

The Influence of Information Asymmetry and Intellectual Capital Disclosure to Cost of Equity Capital with Managerial Ownership and Institutional Ownership as a Moderating Variable (Banking Sector Issuers listed on Stock Exchange 2013 - 2016)

Siti Choiriah Itjang D Gunawan
Economics and Business Faculty, Trisakti University

Abstract

This study aim to examines the relationship between Information Asymmetry, Intellectual Capital and Cost of Equity Capital moderated by Managerial Ownership and Institutional Ownership. Using a sample of banking companies listed on the Indonesia Stock Exchange from 2013 to 2016, this study uses multiple linear regression. This study result there is a significant positive effects Asimetry Information on Cost Of Equity. Then a significant positive effects between Intellectual Capital Disclosure to Cost of Equity Capital. For Moderation Variables there are negative effects are moderation variables 1a and 1b. Namely Information to Cost of Equity Capital moderated by Managerial Ownership and Information Asymmetry to Cost of Equity Capital moderated by Institutional Ownership. While the Control Variables no effect.

Keyword: Information Asymetry, Intellectual Capital, Cost Of Equity Capital, Managerial Ownership, Institutional Ownership.

Introduction

Indonesia's economy began to enter a new phase towards the economic system, in which the market mechanism has a decisive role. Economic actors urgently need accurate information in order to make the right decision. Thus the need for information continues to grow rapidly along with the economic development of Indonesia, including information relating to the activities in the capital market (Hassan, 2013). According to Francis et al. (2004) in Kazemi and Rahmani (2013) investors as a capital supplier for firms interested in information about the inherent risks and return on their investment. They need information to make the right decisions about purchasing, holding or selling shares and evaluating company performance in relation to dividend payments.

Businesses tend to use funds from external parties will disclose information needed broader by investor or fund provider that will reduce their investment risk. Firms with high levels of disclosure will reduce information asymmetry and low capital costs. According Utami (2010) cost of capital is the rate of return that must be generated by the company on investment projects to maintain market value. Cost of capital can also be considered as the rate of return desired by the funder to invest their funds into the company. Thus, Cost of capital in a company have a pretty big impact because investment risks associated with the company's shares.

Information asymmetry is the condition that a person has information that is unknown to others. Due to the existence of excess information owned by one, then the company's performance can not be monitored less by the shareholders. In a state of high information asymmetry, shareholders do not have enough information to know whether the financial statements have been modified or not.

The company's management strives to provide relevant, timely and valuable information to investors. Because financial statements that do not provide adequate disclosure levels will be viewed as risky financial statements. To avoid this, the company's management still disclose information, both mandatory and voluntary to investors. The higher disclosure of information to investors will attract investors and also reduce of estimation risk and information asymmetry, which in turn can reduce cost of equity. In the troubled company there are things that must be well understood. Because of high Cost of Capital not only because of low disclosure rate or vice versa. But there are other factors. The more information disclosed, the investor will feel the higher the risk level of the company. Thus the expected return is also higher which in turn leads to cost of equity also goes higher (Aisyah and Kusumaningtyas, 2012).

Companies in Indonesia, which became one of the businesses are also increasingly follow and develop technologies relevant to its business lines. According to Guthrie and Petty (2000) one of the approaches used to assess and measure knowledge assets is intellectual capital. Intellectual capital is one form of intangible assets Company in Indonesia, which became one of businesses are also increasingly follow and develop technologies relevant to its business lines. This makes the company no longer rely solely on its physical assets, but also on knowledge, information and communication technology and increasingly emphasizes the importance of knowledge assets as a form of intangible assets and causes companies to start developing their

knowledge assets. Until now the constraints that occur in intellectual capital is the value that can not be seen explicitly in the financial statements because of issues of identification, recognition and disclosure.

