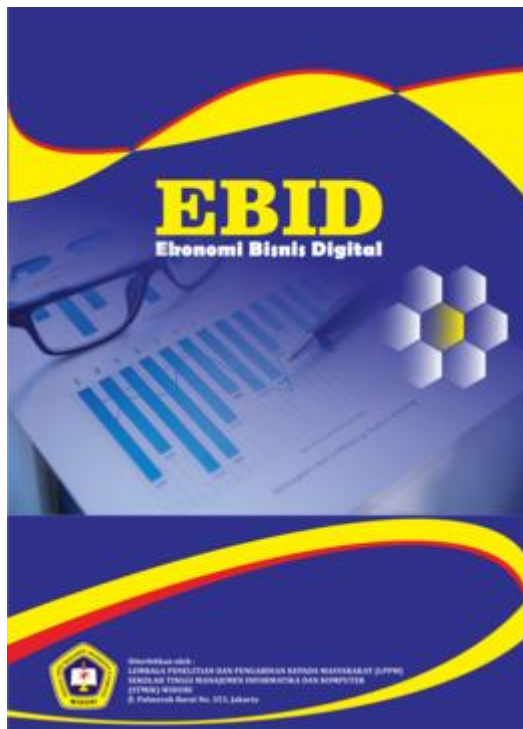


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EFFECT OF EQUITY MARKET VALUE, LEVERAGE AND INFORMATION ASYMMETRY ON THE COST OF EQUITY CAPITAL IN LQ45 COMPANIES

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ABSTRACT

This research was conducted to analyze the effect of Market Value on equity, Leverage, and Voluntary disclosure on the Cost of Equity Capital incorporated in LQ 45 companies on the Indonesia Stock Exchange. The data used in this research is secondary data, and a sample of 36 people is taken using purposive sampling technique. The data analysis method is multiple linear regression and the Classical Assumption test. The results of the analysis simultaneously show that the market value of equity, leverage and information asymmetry affect the cost of equity capital incorporated in LQ 45 companies on the Indonesia Stock Exchange. In part, the market value of equity affects the cost of equity capital incorporated in LQ 45 companies on the Indonesia Stock Exchange and voluntary disclosure is influenced by the cost of equity capital incorporated in LQ 45 companies on the Indonesia Stock Exchange.

KEYWORDS

information asymmetry , cost of equity, leverage, and market value

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Keyword: Information Asymmetry , Cost Of Equity, Leverage, And Market Value.

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EFFECT OF EQUITY MARKET VALUE, *LEVERAGE* AND INFORMATION ASYMMETRY ON *THE COST OF EQUITY CAPITAL* IN LQ45 COMPANIES

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ABSTRACT

This research was conducted to analyze the effect of Market Value on equity, Leverage, and Voluntary disclosure on the Cost of Equity Capital incorporated in LQ 45 companies on the Indonesia Stock Exchange. The data used in this research is secondary data, and a sample of 36 people is taken using purposive sampling technique. The data analysis method is multiple linear regression and the Classical Assumption test. The results of the analysis simultaneously show that the market value of equity, leverage and information asymmetry affect the cost of equity capital incorporated in LQ 45 companies on the Indonesia Stock Exchange. In part, the market value of equity affects the cost of equity capital incorporated in LQ 45 companies on the Indonesia Stock Exchange and voluntary disclosure is influenced by the cost of equity capital incorporated in LQ 45 companies on the Indonesia Stock Exchange.

Keyword: Information Asymmetry , Cost Of Equity, Leverage, And Market Value.

ABSTRAK

Penelitian ini dilakukan untuk menganalisis pengaruh Market Value terhadap Equity, Leverage, dan Voluntary Disclosure terhadap Cost of Equity Capital yang tergabung dalam perusahaan LQ 45 di Bursa Efek Indonesia. Data yang digunakan dalam penelitian ini adalah data sekunder, dan sampel sebanyak 36 orang diambil dengan menggunakan teknik purposive sampling. Metode analisis data adalah regresi linier berganda dan uji Asumsi Klasik. Hasil analisis secara simultan menunjukkan bahwa nilai pasar ekuitas, leverage dan asimetri informasi berpengaruh terhadap biaya modal ekuitas yang tergabung dalam perusahaan LQ 45 di Bursa Efek Indonesia. Sebagian, nilai pasar ekuitas mempengaruhi biaya modal ekuitas yang tergabung dalam perusahaan LQ 45 di Bursa Efek Indonesia dan pengungkapan sukarela dipengaruhi oleh biaya modal ekuitas yang tergabung dalam perusahaan LQ 45 di Bursa Efek Indonesia.

