

Effects of Good Corporate Governance Index and Financial Constraint toward Investment Opportunity and Capital Structure: Structural Equation Model Approach

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Abstract

The purpose of this research is to examine the direct and indirect effects of good corporate governance index, financial constraint to investment opportunity and capital structure in Indonesia Stock Exchanges. We obtained the data from Indonesian Capital Market Directory (ICMD) and the Indonesian Institute for Corporate Governance (IICG) from 2009 until 2012. We used path analysis to examine our model with using data panel. We divided our model to be two categories: Structural model I used to test the direct effects of good corporate governance index, financial constraint on investment opportunity; and structural model II governed to examine the direct effects of good corporate governance index, financial constraint and investment opportunity on capital structure. Accordingly, to test the indirect effects of our model, we multiplied the coefficients of direct effect that showed in our model. The results showed that good corporate governance index and financial constraint had positive and negative effects on investment opportunity directly and significantly. Moreover, the result also indicated that there were direct effects of good corporate governance index, financial constraint and investment opportunity on capital structure. In addition, our analysis validated the existence of indirect effects in our path model.

Keywords: Good corporate governance index, financial constraint, investment opportunity, capital structure

Introduction

The concept of corporate governance arises because of the limitations of agency theory in addressing the agency problem (Ariyoto, et al., 2000) in Nuswandari (2009). Overall the concept of corporate governance arise as attempts to control or cope with the behavior of selfish management. Corporate governance creates mechanisms and control tools to enable the creation of a profit-sharing system and a balanced wealth for stakeholders and create efficiencies for the company.

Companies tend to rely on external capital to finance its operations. The company needs to convince the external financiers that their investments are used appropriately and efficiently. Management also ensures that management acts in the best interests of company. certainty as it is given by the system of corporate governance. Good corporate governance systems provide effective protection to shareholders and creditors so that they are sure will get back with a reasonable investment and high value. Corporate governance is a guideline for managers to manage the company as best practice. The manager will make financial decisions that can benefit all parties (stakeholders). Managers work effectively and efficiently so as to lower the cost of capital and is able to minimize risk. business are expected to produce high profitability. Investors will earn revenues (return) in line with expectations. Earnings per share increased so that shares much in demand by investors. This will result in increasing the company's value (Nuswandari, 2009).

Good corporate governance also shows that the company is efficient and effective in managing the company well and properly (Ganiyu and Abiodun 2012). So that, three companies in need of funding in financing investment and operating companies, companies not facing financial difficulties (financial constraints), Investment Opportunity that benefit the company will easily be funded due to the ease in gaining access to sources of funding.

Research conducted Juniarti (2009) shows that corporate governance has a significant influence on the cost of debt which shows that companies that have good corporate governance to obtain the cost of capital cheaper and also shows investor confidence in the company. The results also supported by research conducted by Kieschnick and Moussawi (2011) found that corporate governance does not only affect whether a company uses debt, but also affects how much debt used by the company. Aldamen and Duncan (2012) also find a company that has a level of governance (corporate governance) are both tend to use more debt than the companies that have poor governance are not able to access the funding so it can not owe.

However, research is also carried out by Juniarti (2012) actually showed different results with previous studies. In this study Juniarti (2012) uses a proxy Good Corporate Governance by using the index dikeluarkan by IICG. The results show that GCGI not have a significant impact on the cost of capital. There are three opinions were expressed on the relationship between corporate governance and capital structure (Kieschnick and Moussawi, 2011). The first, called the hypothesis irrelevant. This opinion states that corporate governance has no relationship capital structure decisions. The second opinion states that corporate governance has a negative correlation to capital structure. This opinion explains that the company has a corporate governance are both tend to limit the use of many debt managers. The third opinion referred to the hypothesis control. This opinion explains that the increased use of debt used in the control rangka. untuk perusahaan weak governance (ugly). Kieschnick and Moussawi (2011) in his research support both the second and third opinion, but dismissed the idea first. It becomes interesting to be back because of the gap in the results of research conducted.