Sir et al. (2010) states that to be able to demonstrate intellectual capital value by expanding intellectual capital disclosure in company's annual report. Disclosure of intellectual capital (IC) will be economically useful if it is associated with a lower average return expected by all corporate investors. Expected return of debt investors, or debt costs, is relatively easy to calculate because it consists of interest paid (Orens et al., 2009). Mangena et al (2010) states that most intangible assets can not be included in balance sheet and disclosure of corporate intellectual capital in financial statements and voluntary annual reports. According to Bukh (2003) the type of intellectual capital disclosure is valuable information for investors, because it can help them reducing the doubters from the future prospects of company and facilitate in assessing the company.

According to Sofian et al. (2011) increasing and improving quality of information pertaining to profit relevance through intellectual capital recognition plays an important role in reducing information asymmetry, while simultaneously increasing investor willingness to invest eventually leads to a reduction in equity costs. The difference in the composition of information between public and private information affects cost of capital, with investors demanding higher returns for holding shares with greater personal information. This higher return comes as informed investors are better able to shift their portfolio weight to include new information, and less informed investors are thus less fortunate.

According Murwaningsari (2012) information asymmetry has a significant positive effect on cost of capital. Kazemi and Rahmani (2013) also show a positive and significant relationship between information asymmetry and cost of capital. Whereas according to Lambert et al (2009) after one control for the average precision, the level of information asymmetry in the economy (which we measure by the difference of individual investor precision matrices relative to the average precision matrix) does not affect the cost of capital. The results of Suhendah (2012) also stated that there is no influence between information asymmetry and cost of equity capital. The findings are consistent with bid ask spread theory which explains, when information asymmetry occurs, every decision a manager can affect the stock price resulting in transaction costs and reduce expected liquidity in the capital market. To reduce the information gap and reduce the cost of equity capital, according to Mangena et al (2010) should the company disclose a larger Intellectual Capital so that investors have more information. Boujelbene and Affes (2013) also stated that there is a significant and negative relationship between intellectual capital disclosure with two components (human capital, structural) and cost of equity. While, according to Aisyah and Kusumaningtiyas (2012) Partially the level of disclosure has a significant positive effect on the cost of equity capital. This positive influence means that the higher the disclosure level will result in higher cost of equity capital. Suhendah (2012) also stated that there is effect between disclosure with cost of equity capital.

This results are consistent with the signal theory which explains that the financial statements give a signal to its users about information held by the company's management. Financial reports that provide a high level of disclosure are considered high-risk financial statements so that investors assess the results of a company's financial statements have a high risk, resulting in expected returns by investors is also high, and cause the cost of equity to be incurred by the higher company. The results of previous studies have been inconsistent with information asymmetry and intellectual capital disclosure to cost of equity capital, thus adding to the debate among practitioners and have not been specifically researched for capital market conditions in Indonesia. Therefore, research to know the influence of information asymmetry and intellectual capital disclosure to cost of equity capital becomes an important thing done.

Literature Review

Agency Theory

Agency Theory is closely related to the relationship between management (agent) and shareholder (principal). According to Jensen and Meckling (1976) agency relationships are a relationship between management as an agent and an investor as principal, both of which work together, but in different positions using contracts or specific agreements. Conflict between agent and principal will arise when there is a difference of interest where the agent should be tasked to prosper the principal, but tend to emphasize self-interest so as to sacrifice the interests of the principal. Associated with an increase in corporate value, when there is information asymmetry, managers can signal the firm's condition to investors in order to maximize the value of the firm's stock. Company performance will increase if there is cooperation between agent and principal also improvement of accounting information given by the manager (Rahmawati et al., 2006).

Stakeholder Theory

According Deegan (2004) in stakeholder theory states that all stakeholders have the right to obtain information about companies activities that affect them. Stakeholder theory emphasizes organizational

accountability far beyond simple financial or economic performance. The stakeholders have the authority to influence management in the process of utilizing all of the potential possessed by the organization. Because only with good management and maximal over all potency of this organization will be able to create value added to then push financial performance and company value which is orientation of stakeholder in intervention management (Widarjo, 2011).

