to use larger debt as well. In addition, the higher the guarantee given by the company to creditors, the greater the amount of debt that can be given by creditors to the company. Guarantees that can provide certainty of protection for creditors are fixed assets owned by the company.

H₄: Asset structure has a positive effect on the company's capital structure

RESEARCH METHODS

Population and sample

The population used in this study are all companies belonging to the infrastructure, transportation and utility sub-sectors listed on the Indonesia Stock Exchange for the period 2013-2017. The sampling technique in this research is purposive sampling technique. Purposive sampling is a method of gathering information based on specific sample goals that are intentional by the researcher, this is done because only certain samples are represented. This method does a non-random sampling and the sample is chosen based on certain considerations or criteria for the purpose of the study

Research variable

In this study there is one dependent variable capital structure and four independent variables consisting of financial flexibility, bankruptcy, growth opportunity and asset structure. The variable measurements are as follows:

Table 1: Variable Measurement

No	Variable	Notation	Measurement
1	Capital Structure	CS	Total Debt/Total Equity
2	Financial Flexibility	FLE	Operating Cash Flow/Total Liabilities
3	Bankruptcy risk	BCR	Altman Model
4	Growth opportunity	GRO	(Book Value of Debt +Market Value of Equity)/Total Assets
5	Assets structure	AS	Total Fixed Assets/Total Assets

Data Analysis

To prove the hypothesis, in this study using multiple regression analysis tools with partial tests, with a confidence level of 95%. The hypothesis is accepted if the significance value is smaller than the significance level of 0.05. The regression equation is as follows:

$$CS = \alpha + \beta_1FLE + \beta_2BCR + \beta_3GRO + \beta_4AS + e$$

RESEARCH RESULT

Descriptive Statistics

Data management is carried out with the help of SPSS 23.0 (Statistical Package for the Social Sciences) tool. Based on the raw data obtained from the company's financial statements with independent variables consisting of financial flexibility, bankruptcy risk, growth opportunity and asset structure while the dependent variable is the capital structure.

Descriptive of each of these variables can be seen in table 4.1 which explains the description of the data used in this study in the form of average (mean), minimum value, maximum value and standard deviation.

Table 2: Statistics

	N	Minimum	Maximum	Mean	Standard Deviation
CS	150	0.004	4.98304	0.7946554	0.72027367
FLEX	150	-0.36248	0.72385	0.1666457	0.17635052
GROW	150	0.3651	4.53919	1.2945216	0.70275001
BCR	150	-1.77223	6.30283	1.4858428	1.37963689
AS	150	0.00552	0.95349	0.5380902	0.29387286
Valid N (listwise)	150				

Based on table 2 above, the descriptive statistical results can be explained that the DER on infrastructure companies listed on the Indonesia Stock Exchange (IDX) is known that the amount of data entered is 150 samples. The mean or average value for DER of 0.7946 indicates that the proportion of own capital is greater than the long-term debt in infrastructure sector companies. Based on the results of the standard errors of mean can be determined minimum and maximum population data ranges. The minimum value of all samples of 0.004 is owned by PT Ley and International Tbk. While the maximum value obtained of 4.983 is owned by PT Express Transindo Utama Tbk. Besides that the DER standard deviation is 0.7203.

Descriptive results of FLEX on infrastructure companies listed on the Indonesia Stock Exchange (IDX) note that the amount of data entered is 150 samples. Mean or average FLEX of 0.1667. Based on the results of the standard errors of mean can be determined minimum and maximum population data ranges. The results of the minimum value of all samples obtained by - 0.3625 owned by PT Centratama Telekomunikasi Indonesia Tbk. (CENT). This negative minimum value indicates that FLEX CENT company experienced a loss (negative operating cash flow) is quite large in the observation period. Whereas the maximum value obtained is 0.7238 owned by PT Telekomunikasi Indonesia (Persero).