Kata kunci: Asimetri Informasi, Biaya Ekuitas, Leverage, Dan Nilai Pasar.

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INTRODUCTION

In this Globalization Era, companies in various countries are increasingly competing to compete in a healthy manner to create the best companies. This makes companies have to innovate, develop and create more creative ideas in order to survive. Every company has a goal, one of which is to get as much profit as possible and there are several aspects that need to be considered to achieve this goal. One aspect that must be considered is the capital issued for the company's operational and financial activities, both from its own capital and loan capital obtained from debts to creditors and the release of shares on the stock exchange. Every company if it wants to obtain capital needs to pay attention to the cost of equity, because it can affect the ups and downs of stock prices. According to Putra (2012) the cost of equity capital is influenced by the market value of equity and systematically, the market value of equity can be interpreted as the value of capital owned by a company which is taken based on the assessment given by market participants.

The market value of equity is one of the variables that describe the size of a company. The greater the market value of a company's equity, the greater the size of the company in the eyes of market participants.

Cost of Equity (COE) according to Sedek (2009) can be interpreted as a fee paid to attract investors to invest their money in company shares. COE is related to the investment risk of the company's stock. This means that if the company's risk is low, it will make investors interested in investing in the company so that COE is quite important for investors in considering investment decisions for the company.

Apart from that, not only COE but loan capital is also closely related to company debt, where we can measure the good and bad of a company through the debt that the company has. Leverage can reflect the company's financial risk because it can describe the company's capital structure and determine the risk of uncollectible debt. The higher the Leverage of a company, the company has a high financial risk so that it becomes monitored by Debtholders. Companies with high levels of leverage tend to want to report higher profits in order to reduce the possibility of companies violating debt agreements. The purpose of using leverage is so that the profits obtained by the company and shareholders are maximized.

Information asymmetry is a situation where a manager has access to information on company prospects that are not owned by outsiders of the company. Asymmetry arises when the agent has information that can affect decision making on behalf of the principal.

LITERATURE REVIEW

Effect of Equity Market Value on Cost Of Equity

Thus previous studies show that the market value of equity is related to the cost of equity capital. According to Mulyati's research (2018) the market value of equity shows a description of the size of a company. Therefore, the market value of equity can be used as a benchmark that investors pay attention to when investing.

Companies with large equity market values have the ability to generate greater profits because of the wide opportunities to obtain funds from internal and external parties. Companies with large equity market values are also considered to have smaller risks because there is a lot of information about large-scale companies than small-scale companies.

H₁ : Market Value of Equity Affects Cost Of Equity

The Effect of Leverage on the Cost of Equity Capital

Leverage is the company's ability to pay off its long-term obligations. In Agency theory explains that the higher the leverage of the company, the better the transfer of wealth from creditors to the company's shareholders. Companies that have a larger proportion of companies in their capital structure will have higher agency costs. Therefore, companies that have higher leverage have a higher obligation to meet the information needs of long-term creditors. Companies with higher amounts of debt will incur higher agency costs.

H₂ : Leverage Affects Cost Of Equity Capital .

The Effect of Information Asymmetry on the Cost of Equity

Information asymmetry arises when managers know more about internal information and company prospects in the future than shareholders and other stakeholders. Information asymmetry causes higher information risk, high information risk will have an impact on the high cost of capital issued by the company. When companies with high information asymmetry, investors will estimate high risk and in the end the cost of equity capital borne by the company will be high. Information asymmetry is caused when the agent has more information than the principal. Information asymmetry that occurs in the company will result in monitoring, bonding and residual costs.