Financial constraints are the limited companies in obtaining capital from other sources of funding available to invest. Kaplan and Zingales (1997) in Hidayat (2010) stated that financial constraints occurs when companies face the difference between the cost of capital from internal sources of funding and the cost of capital from external funding sources. The contradiction

arises is how to find a model that remains in determining the company in a state not in a state of facing the problem of funding constraints (unfinancially constraint) and face problems funding constraints (financially constraint). This study tries to explore the influence of variables Good Corporate Governance Index, Financial Constraint on Investment Opportunity and Company Capital Structure.

Theoretical Review

Agency theory

Agency theory is a theory that continues to evolve in which this theory is used as the basis for the company's business practices. Basically agency theory arises from the combination of several theories such as the theory of economics, sociology, organizational theory and decision theory that exist in the business environment of the company. The principle of agency theory arose in an attempt to discuss the relationship between the owner of the company tied with management where management manager described as an "agent" is given full responsibility for managing the company by the owner of the company is regarded as the "Principal". In the agency theory illustrated that both the agent and the principal have their respective interests.

According to Jensen and Meckling (1976) in the Main (2013) states that the agency relationship is a contractual relationship between the owner of the company (principal) gives delegation to the company manager (agent) to set up the company by giving some of his authority to the principal agent. The relationship between the owner and the agent can be a conflict arises when the agent can not act in accordance with the wishes of the owner (principal) whereas as an agent, a manager has full responsibility for improving the value of the company so that it can provide benefits to the principal. The task of the Principal is to provide limits to the divergence of the company managers that the decision made by the agent does not make the company into a loss. The means used by the principal to make agent run in accordance with the wishes of the principal is to give incentives to the agent so that it will appear agency cost.

Corporate Governance

Corporate governance as a system that regulates the relationship between the company and shareholders. Corporate governance also regulate the relationship and accountability to all members of the non-shareholder stakeholders including the creditors, customers, employees and society (especially on the means units that are around the unit means of production companies).

Relations and corporate accountability to shareholders and the other stakeholders must be laid out in a healthy and heeding a wide variety of laws and other legal provisions in force in their respective countries. Otherwise, it will lower the company's business performance and lower confidence in prospective lenders and investors. Corporate governance can lead to unhealthy abuse of office by the board and management company that weak business ethics and moral. It also can cause loss of members of the stakeholders, especially shareholders, creditors, suppliers and company employees. Application of corporate governance that did not heed the applicable law can be sanctioned by government officials.

In applying corporate governance, public companies are also obliged to heed the guidance principles of good corporate governance issued by the governing body of the capital market or securities exchange of each country. The company's performance will be better if the company uses good corporate governance (GCG). Good corporate governance is basically a matter of controlling the behavior of the company's top executives to protect the interests of company owners (shareholders). Corporate governance problems can be traced from the development agency theory that explains how the parties - the parties involved in the company (managers, company owners and creditors) will behave as they basically have different interests. Corporate governance problems occur because of the separation between ownership and control of the company.

Forum for Corporate Governance in Indonesia (fcgi) defines corporate governance adapted from the Cadbury Committee of the United Kingdom as a set of rules that govern the relationship between shareholders, management (managers) of the company, the creditors, government, employees and stakeholders other internal and external relating to the rights and obligations or in other words a system that regulates and controls the company. The purpose of corporate governance is to create added value for all interested parties (stakeholders). (FCGI, 2006)

Corporate Governance Perception Index

Corporate governance perception index (CGPI) is a form of assessment that is produced in the form of a rating that is based on the application of good corporate governance in companies which exist in Indonesia. This assessment is done through a study designed to assess the application of the concept of corporate governance in a company through continuous improvement through benchmarking and evaluation. In Indonesia the CGPI research conducted by the Indonesian Institute For Corporate Governance (IICG) in cooperation with SWA magazine.

CGPI research program has been ongoing since 2001. In this CGPI ranking will be awarded at each end of a form of appreciation appreciation of the initiatives of the company's efforts in realizing the business in accordance with corporate governance through CGPI Awards and coronation as a trusted company that results from this award will published in the magazine SWA as a main dish.

The companies listed in the CGPI in 2012 has been followed by private companies, public companies, State-Owned Enterprises (BUMN), Regional-Owned Enterprises, and banking. To become a participant of the CGPI companies can apply

for yourself, so that will be the support of every aspect of corporate stakeholders in meeting GCPI implementation, so that with the CGPI encourage companies to make improvements to corporate governance practices in their environment.