Besides that the FLEX standard deviation was obtained at 0.1764. Descriptive results of BCR on infrastructure companies listed on the Indonesia Stock Exchange (IDX) note that the number of incoming data is 150 samples. The mean or average for BCR is 1.4858. Based on the results of the standard errors of mean can be determined minimum and maximum population data ranges. The results of the minimum value of the entire sample of -1.77722 owned by PT Mitra International Resources Tbk. While the maximum value obtained of 6.3028 is owned by PT Centratama Telekomunikasi Indonesia Tbk. In addition, the standard deviation of BCR was obtained at 1.3796.

Descriptive GROW results on infrastructure companies listed on the Indonesia Stock Exchange (IDX) note that the amount of data entered is 150 samples. The mean or GROW average is 1.2945. Based on the results of the standard errors of mean can be determined minimum and maximum population data ranges. The results of the minimum value of all samples obtained by 0.3651 owned by PT Mitrahahtera Segara Sejati Tbk. While the maximum value obtained at 4.5391 is owned by PT Trada Alam Minera Tbk. Besides that the GROW standard deviation is obtained at 0.7027. Descriptive results of DER on infrastructure companies listed on the Indonesia Stock Exchange (IDX) note that the amount of data entered is 150 samples. The mean or average for SAS is 0.5380. Based on the results of the standard errors of mean can be determined minimum and maximum population data ranges. The minimum value of all samples of 0.0055 is owned by PT Centratama Telekomunikasi Indonesia Tbk. While the maximum value of 0.9535 is obtained by PT Leyand International Tbk. In addition, the SAS standard deviation was 0.2987.

RESULT AND DISCUSSION

Multiple linear regression analysis is used to test the relationship of the dependent variable with two or more independent variables. Where in this study the one acting as the dependent variable

is the capital structure, while the four independent variables are financial flexibility, bankruptcy risk, growth opportunity and asset structure. Based on the process of data processing using the SPSS program, the regression results obtained can be seen in table 3 below:

Table 3: Hypothesis Test Result

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	0.798	0.168		4.739	0.000
FLEX	-0.382	0.345	-0.093	-1.107	0.270
GROW	0.404	0.098	0.394	4.121	0.000
BCR	-0.238	0.054	-0.455	-4.369	0.000
SAS	-0.203	0.199	-0.083	-1.023	0.308

Source: Data Processed

The second hypothesis is bankruptcy risk (BCR) has a negative effect on capital structure. Based on the t test results in table 3 above it can be seen that BCR has a regression coefficient of -0.238. This shows that the influence of bankruptcy risk on capital structure is negative. The bankruptcy risk variable has a value of arithmetic ar-4,369 with a probability of 0,000. The significance value is smaller than the expected significance level ($0,000 < 0.05$), then the second hypothesis is accepted. Thus it can be interpreted that the bankruptcy risk (BCR) variable partially has a negative and significant effect on capital structure.

The third hypothesis is growth opportunity (GROW) has a positive effect on capital structure. Based on the t test results in table 3 above it can be seen that GROW has a regression coefficient of 0.404. This shows that the effect of growth opportunity on capital structure is positive. The growth opportunity variable has at value of 0.394 with a probability of 0.000. This significance value is smaller than the expected significance level ($0,000 < 0.05$), so the third hypothesis is accepted. Thus it can be interpreted that the growth opportunity (GROW) variable partially has a positive and significant effect on capital structure.

The fourth hypothesis is that asset structure (SAS) has a positive effect on capital structure. Based on the t test results in table 3 above it can be seen that SAS has a regression coefficient of -0.203. This shows that the effect of asset structure on capital structure is negative. The asset structure variable has a calculated value of -1.023 with a probability of 0.308. Significance value is greater than the expected significance level ($0.308 > 0.05$), then the fourth hypothesis is rejected. Thus it can be interpreted that SAS variables partially do not affect the capital structure.

