SUMMARY

ADYTIA PRADNYA MURTI. Factors Affecting Financial Flexibility (Case Study On Company Registered In Indonesia Stock Exchange Period 2008-2012. Supervised by NOER AZAM ACHSANI and TRIAS ANDATI.

Financial flexibility is one of the interesting research topic today, various studies emerged with various arguments. One of the arguments that show the need of financial flexibility is the survey by Graham and Harvey (2001), the survey result show that 392 cheif finanance officer (CFO) of various companies in the US said that financial flexibility is the most important determining factor to determin the composition of the capital structure. In general, financial flexibility can be defined as a company's ability to respond to changes that occur suddenly.

In literature many researchers mention that the capacity for debt is the most widely known factors affecting a company's financial flexibility, therefore, in this study the authors will use a method of synthetic rate and convert the result into default rate, in order to determine company in terms of ability to pay debts. In addition to synthetic rating (SR) researchers also will use the debt service coverage ratio which results demonstrate the company's financial condition in which close relation to financial distress. Based on some of the problems above, this study has the following objectives: 1. Knowing the performance of companies in Indonesia using synthetic methods ratings and debt service coverage ratio, 2. Knowing what factors are affecting the financial flexibility to the corporate in Indonesia.

Based on the calculation of synthetic rating the number of companies that received ratings below BBB in 2008 are as many as 17 companies, then in 2009 decreased to 12, in 2010 declined again to 8, 2011. 9 companies, and in 2012 declined again to 8 companies. In 2008, 13 out of 45 found scores DSCR of less than 1.2, in subsequent years this number continued to decline, until in 2012 that found the DSCR of less than 1.2 to 8 out of 45 companies. This study used a random effects model and obtain the value of R-Square is 0.682581. To determine the effect of all independent variables in the model simultaneously to the dependent variable, we use F-statistic test, and the results of data processing showed that the probability of the F-statistic has a significant influence 0.000000 <0.05, indicating that it overall all the independent variables have an influence on the dependent variable, while the t-test show that the variables that significantly affect Defautl Rate (DR) is Leverage ratio (LR), Free Cash Flow (FCF), and Cash Holding (CR).

Based on the analysis of the variables that affect the financial flexibility, some managerial implications can be be defined: For the government, based on the analysis can be seen with the crisis of the companies with the largest capitalization was still affected, with this government should establish a policies for each company to maintain its financial flexibility in order to maintain the health of the company. To reduce the negative sentiment that excessive, government can utilize the financial flexibility as a new indicator, by designing an index of financial fleksbibilitas portrait with the aim to portray the company's health. For the company, the company should establish a special division to perform forecasting of economic conditions globally, doing research, so as to create innovative financial section, and certainly improve the performance of its financial division.

For investors, the understanding of fundamental analysis is important, so it is not susceptible to any news that is not yet clear. Financial flexibility can be used as one part of the fundamental analysis that can be petrified investors to make their choice.

Keywords: Debt service coverage ratio, Financial flexibility, Panel data, Synthetic rating, and The position of the company's performance.