Financial Constraint

Financial constraint is generally interpreted as a limitation of the company's financial condition to finance investment projects, either for expansion or for financing capital investments, which can not be fulfilled by external financial sources except the company's own internal finances.

The condition of financial limitations (financial constraints) by Hennessy and Whited (2006) interpreted if a company has access to lucrative investment opportunities. However, these companies have limited opportunities to fund these investments with external financing. Because external financing is relatively more expensive compared to internal financing. Fazzari et al. (1988) in Hidayat (2010) gives several reasons why external financing more expensive than internal financing, among others: transaction costs; taxes; agency problems; cost of financial distress; and asymmetric information.

The argument above is also supported by the Pecking Order Theory developed by Myers and Majluf (1984) in Hidayat (2010). This theory explains the company's priorities in obtaining funding is based on the law of least resistance. So it is assumed the company chose to first use its internal funds. Then when it had run out of internal funds, the company uses debt mechanism. And the last option is issuing new shares. This confirms the pecking order theory of the hierarchy of sources of finance company that prioritizes the company's internal financial resources. Then put the debt rather than equity if internal finance is no longer sufficient.

The condition of financial constraints experienced by these companies may also be exacerbated by the credit conditions are not conducive macro economic recession and credit policy of banks that do not support, so it is very difficult to obtain financing from external sources. These things leave internal funds as the only source of investment financing for companies.

Tinoco and Wilson (2013) using a comprehensive approach as a proxy for financial constraints and criteria formulated three variables:

- (1) Financial ratios (ratios Accounting);
- (2) The macro-economic variables;
- (3) Variable market.

In this model there are two main objectives. The first goal is to build financial difficulties predictions more accurate and timely data available to use on a regular basis. Variables used is accounting ratio (financial ratios) to achieve a high level of accuracy in predicting financial difficulties. The second objective of this analysis was to test the usefulness of non-financial variables, namely, macroeconomic and market variables, with respect to the influence of these variables on the accuracy and precision of financial constraints on the company.

Investment Opportunity

Investment decisions is an important factor in the company's financial functions. Fama (1978) in Hidayat (2010) states that the value of the company solely determined by investment decisions. The opinion can be interpreted that the investment decision is important, because in order to achieve the company's goal is to maximize shareholder wealth will only be generated through the company's investment activities.

The goal is to obtain investment decisions with a high degree of benefit certain level of risk. High profits accompanied by a risk that can be managed, is expected to raise the value of the company, which means to increase shareholder wealth. In other words, if the investing company is able to generate a profit by using enterprise resources efficiently, the company will gain the confidence of potential investors to buy shares. Thus the higher the value the higher corporate profits company. That means greater prosperity to be received by the owner of the company.

Investment decision covers investments in short-term assets (current assets) and long-term assets (fixed assets). Short-term assets are usually defined as assets with maturities of less than one year or less than one business cycle, in this case the funds were invested in short-term assets expected to be received back in the near future, or less than one year and received at once. The company's goal to invest in short-term assets are to be used as working capital or operating companies. Examples of short-term assets are inventory, accounts receivable, and cash.

While the long-term assets are defined as assets with maturities of more than one year, in this case the funds invested in long-term assets to be received back in more than one year and return gradually. The company's goal to invest in long-term assets is to enhance shareholder value.

Investment decisions in this study is a capital expenditure (capex), ie investments in fixed assets such as land or property, buildings, and equipment. Fund capital expenditure is incurred by the company in this regard with the expenses the company will benefit more than one year. Basic motif is the capital expenditure for expansion, replacement, or renew fixed assets or seeking the benefits that may be less tangible in the long term. Capital expenditures are part of the capital budgeting (capital budgeting). According to RJ (1997) capital budgeting is the overall process of planning and decision-making regarding the expenditure of funds for a period exceeding one year refund.