Thus, previous studies show that information asymmetry is related to the cost of equity capital. Research (Aman, 2022) states that there is a positive and significant influence between information asymmetry and the cost of equity capital issued by companies. This means that the increasing information asymmetry will increase the cost of equity capital. Vice versa, decreasing information

asymmetry will reduce the *cost of equity capital*. Based on this explanation, the provisional formulation of the results of this hypothesis is:

H₃ : Information Asymmetry Affects Cost Of Equity Capital

RESEARCH METHODS

Research design

In this study, researchers will use quantitative research methods as a hypothesis testing tool to analyze the effect of the independent variables on the dependent variable in companies joining the LQ 45 listed on the Indonesia Stock Exchange (IDX) in 2018-2020. The independent variables in this study include the market value of equity, *leverage*, and information asymmetry. The dependent variable in this study is the *cost of equity capital*. The data used in this study are secondary data, researchers will get sources of information through financial reports on the *Indonesia Stock Exchange (IDX)* website and company websites. The data to be managed is by applying a statistical analysis tool called SPSS.

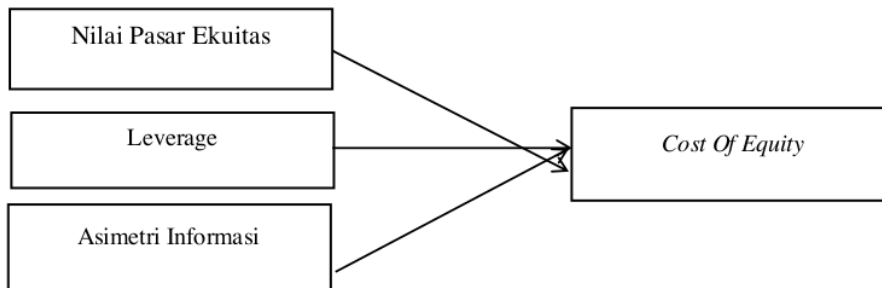


Figure 1. Research Design

Population and Sample

The criteria for the sample taken are companies that are members of LQ45, whose greeting value is above 10,000,0000, from the data that has been collected only 35 data meet the criteria.

Data Types and Sources

The type of data in this study is secondary data. Secondary data is received data that is indirect, meaning that there is no relationship between the data provider and data collection. Secondary data in this study were obtained from annual reports and financial reports of companies incorporated in LQ 45 on the IDX for 2018-2021 (*unbalanced*) and can be accessed through the official website of the Indonesia Stock Exchange (www.idx.co.id) and the official website of each company.

Hypothesis test

Hypothesis testing is useful for proving the hypothesis that has been made before. In this study, researchers used the Goodness of Fit and F test. Based on the Goodness of Fit, it was proven that the ability of the independent variables to influence the dependent variable was 41.2%. Based on the F test, it is proven that there is at least one independent variable that influences the dependent variable.

RESEARCH RESULTS AND DISCUSSION

Analysis

Data Acquisition (Research Variable Descriptive Statistics)

Descriptive statistical research is used to show an overview of the variables contained in this study, namely the Market Value of Equity (X1), Leverage ((X2), Information Asymmetry (X3), Cost of Equity (Y).

Table 1. Data Acquisition (Research Variable Descriptive Statistics)

	N	Minimum	Maximum	Means	std. Deviation
X1	135	-1.061213099064480	.583471180089771	.416808692251955	.425785852578527
X2	135	-21625000000	10432151106250000	306607326777008,06	1431084714955293,500
X3	135	.000000000000000	72910,925196850400000	1597,300976030660000	7391,214030789097000
Y	135	-.916030534351145	37,140992167101830	7,319364007163818	5.662413705164238

Based on the table above, Market Value of Equity (X1) has a minimum value of -1.061213099064480 and maximum value of .583471180089771 , so that an average of .416808692251955 is obtained with a standard deviation of .425785852578527. Leverage (X2) has a minimum value of -21625000000 and a maximum value of 10432151106250000 , so that an average of 306607326777008,06 with a standard deviation of 1431084714955293,500 . Information asymmetry (X3) has a minimum value of .000000000000000 and a maximum value of 72910,925196850400000 , so we get an average of 1597,300976030660000 with a standard deviation of 7391,214030789097000 . Cost of Equity (Y) has a minimum value of -.916030534351145 and a maximum value of 37,140992167101830 , so that an average of 7,319364007163818 is obtained with a standard deviation of 5.662413705164238 .