Based on the t test results in table 3 above it can be seen that financial flexibility (FLEX) has a regression coefficient of -0.382. This shows that the effect of financial flexibility on capital structure is negative. The financial flexibility variable has a calculated t value of -1.107 with a probability of 0.270. Significance value is greater than the expected significance level ($0.270 >$

0.05), then the first hypothesis is rejected (H_A is rejected and H_0 is accepted). Thus it can be interpreted that the financial flexibility variable partially does not affect the company's capital structure.

The results obtained from hypothesis testing (Table 3) show that financial flexibility (FLEX) has no significant effect and has a negative direction on capital structure. Thus the first hypothesis statement which states that financial flexibility negatively affects capital structure, is rejected. This insignificant result can be caused by the company relying more on internal funding and choosing to use safe debt. The sample in this study are companies from the large-sized infrastructure sector (mature firms) that have quite diverse and large operating cash. So financial flexibility is not a major consideration in determining the company's capital structure policy

The results are supported by the findings of Byoun (2008) and Clark (2010) which show that large companies prefer to use internal funds to maintain financial flexibility. This means that companies have higher flexibility and maintain debt at a safe and lower level. On the other hand, small companies prefer issuing equity and increasing cash holdings despite having low leverage to overcome the lack of financial flexibility, thereby reversing the external financing hierarchy suggested by the pecking order theory. The differences between the lines of business of a company, causing financial flexibility is also difficult to study in general. Managers see a company's financial flexibility based on speculation about the company's ability to respond to events in the future (Denis, 2011). The amount of cash flow from operating activities is a reference in determining whether the company from its operations can generate sufficient cash flow to repay loans, maintain the company's operating ability, pay dividends and make new investments without relying on outside sources of income. The greater the cash holdings of the company will cause the greater financial flexibility of a company.

Some literature predicts that there are benefits and costs to cash holdings (financial flexibility). Cash holdings tend to be higher in companies with limited access to external capital. But the excess ownership of cash itself is expensive for shareholders because managers may have incentives to pursue unprofitable projects. Large companies with high growth tend to have higher cash and take on more valuable investment projects. Companies with greater internal resources have the potential to be able to invest in profitable projects without external funding. Companies can achieve a flexible capital structure by maintaining access to low-cost external capital sources. Hoarding cash itself is expensive because of taxes and agency costs, the optimal financial policy consists of low and long-term leverage targets to maintain debt capacity. Occasionally companies operate on positive margins but their free cash flow turns out to be zero or negative. And vice versa sometimes the company operates at a certain loss but he still has cash flow that is ready to be used for operational activities (Denis, 2011).

Based on the pecking order theory approach companies with higher financial flexibility have less debt, because these companies eliminate the need for external financing by increasing their flexibility. Cash holdings enable companies to quickly fund investment opportunities when external financing (debt or equity) is more expensive or time consuming. Companies with high profitability have a tendency to prefer internal financing rather than using debt.

The company will balance the costs and benefits of holding cash (financial flexibility), large cash holdings will incur higher costs. Companies will hold large cash only to face financial obstacles or to take advantage of future opportunities. The benefits and costs associated with financial flexibility affect the company's capital structure decisions. Financial flexibility can reduce investment problems in the case of limited access to capital. Financial flexibility can also help to avoid costs associated with the occurrence of financial difficulties. Companies with higher financial flexibility can increase their cash holdings more, enabling them to fund unexpected financial needs in the future.

The results of this study differ from those of Alipour, et al. (2015); Margaretha and Ginting (2016) and Rapp, et al. (2014) which shows that financial flexibility has a negative and significant effect on capital structure. Companies with high financial flexibility values choose a lower leverage ratio (Rapp, et al., 2014). Research by Alipour, et al. (2015) also stated that financial flexibility has a negative relationship with all components of the proposed financial structure, namely long term debt, short term debt and total debt. Companies avoid the need for external funding by increasing financial flexibility (Margaretha & Ginting, 2016)

Rapp, et al., (2014) also stated that the value of flexibility cannot be observed directly. Companies with high flexibility (VOFF) have a much lower leverage ratio. It seems that companies consider financial flexibility when deciding on their leverage ratio. In order to increase additional debt in the future, companies that have a high VOFF choose a lower leverage ratio at this time.