Capital investment is one of the main aspects of the investment decision other than the determination of the composition of the assets. Capital allocation decisions into investment proposals whose benefits will be realized, in the future should be

carefully considered. Due to uncertainty about the future, the benefits become uncertain, so that the investment proposal contains risks. Consequently, the proposed investment must be evaluated and linked to the risks and expected results. According to Modigliani and Miller (1958) in Hidayat (2010) that in a perfect market conditions there is no relationship between investment decisions and funding decisions. According to Arifin (2005), although the assumption of perfect markets removed, the separation between investment decisions and funding decisions still happen even though there are a few modifications that managers must use the capital cost as the weighted average discount rate. Even when the capital structure has become irrelevant, either because the tax factor or because of other factors, it still does not happen a direct relationship between investment and funding. That there is that the investment program was decided first and then decided funding. So that investment decisions are truly intended to maximize the value of the company, so that investment decisions should be independent of the funding decision.

Investment decisions can not be observed directly by outsiders. Several studies conducted in conjunction with investment decisions, among others, by Myers (1977) in Hidayat (2010) which introduced the investment opportunity set. Investment opportunity set to give broader guidance which the value of the company depends on corporate spending in the future. So the prospect of the company can be estimated from the investment opportunities. Investment opportunity set is a combination of owned assets (assets in place) and the choice of investment, in the future with a positive net present value. According Gaver and Gaver (1993) in Hidayat (2010), is a value investment opportunity company that depends on the specified expenditures management in the future, in this case at this time is the investment options that are expected to generate profits greater than. This opinion is in line with Smith and Watts (1992) in Hidayat (2010) which states that the investment opportunity set is a component of the value of the company which is the result of choices to make the investment period to come. According Kallapur and Trombley (1999) in Hidayat (2010) that the investment opportunities the company can not be observed for parties outside the company so we need a proxy to view it.

The company's capital structure

According Sawir (2005), the capital structure is composed of permanent funding of long-term debt, preferred stock and stockholders' equity. The book value of shareholders' capital consists of common stock, paid-in capital or surplus, and the accumulation of capital on hold. The capital structure is part of the financial structure. Capital structure is the result or consequence of funding decisions (financing decision) that essentially choose whether to use debt or equity to finance the company's operations.

Hypothesis

Based on the background of the problem and review of the literature the researchers propose the following research hypothesis:

- H1a: Allegedly there is the influence of good corporate governance index directly against the investment opportunity.
- H1b: Presumably there are significant financial constraint directly against the investment opportunity.
- H2a: Allegedly there is the influence of good corporate governance index directly to the company's capital structure.
- H2b: Presumably there are significant financial constraint directly to the company's capital structure.
- H2C: Presumably there are significant investment opportunity directly to the company's capital structure.
- H3a: Allegedly there is the influence of good corporate governance index indirectly to the company's capital structure through investment opportunity.
- H3b: Presumably there are significant financial constraint indirectly to the company's capital structure through investment opportunity.

Research Methods

Population and Sample

Population taken from the companies listed on the Indonesian Stock Exchange (BEI) in 2009-2012, while the samples used are the companies that participated in the survey conducted by the Corporate Governance Indonesian Institute for Corporate Governance (IICG). Sampling the company that will be studied are selected based on purposive sampling method, the sample is selected based on pre-determined criteria. The criteria for the sample used in this study are as follows:

1. The company is listed in the Indonesia Stock Exchange during 2009-2012.
2. The Company follows the corporate governance survey index perception row in 2009-2012.
3. The Company is not included in the category of banks and financial institutions (non-bank).
4. The Company presents and publishes financial statements 2009-2012

Types and Sources of Data

Data used is secondary data obtained from IICG, Indonesia Stock Exchange (IDX) through its website www.idx.co.id, Indonesian Capital Market Directory (ICMD).

Method Of Collecting Data

Data collection methods used in this study is documentation method, which used data derived from documents that have been provided by way mendonwload the 2009-2012 annual report listing in the Stock Exchange through the official website and document data www.idx.co.id CGPI ranking of The Indonesian Institute for Corporate Governance (IICG), Jakarta.

Variable Operational Definition

Endogenous variables

Endogenous variables, ie, variables that predicted by one or more of the other variables in the model. Endogenous variables known also as the dependent variable. Endogenous variables in this study is the company's capital structure (Y2) and the investment opportunity (Y1).