Bid-Ask Spread Theory

Bid-ask spread is used as one of the information asymmetric proxies as the bid-ask spread is the determinant of stock transaction costs and greatly affects the performance of the capital market. Bid-ask spreads are one measure of market liquidity used extensively in previous research as a measure of asymmetric information between management and corporate shareholders (Suhendah, 2012). There is a component of the spread that contributes to the losses experienced by dealer when transacting with an informed trader, namely: Order processing cost, consisting of fees charged by the securities trader (effect) on its readiness to reconcile purchase and sale orders, and compensation for the time spent by securities traders to complete transactions. Inventory holding costs, is costs borne by securities traders to bring stocks of stocks to be traded on demand. Adverse selection component, is a reward given to securities traders to take risks when dealing with investors who have superior information. This component is closely related to the flow of information in capital market.

Information Asymmetric

According Suhendah (2012) information asymmetry is a condition of an imbalance of information between the manager with stakeholders. Managers as internal parties who have more information than external parties, often use the source information to maximize profit for himself in the framework of corporate performance appraisal. The existence of asymmetric information cause a conflict of interest between the manager as an agent with the principal (shareholders, investors, creditors, etc.). Asymmetry information can be reduced by giving financial statements regularly by managers to owners.

According to Scott (2012, 21-22) there are two main types of information asymmetry, namely the first, Adversed selection is a type of information asymmetry where one or more parties for business transactions, or potential transactions, have the advantage of information through others. Secondly, Moral hazard is a type of information asymmetry whereby one or more parties for business transactions, or potential transactions, can observe their actions in transaction fulfillment but the other party can not.

When information asymmetries arise, decision making phrases created by managers can affect stock prices because information asymmetry between more informed investors and less-informed investors leads to transaction costs and reduces the expected liquidity in the market for company stocks.

Intellectual Capital Disclosure

Intellectual Capital is information and knowledge applied to work to create value. Intellectual Capital is also defined as a knowledge-based asset within a company that becomes the core competition base that can affect the development of endurance and corporate excellence. Pulic (2001) states Intellectual Capital as a collection of employees, organizations, and its ability to create added value and certify that "*IC includes all the processes and the assets which are not normally shown on the balance sheet and all the intangible asset (trademarks, patent and brands) which modern accounting methods consider.*". Based on OECD (Bontis et al, 2000) developed the opinions of the researchers and identified three main constructs of Intellectual Capital: human capital (HC), structural capital (SC) and customer capital (CC). According to Bontis et al (2000) simply human capital represents the individual knowledge stock of the employee and is a combination of genetic inheritance; education; experience and attitude about business life.

Cost of Equity Capital

According to Arief (2009) cost of capital is the rate of return on stock returns required by investor, is minimum rate of return desired by investor. The required level of profit actually can be seen from two parties, namely investor and company side. In return the level of risk borne by investor is a reflection of the profit desired by investor. While for companies that use the funds (capital), the amount of required rate of return is cost of capital that must be spent to get the capital. Cost of capital component according to Ross et al. (2009), among others: Cost of equity is the rate of return required by equity investors on their investment in the company. The second The cost of debt is the rate of return that the borrower must borrow on the debt. The cost of a company's debt can usually be observed directly or indirectly. The cost of debt is simply the interest rate a firm must pay on its new loan and we can observe the interest rate on the financial market.

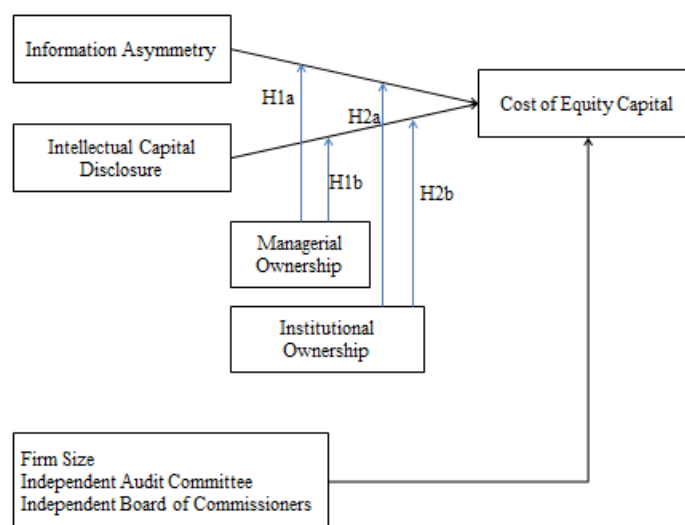
There are several models of valuation of the company, according to Utami (2010), among others, the constant growth valuation model is the share value equal to the present value of all dividends to be received in the