The Effect of Bankruptcy Risk on Capital Structure

The results obtained from hypothesis testing (Table 4.6) show that bankruptcy risk has a negative and significant effect on capital structure. Thus the second hypothesis statement stating that bankruptcy risk has a negative effect on capital structure, is accepted. So the higher the bankruptcy risk, the lower the company's capital structure that comes from debt to meet the company's needs. When debt increases, companies may face financial distress, or even go bankrupt. Bankruptcy is a financial problem that is so severe that the company is unable to operate (Pratiwi & Supriadi, 2014). High-risk companies also have a high probability of default. So companies with high risk or tend to go bankrupt have low creditworthiness to apply for debt (Alipour et al, 2015). High risk will make lenders worry and be careful about giving debt and asking for higher interest.

Companies with a lot of debt will face the risk of default and increase the risk of bankruptcy due to financial difficulties. Additional debt is only optimal up to a point because there are bankruptcy costs to be faced. According to the trade off model, the optimal capital structure is a balance between tax savings on the use of debt with the cost of difficulties due to the use of debt, because costs and benefits will negate each other. The trade off theory provides an explanation of the benefits of using debt wisely and the dangers of using excessive debt (Stretcher & Johnson, 2011). Companies with high operating leverage and with greater business risk must limit the use of their financial leverage. Likewise, companies that will face high costs in the event of financial difficulties should be less dependent on debt. The existence of a negative relationship between

bankruptcy risk and capital structure may be due to the fact that companies with more risks tend to avoid using external financing and instead rely on internal financing to prevent bankruptcy.

When the risk of bankruptcy increases, problems will arise such as a decrease in sales because buyers switch to other companies, reduce net operating profit after tax, reduce productivity, suppliers refuse to give credit, transfer employees to other companies, until the decline in the value of the company (Berk, 2010). Companies with more risks tend to avoid the use of external financing and vice versa companies will rely more on internal financing to prevent bankruptcy (Alipour, et al., 2015).

This is consistent with research conducted by Eldomiaty (2007); Stertcher and Johnson (2011) states that the risk of bankruptcy affects the capital structure. Huang, et al. (2017) also found that the high level of bankruptcy costs caused hospitals in the United States to use less debt. So the higher the bankruptcy risk will cause a decrease in the company's capital structure.

Effect of Growth Opportunity on Capital Structure

Based on the testing that has been done (Table 4.6), it can be obtained that the hypothesis H3 is accepted. Growth opportunity has a positive and significant effect on capital structure. So it can be interpreted that the higher the growth opportunity, the higher the company's capital structure that comes from debt in order to meet the company's needs. Companies with high growth opportunities tend to use high amounts of debt as well. This is because companies with high levels of growth opportunities require a lot of funds for investment to support the smooth operation of their operations. The results of this study support previous studies that have been conducted, where the growth opportunity variable has a positive and significant effect on capital structure (Dewi & Lestari, 2014; Eldomiaty, 2007; Hermuningsih, 2013; Margaretha & Ginting, 2016; and Ramli, et al., 2018).

Growth opportunities basically reflect the productivity of the company and are an expectation desired by the company's internal parties as well as investors and creditors. Companies with stable growth will increase creditor confidence so that companies can obtain larger loans (Ramli, et al., 2018). In other words, the higher the growth opportunity of the company, the debt taken by the company will also increase. Hermuningsih's research results (2013) also found that capital structure is influenced by variables namely growth opportunity and profitability. Companies with more growth opportunities can move faster towards optimal capital structure.