1) Capital Structure Company (Y2).

Measuring instruments used for the calculation of the company's capital structure is Debt to Equity Ratio. According to Kashmir (2008) Debt to Equity Ratio is used to measure the consideration between the obligations of the company with its own capital. This ratio can also mean a company's ability to meet its debt obligations with a capital guarantee sendiri. Rumus to find DER as follows:

$$DER = \frac{\text{Total Debt}}{\text{Total Equity}} \times 100\%$$

Total Equity

2) Investment Opportunity (Y1)

Simply put, Tobin's q is a measure of performance to compare the two assessments of the same asset. Tobin's q is the ratio of the market value of the company's assets as measured by the market value of the outstanding shares and debt (enterprise value) of the replacement cost of the assets of the company (Fiakas, 2005). Tobin's q is a statistical picture that serves as a proxy of the value of the company from an investor's perspective. Mathematically Tobin's q can be calculated by the formulation of the formula by Lindenberg and Ross (1981) in Bambang and Elen (2010) as follows:

$$q = \frac{MVS + D}{TA}$$

Where:

MVS : Market value of all outstanding stock.

D : Debt.

TA : Firm's assets

Exogenous variables

Exogenous variables are variables that affect or are the cause of changes in the incidence of endogenous variables (bound). Variabel exogenous known also as independent variable. Variabel exogenous in this study is the Good Corporate Governance Index (X1) and Financial Constraint (X2).

1) Good Corporate Governance Index (X1)

Good Corporate Governance Index is the result of independent research conducted by IICG cooperation with SWA magazine to determine the ranking of companies in the use of corporate governance in Indonesia. Results of the research is a trustworthy ratings are classified into three categories. Here are category level ranking companies in CGPI:

Table 2. Category Ranking CGPI

Score	Trusted level
85 – 100	highly Reliable
70 – 84	trustworthy
55 – 69	Trusted enough

Source :Corporate Governance Perception Index,IICG

Based on the rating of each year, the rankings will be used as the value for the company as a participant CGPI index value perception of corporate governance in the announcement.

1) Financial Constraint (X2).

Financial constraint variables will be measured by using the method performed by Tinoco and Wilson (2013) which is a more comprehensive method to detect the presence of financial constraints and bankruptcy. This method uses the independent variable, namely accounting Ratios selection, macro-economic variables, and market variables to determine the financial constraints of the company. The tools used to analyze logistics analysis. Logistics analysis adalah combination of multiple regression and discriminant analysis. Logit analysis formula is:

Analysis Method

The analytical method used is path analysis. An expansion path analysis regression models were used to test the correlation matrix alignment with two or more models of causality were compared by researchers. The model is illustrated in the form of a circle and an arrow image where a single arrow indicates the cause.

Line diagrams and Structural Equation

In the path analysis before researchers conducted the analysis of a causal relationship study, researchers must first create a path diagram used to represent problems in the form of pictures and determine the structural equation stating the relationship between variables in the path diagram.

a. Line Diagram

The first step in the analysis is the path translating the research hypothesis proportional shape in the form of a diagram. Diagrams are used in so-called path analysis path diagram (path diagram) and its shape is determined by the theoretical propositions derived from a certain frame of mind. In the path analysis are exogenous variables (exogenous variable) as a cause variable denoted by Y (Y_1, Y_2, \dots, Y_k) and endogenous variables (endogenous variable) as a result of variable denoted by X (X_1, X_2, \dots, X_k). While other factors which are measured variables inadvertently called implicit variable (implicit variable) is represented by a variable hereinafter referred to as an error.