DATA QUALITY TEST

CLASSIC ASSUMPTIONS

1. ERROR NORMALITY TEST

Table 2. One-Sample Kolmogorov-Smimov Test

		Unstandardized Residuals
N		135
Normal Parameters ^{a,b}	Means	.0000000
	std. Deviation	.39211470
Most Extreme Differences	absolute	.120
	Positive	.105
	Negative	-.120
Test Statistics		.120
asympt. Sig. (2-tailed)		.000 ^c
Exact Sig. (2-tailed)		.039
Point Probability		.000

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

HYPOTHESIS

HO: NORMAL ERROR DATA DISTRIBUTION

HA: DATA DISTRIBUTION ERROR IS NOT NORMAL

DECISION

IF SIG KS VALUE > 0.05 (5%), THEN HO IS ACCEPTED

IF SIG KS VALUE < 0.05 (5%), THEN HO IS REJECTED

RESULTS

Table 3. Hypothesis

Kolmogorov-Smirnov test	Unstandardized Residuals	INFORMATION
EXACT SIG	0.039	HO ACCEPTED

Based on the error normality test using KS analysis, the results obtained were $0.039 < 0.05$ (5 %) so that H_0 was rejected . This means that the distribution of error data is not normal and the research can proceed to the next stage.

2. MULTICOLINEARITY TEST

Table 4. Multicollinearity Test

Coefficients ^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	std. Error	Betas			tolerance	VIF
1	(Constant)	-.283	.057		-5.002	.000		
	market value	-5,062E-17	.000	-,170	-2,111	.037	.997	1.003
	leverage	-1,789E-5	.000	-,311	-3,854	.000	.997	1.003
	AI	-.012	.006	-,163	-2,022	.045	.998	1.002

a. Dependent Variable: total COE

HYPOTHESIS

H_0 : NO MULTICOLINEARITY

H_A : THERE IS MULTICOLLINEARITY

DECISION

IF VIF VALUE < 10, THEN H_0 IS ACCEPTED

IF VIF VALUE > 10, THEN H_0 IS REJECTED

RESULTS

Table 5. Hypothesis

VARIABLE	VIF	INFORMATION
X1	1.003	HO ACCEPTED
X2	1.003	HO ACCEPTED
X3	1,002	HO ACCEPTED

Based on testing of all independent variables, the value of VIF < 10 was obtained, so that H_0 was accepted. It means that there is no multicollinearity in this model.

3. HETEROSEDATICITY

HYPOTHESIS

H_0 : NO HETEROSEDATICITY

H_A : THERE IS HETEROSEDATICITY

DECISION

IF SIG VALUE > 0.05 (5%), THEN H_0 IS ACCEPTED

IF SIG VALUE < 0.05 (5%), THEN H_0 IS REJECTED

RESULTS

Table 6. Heteroscedaticity

VARIABLE	SIG	INFORMATION
X1	,128	HO ACCEPTED
X2	,326	HO ACCEPTED
X3	,601	HO ACCEPTED

Based on testing of all independent variables, the results obtained are SIG values > 0.05 (5%), so that Ho is accepted. It means that there is no heteroscedasticity in this model.

4. AUTOCORRELATION

Table 7. Summary Model^b

Model	R	R Square	Adjusted R Square	std. Error of the Estimate	Durbin-Watson
1	,390 ^a	,152	,132	,396579147650931	2.156

a. Predictors: (Constant), AI, Leverage, market value

b. Dependent Variable: total COE

HYPOTHESIS

HO: NO AUTOCORRELATION

HA: THERE IS AUTOCORRELATION

DECISION

n = number of samples

k = number of independent variables

	AUTO -	INCONCLUSIVE	NO AUTO	INCONCLUSIVE	AUTO+
0	DL	DU 2 4-DU	4-DL 4		
0	1.6738	1.7645	2.156	2.2355	2.3262

Based on the autocorrelation test using the glacier model, the result is 2.156 and it is in the No Auto area. It means that there is no autocorrelation.