future (assumed at the level constant growth) indefinitely (this model is known as Gordon Model). The second Capital Asset Pricing Model (CAPM). Based on the CAPM model, the ordinary share capital cost is the expected rate of return by investors as compensation for non-diversified risk as measured by beta. Thirdly, the Ohlson Model is used to estimate the value of the firm based on the book value of equity plus the cash value of the abnormal profit. Botosan (1997) basically uses the Ohlson model to estimate the cost of equity capital. Botosan (1997) calculates the expectations of cost of equity capital by estimating earnings per share for the next four years ($t = 4$) and using the earnings forecast data published by Value Line. In Indonesia the publication of earnings for earnings per share data does not exist, therefore for estimation earnings per share researcher using random walk model. The reason for using random model estimation is based on Rini (2002) research results in Utami (2005). The study aims to test the accuracy of profit forecasts by using several mechanical models. The mechanical models used are Jenkins Box model, random walk model, Foster model, Watts-Griffin model and Brown-Rozellf. It is statistically concluded that there is no significant difference in the prediction of earnings forecasts between Box Jenkins model with random walk model, Foster model and Brown-Rozellf. Therefore, in the study concluded that the random walk model can be used as an alternative in measuring earnings forecasts.

Previous Research

Several previous studies related to effect of information asymmetry and intellectual capital disclosure against cost of capital include Murwaningsari (2012) who conducted research on factors affecting cost of capital (Approach: Structural Equation Model). This study examines 53 manufacturing companies listed on the Jakarta Stock Exchange using Structural Equation Model method. The result of the test states that information asymmetry has a significant positive effect on the cost of capital. The study results were also supported by the research of Kazemi and Rahmani (2013), they examined the relationship between information asymmetry and cost of capital by using sample of 109 companies listed on the Tehran Stock Exchange during the period 2005-2010 and the results showed a positive and significant relationship between information asymmetry and cost of capital. While research results of Lambert et al. (2009) on information asymmetry, information precision and the cost of capital in some corporations with correlated cash flows, suggesting that the level of information asymmetry in the economy (which we measure by the precision matrix difference of individual investors relative to the average precision matrix) has no effect on cost of capital. Suhendah (2012) who conducted research on the effects of financial statement disclosure and information asymmetry to cost of equity capital in 98 companies. The results also state that there is no influence between information asymmetry and cost of equity capital. While Mangena et al. (2010) conducting research on intellectual capital disclosure practices and effects on the cost of equity capital using a sample list of UK firms. Boujelbene and Affes (2013) who conducted research on the impact of intellectual capital disclosure on cost of equity capital using samples at companies listed on the SBF 120 French stock market index also stated that there is a significant and negative relationship between intellectual capital disclosure with two components (human capital, structural) and cost of equity.

Framework



2. Hypotheses

a. Effect of Information Asymmetry on Cost of Equity Capital

Agency theory implies information asymmetry between managers as agents and owners (in this case shareholders) as principals. Information asymmetry arises when managers know more about internal information and future company prospects than shareholders and other stakeholders. According to Healy and Palupe (2000) a potential solution to the problem of information asymmetry is a regulation requiring managers to fully disclose their personal information. In Murwaningsari's (2012) study which states that Asymmetry of Information affects Cost Of Equity Capital in this case causing increase of information asymmetry will cause increasing transaction cost in this case represented by bid ask spread.