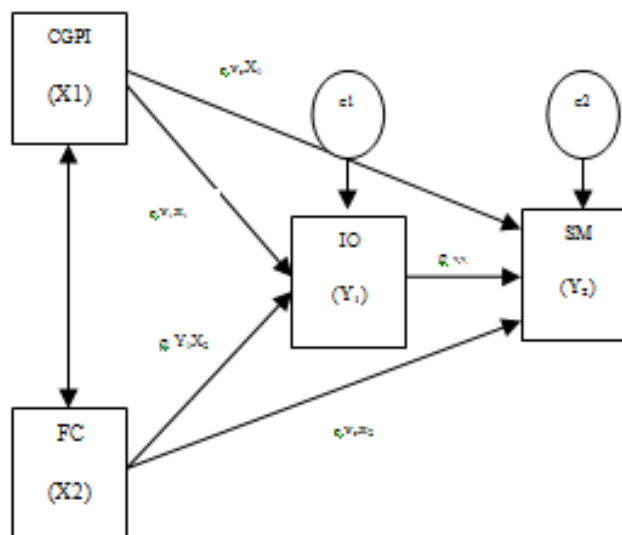


Figure 1. Model path diagram

a. Structural equation

Structural equation is an equation that states the relationship between variables in the existing line diagram. For the path diagram in Figure 1 above has two structural equation, namely:

1. The causal relationship and to Y_1 stated:
2. The causal relationship, and Y_1 to Y_2 which stated:

b. Path Analysis Assumptions

This study uses panel data for mengalasis and test the hypothesis raised, so no need to test classic assumptions. Estimates data panel will increase the degrees of freedom, reduce collinearity between explanatory variables and improve the efficiency of the estimation. Verbeek (2000: 310) in Fathoni (2013) argued that the profit regression with panel data is the ability of panel data regression to identify the regression parameters are definitely without requiring the assumption restriction or constraint.

Hsiao (2003) and Klevmarken (1989) noted several advantages of using panel data (Baltagi, 2005). Among others are:

1. Estimates panel data can indicate the presence of heterogeneity within each unit.
2. With panel data, the data is more informative, reduce collinearity between variables, increase the degree of freedom and more efficient.
3. Data panel suitable to describe the dynamics of adjustment.
4. Data panel may be able to detect and measure the impact of which can not be carried out time series data and cross-section data.
5. Data panel can be used to study a more complete model.
6. Data panel can minimize bias that may have resulted in aggregation.
7. On the other hand, the macro panel data have year long series

To avoid the presence of autocorrelation between observations (time series and cross-sectoral), then use the approach GLS (Generalized Least Square). By GLS, the correlation between observations should be corrected by the correlation coefficient.

Hypothesis Testing

Test F

F-test was used to test the significance of the effect of exogenous variables on endogenous variables simultaneously. The measures undertaken are (Gujarati, 2003):

1. Formulate Hypothesis (H_a). H_a received: means a significant difference between exogenous variables on endogenous variables simultaneously.

Table 4.2. Structural Results 1
 Flowserve influence of Good Corporate Governance Index, Financial Constraint Against Investment Opportunity

Variabel	Koefisien	Std. Error	t-Statistic	Prob.	R-squared	F Test	F (Prob)	DW
CGPI	0.0007	0.0001	5.8153	0.0000	0.1165	5.0105	0.0311	0.5683
FC	-0.2541	0.1137	-2.2358	0.0313				

Source: Data processed, 2014

Table 4.2 shows the direct influence variabel CGPI and FC against IO. CGPI positive influential variable amounting to 0.0007 and significant at α 1% level directly to the IO. This shows that companies that have good corporate governance tend to be able to create profitable investment opportunities for investors, thus attracting investors to want to invest in the company.

FC influential variable amounting -0.2541 and significant negative significant at α level of 5% directly to the IO. This shows that companies that have funding constraints (financial constraints) tend to have a profitable investment opportunities are limited compared to companies not facing financial difficulties. In addition, it shows also that the company is facing financial difficulties tend to have limited capability in investment fund they have, so it can not fund all profitable opportunities investasi they have that leads to limited investment opportunities that are owned by the company.

CGPI and FC variables simultaneously affect exhibited significantly to the IO. It can be seen from the F-test significant at α level of 5%. R- indicates that the value of the variable contribution to the CGPI and FC IO squared of 0.1165 (12%), while the remaining 88% are influenced by other factors outside the model.