This result is in accordance with the Pecking Order theory which states that companies will be more likely to choose debt first compared to issuing new shares. In addition, the use of debt according to signaling theory can give a positive signal to investors rather than companies issuing new shares which actually gives a negative signal. So the higher the growth opportunity, the higher the capital structure of the company. Debt is used to carry out operating activities and increase company investment

Effect of Asset Structure on Capital Structure

The results obtained from hypothesis testing (Table 4.6) show that asset structure has no significant effect on capital structure. Thus the fourth hypothesis statement which states that asset structure has a positive effect on capital structure, is rejected. In this study in general, the

greater the fixed assets of a company is predicted the greater the company's capital structure, or the greater the debt obtained by the company. But in this study companies with large assets were found to have low capital structure (low long-term debt), or conversely companies with low asset structures had high capital structures so the results of the study showed insignificant relationships. This can be caused by large fixed assets compared to current assets that will make it difficult for companies to grow which will certainly make creditors less choose this company because the company will experience difficulties in paying short-term debt. In addition, the asset structure of infrastructure companies is also more capital intensive (capital intensive), so the priority in corporate funding is equity financing, meaning that loan capital is only a complement especially to meet the funding needs for working capital (Septiani & Suaryana, 2018).

Hypothesis testing results show that the increase or decrease in the proportion of fixed assets to the total assets of the company will not affect the company's debt on capital, meaning that the addition or reduction of fixed assets has no effect on the acquisition of funds derived from debt. The greater proportion of assets does not encourage lenders to provide loans to companies in an effort to increase leverage higher. Limited fixed assets in infrastructure companies are not the main collateral for companies to be able to increase creditworthiness and obtain debt from external parties.

These insignificant findings can also be caused by differences in study samples. In previous studies the majority of researchers used a sample of manufacturing and real estate companies while in this study selected infrastructure sector companies that have different characteristics. So the results of this study do not support the hypothesis that has been established that asset structure has a positive and significant effect on capital structure.

The results of this study support the findings of previous studies which state that the structure of assets does not affect the capital structure including Al-Fayoumi and Abuzayed (2009); Kartika (2016); Mahapsari (2013); and Novitasari (2016). Al-Fayoumi and Abuzayed (2009) stated that found no relationship between asset structure and debt ratio. Kartika (2016) states that asset structure does not affect the capital structure of manufacturing companies on the Indonesia Stock Exchange.

In the pecking order theory it is explained that companies like internal funding in the form of retained earnings alone to avoid lower risk than external funds from debt loans. The company uses small fixed assets that are used as collateral for debt by the company. The company has a smaller amount of long-term debt than its own capital, which means that the company uses more of its own capital in the form of retained earnings rather than using long-term debt (Novitasari, 2016). Companies with high growth rates are generally more dependent on capital from outside the company, in companies with low growth rates, the need for new capital is relatively small so that it can be met from retained earnings (Kartika, 2016). Asset structures that have a negative effect on capital structure are likely to occur because to finance its operational activities, companies are more likely to use cash owned by companies rather than using debt (Yudiarthi and Mahfud, 2016).

The results of this study differ from previous studies conducted by Harjito (2011) and Alipour, et al. (2015) which states that asset structure has a positive effect on capital structure, because the

use of debt in the capital structure is relatively faster than internal funds to finance the company's operations. This is due to the different characteristics of companies between industries causing different effects of asset structure on capital structure. The optimal capital structure also varies by industry, mainly because some industries are more asset intensive than others.

CLOSING

Based on the results of the analysis and discussion, it can be concluded that financial flexibility does not have a significant effect on the capital structure of infrastructure companies on the IDX. Companies with higher or lower financial flexibility do not cause changes to the company's capital structure. Bankruptcy risk has a negative and significant effect on the capital structure of infrastructure companies on the IDX. Companies with higher bankruptcy risk will lower the company's capital structure.

Growth opportunity has a positive and significant effect on the capital structure of infrastructure companies on the IDX. Companies with higher growth opportunities will lead to higher corporate capital structures. Asset structure does not have a significant effect on the capital structure of infrastructure companies on the IDX. Companies with higher or lower asset structures do not cause changes in the company's capital structure.

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