H₁ : There is Positive Effect Information Asymmetry on Cost of Equity Capital

b. Effect of Information Asymmetry on Cost of Equity with Managerial ownership as a moderating variable

According Suhendah (2012) information asymmetry is a condition of an imbalance of information held between manager with stakeholders. Managers as internal parties who have more information than external parties, often use the inequality of source information to maximize profit for himself in the framework of corporate performance appraisal. The existence of such asymmetric information leads to a conflict of interest between manager as an agent with principal (shareholders, investors, creditors, etc.). Asymmetry information can be reduced by giving financial statements regularly by managers to owners

H1a : There is positive Effect of Information Asymmetry on Cost of Equity with Managerial Ownership as a Moderating Variable

c. Effect Information Asymmetry on Cost of Equity with Institutional Ownership as a Moderating Variable

According Suhendah (2012) information asymmetry is a condition of an imbalance of ownership of information between the manager with the stakeholders. Managers as internal parties who have more information than external parties, often use the inequality of the source information to maximize profit for itself in the framework of corporate performance appraisal. The existence of such asymmetric information leads to a conflict of interest between the manager as an agent with the principal (shareholders, investors, creditors, etc.). Asymmetry information can be reduced by giving financial statements regularly by managers to owners.

H1b : There is Positive Effect Information Asymmetry on Cost of Equity with Institutional Ownership as a Moderating Variable

d. Effect of Intellectual Capital Disclosure on Cost of Equity

In intensive economic knowledge, corporate intellectual capital, whether it comes from employees, customer databases or brands, no doubt contributes to the company's success and its core value. Most intangible assets can not be included in the company's balance sheet and intellectual capital disclosure in annual reports and financial reports has become voluntary. Stakeholder theory emphasizes organizational accountability far beyond simple financial or economic performance.

The stakeholders have the authority to effect management in the process of utilizing all the potential possessed by the organization (Mangena et al., 2010). According to Guthrie et al (2003) companies are more likely to report their intellectual capital if they feel it will legitimize their status in certain groups. According to Lambert et al. (2005) states that the quality of accounting information may affect cost of capital, either directly or indirectly. According to Orens et al. (2009) suggests that firms with greater intellectual capital disclosure (IC) are useful for reducing the level of information asymmetry, lowering cost of capital and lowering capital of debt and demonstrating higher corporate values. Based on the results of research Mangena et al. (2010), Boujelbene and Affes (2013) that intellectual capital disclosure has a negative and significant relationship to cost of equity capital. Then the hypothesis is as follows:

H2 : There is negative Effect Intellectual Capital Disclosure on Cost of Equity

e. Effect Intellectual Capital Disclosure on Cost of Equity with Managerial Ownership as a Moderating Variable

Pulic (2001) states "IC includes all the processes and the assets which are not normally shown on the balance sheet and all the intangible assets (trademarks, patents and brands) which modern accounting methods consider ..". Some researchers have expressed their opinion about Intellectual Capital. But all of them have no provisions of the elements contained in Intellectual Capital. According to Lambert et al. (2005) states that the quality of accounting information may affect the cost of capital, either directly or indirectly. According to Orens et al. (2009) suggests that firms with greater intellectual capital disclosure (IC) are useful for reducing

the level of information asymmetry, lowering cost of capital and lowering capital of debt and demonstrating higher corporate values.