HYPOTHESIS TESTING

THEOR TEST I

1. GOODNESS OF FIT

Table 8. Goodness Of Fit

VARIABLE	COEFFICIENT	SIG 2-TAILED	DECISION
(Constant)	-.283	,000	
X1	-.55062E-17	,037	HO1 REJECTED
X2	-.1789E-5	,000	HO2 REJECTED
X3	-.012	,045	HO3 REJECTED
GOODNESS OF FIT	.132 (13.2%)		
TEST F	0.000		

GOODNESS OF FIT TEST

Based on the Goodness of Fit table, the result is 0.132 (13.2 %). This means that the ability of the independent variable to explain the behavior of the dependent variable is 13.2 % and the remaining 100 % - 13.2 % = 86.8 % are independent variables that are able to explain the behavior of the dependent variable, but are not included in the model.

TEST F

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There are two hypotheses, namely H_0 = there is no independent variable that affects the dependent variable and H_a = there is at least one independent variable that affects the dependent variable. The decision is made that if the SIG value > 0.05 (5%), then H_0 is accepted and if the SIG value is > 0.05 (5%), then H_0 is accepted and if the SIG value is < 0.05 (5%), then H_0 is rejected.

Based on the F test table, the result is a value of $0.000 < 0.05$ (5%), so H_0 is rejected. It means that there is at least one independent variable that influences the dependent variable

Discussion

H1 = Market Value of Equity has a positive effect on the Cost of Equity . There are two hypotheses, namely H_0 = Equity Market Value has no effect to the Cost of Equity and H_a = Equity Market Value affects the Cost of Equity . The decision is made that if the SIG value > 0.05 (5%), then H_0 is accepted and if the SIG value is < 0.05 (5%), then H_0 is rejected. Based on statistical processing, the coefficient results are $-5.5062E -17$ and the beta sign indicates a positive result, where the Equity Market Value has a positive effect on the Cost of Equity . The results of statistical data processing show that the GIS value is $0.037 < 0.05$ (5%), so H_0 is rejected. It means that it can be concluded statistically that at the 95% confidence level there is an effect. Market Value of Equity to Cost of Equity .

H 2 = Leverage has a positive effect on the Cost of Equity . There are two hypotheses, namely H_0 = Leverage has no effect to Cost of Equity and H_a = Leverage affect the Cost of Equity . The decision is made that if the SIG value > 0.05 (5%), then H_0 is accepted and if the SIG value is < 0.05 (5%), then H_0 is rejected. Based on statistical processing, the coefficient results are $-1.789E-5$, the beta sign indicates a positive result, where Leverage has a positive effect on the Cost of Equity . The results of statistical data processing show that the GIS value is $0.000 < 0.05$ (5%), so H_0 is rejected. It means that it can be concluded statistically that at the 95% confidence level there is an effect. Leverage haan against the Cost of Equity .

H 3 = Information asymmetry has a positive effect on the Cost of Equity . There are two hypotheses, namely H_0 = Information Asymmetry has no effect to Cost of Equity and H_a = Information Asymmetry affects the Cost of Equity . The decision is made that if the SIG value > 0.05 (5%), then H_0 is accepted and if the SIG value is < 0.05 (5%), then H_0 is rejected. Based on statistical processing, the coefficient results obtained are -0.012 , the beta sign indicates a positive result, where Information Asymmetry has a positive effect on the Cost of Equity . The results of statistical data processing show that the GIS value is $0.045 < 0.05$ (5%), so H_0 is rejected. It means that it can be concluded statistically that at the 95% confidence level there is an effect. Information Asymmetry on Cost of Equity

CONCLUSIONS

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Based on the data analysis that has been done, it can be concluded that partially the variables of market value, leverage, and information asymmetry have a significant effect on the cost of equity in companies that are members of LQ45 on the Indonesia Stock Exchange. From the results of simultaneous testing it can also be concluded that the market value of equity, leverage and information asymmetry have a significant effect on LQ45 companies that are members of the Indonesia Stock Exchange.

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