Structural 2

Table 4.3. Results Structural 2

Flowserve influence of Good Corporate Governance Index, Financial Constraint and Investment Opportunity Against Capital Structure

Variabel	Koefisien	Std. Error	t-Statistic	Prob.	R-squared	F Test	F (Prob)	DW
CGPI	0.0394	0.0012	31.9208	0.000	0.3051	0.0012	0.000	0.2675
FC	1.9073	0.8619	2.2129	0.0332				
IO	-2.788	1.1564	-2.4109	0.021				

Source: Data processed, 2014

Table 4.3 shows the direct influence variabel CGPI, FC and IO of the DER. CGPI positive influential variable amounting to 0.0394 (0:04) and significant at α 1% level directly to the DER. This shows that companies that have good corporate governance tend to have great ability in accessing funding sources eksternal (chiefly loans), due to the increased level of investor confidence in corporate management professional and transparent.

FC influential variable amounting to 1.9073 and significant positive significant at α level of 5% directly to the DER. This shows that companies that have funding constraints (financial constraints) tend to look for sources of external round of funding (debt) to finance the company's activities, primarily to fund activities investasi owned by the company. This is consistent with the pecking order theory which states that companies tend to access external funding sources if the source of internal funding is not sufficient to fund the company's activities.

IO variables negatively influential and significant by -2,788 significant at α level of 5% directly to the DER. This shows that companies that have profitable investment opportunities are likely to reduce the use of debt in financing investment. In addition, it shows also that the company is experiencing a profitable investment opportunity that many tend to fund these investments with internal funding sources from within the company.

Variable CGPI, FC and IO simultaneously affect exhibited significantly to the DER. It can be seen from the F-test significant at α 1% level. R-squared values indicate that the contribution of variable CGPI, FC and IO of the DER of 0.3051 (31%), while the remaining 69% are influenced by other factors outside the model.

4.3. Summary of Parameter Estimation Model

Table 4.4. Summary of Parameter Estimation Model Direct and indirect influence CGPI, CSRI against Capital with mediating variables Structural Investment Opportunity

Between Variables Influence	coefficient Line	effect		significance	R-squared
		direct	indirect		
CGPI→IO	0.000732	0.000732		0.0000	0.116494
FC→IO	-0.254129	-0.254129		0.0313	
CGPI→DER	0.039364	0.039364		0.0000	0.305101
FC→DER	1.907273	1.907273		0.0332	
IO→DER	-2.787995	-2.787995		0.021	
CGPI→IO→DER			-0.00204		0.96445756
FC→IO→DER			0.70851		

Table 4.4 shows the indirect effect of CGPI variable to variable and variable DER DER FC against mediated by IO variables. Indirect influence on the CGPI variable DER through IO for -0.00204 shows that companies that have good corporate governance tend to reduce their debt by paying attention to whether there is a profitable investment opportunity or not. If there is a favorable opportunity companies tend to use internal funding sources beforehand than by way of debt or issue debt securities (bonds). This is consistent with the pecking order theory. FC variable indirect influence on the DER through the IO of 0.70851 indicates that the company is facing financial difficulties would tend to access external sources of funding (debt), if the company has a profitable investment opportunity. This is due to the belief that a management company that if the company is able to generate a profit from the investment funded from debt (bonds), the company will be able to meet its obligations in the form of interest and principal on debt securities (bonds) issued.

In conclusion, the limitations of the study and suggestions

Conclusion

1. GCGI significant positive effect directly against the investment opportunity
2. Financial constraints (Constraints Funding) significant negative effect directly against the investment opportunity.
3. GCGI direct significant positive effect on the capital structure.
4. Financial constraint (Constraint Funding) significant direct positive effect on the capital structure.
5. Investment opportunity (investment opportunity) significant negative effect directly on the capital structure.
6. GCGI significant negative effect indirectly on the capital structure after mediated investment opportunity.
7. Financial constraints significant negative effect indirectly to the capital structure after mediated Investment opportunity.

Limitations of the study

1. Limited owned sample caused by the small companies that participate in the survey conducted IICG and is limited to non-bank companies listed on the Indonesia Stock Exchange.
2. The variables were observed in this model is limited to a variable CGPI and FC against IO and DER.

Suggestion

1. For further research is recommended to increase the number of samples by adopting ways by IICG in determining the value of the index GCG.
2. The sample observation even expanded in companies listed on the Stock Exchange in order to produce a more general conclusions
3. Insert the other variables that have an influence on IO variables and DER, so it can produce a better model.

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