H2a : There is positive Effect *Intellectual Capital* on *Cost of Equity* with *Managerial Ownership* as a Moderating Variable

f. Effect Intellectual Capital Disclosure on Cost of Equity with Institutional Ownership with as a Moderating Variable

According to Mangena (2010) Intellectual Capital is the ownership and control of the company's internal structure in the form of technology and management philosophy, the external structure of the company in the form of skills and professional knowledge of employees, good relationships with consumers, suppliers, partners and governments which can provide a competitive advantage. With greater institutional ownership, management controls will be more effective, thus reducing the manager's arbitrary actions. And it will reduce agency risk and reduce cost of equity capital. Based on the description above then this hypothesis is:

b. H2b : There is Positive Effect Intellectual Capital on Cost of Equity with Institutional Ownership with as a Moderating Variable

Operational Definition and Variable Measurement

Dependent Variable

a. Cost of Equity Capital

$$K_S = \sqrt{\frac{eps_{t+1}}{P_t} \cdot growth_{t+2}}$$

Independent Variable

Independent variable used in this study is Information Asymmetry proxied by bid-ask spread. Bid-ask spread is the highest purchase price difference with the lowest selling price performed by the trader. Based on the research of Suhendah (2012) the formula for calculating bid-ask spread is as follows:

ask_{it} : highest ask price of stock of company i which happened on day t

bid_{it} : lowest ask price of stock of company i which happened on day t

Intellectual Capital Disclosure

Measurement of ICD index in this research is ICD index used Mangena et al. (2010) ie content analysis, involving use of dichotomous procedures, where each item of ICD category disclosed will be scored one (1) and if not disclosed will be scored zero (0). Thus, the percentage of intellectual capital disclosure index as a total is calculated based on the following formula:

$$ICDI_j = \frac{\sum_{i=1}^{n_j} X_{ij}}{n_j}$$

Information :

ICD_{index} = *Intellectual Capital Disclosure index*

di = 1 if disclosed in *annual report*, 0 if not disclosed in *annual report*.

M = amount of item that be measured (61 item).

Control Variable

Firm Size, Size as the size of the company that distinguishes small with large corporate. The size determination (Firm size) can be written as follows: Firm size = Ln (total assets). **Independent Audit Committee**, Independent Audit Committee is calculated by the formula Number of independent audit committees in the division with total audit committees within the company. **Independent Board of Commissioners**, calculated by formula The number of independent commissioners divided by the number of members of board of commissioners.

Moderating Variable

Managerial Ownership, Managerial Ownership is calculated by the formula Number of shares owned by managers, directors and commissioners divided by total shares outstanding. **Institutional Ownership**, Institutional Ownership is measured by Number of institutional shares divided by the number of shares outstanding

Population and Sample Research

In this study used the population of Banking companies listed on the Indonesia Stock Exchange (BEI) for the period of 2013-2016. The sample used in this study is determined by using purposive sampling method, aiming to get a representative sample in accordance with the criteria specified. By using secondary data obtained from several sources namely, the official website of BEI at www.idx.co.id, the official website of the company and Indonesia Capital Market Directory (ICMB). Data collection method used in this research is documentation study, which is financial data and disclosure data derived from audited financial statements and annual reports of companies listed on Indonesia Stock Exchange (BEI) during the period 2013-2016 for banking companies. Multiple Linear Regression is as follows:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

$$COC = a + \beta_1 Spread + \beta_2 ICD + \beta_3 Size + \beta_4 MO + \varepsilon$$

Information:

- COC : *cost of equity capital*
 a : constant value, Y if X_1 and $X_2 = 0$
 β : regression coefficient, is increase and decrease value of dependent variable (Y) based on independent variable (X)
 ICD : score of *Intellectual Capital Disclosure index*
 AI : Informatin Asymmetry proxied with bid-ask spread
 Size : Firm Size (Total asset)
 IAC : Independent audit committee
 IBC : Idependent Board of Commissioners
 MO : Managerial Ownership
 IO : Institutional Ownership

Result test

Table 4.1

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-141,815	76,847		-1,845	,070
Information Asymmetry	,106	,026	,802	4,101	,000
ICD	2,064	1,196	,300	1,725	,090
1 Managerial Owner	663,815	1112,967	,788	,596	,553
Moderating 1a	-1,414	,421	-1,188	-3,363	,001
Moderating 2a	,760	16,858	,058	,045	,964

a. Dependent Variable: COC

From table 4.1 above can be said that the variables that have a significance value below 0.05 is moderate variable 1a which means that there is a significant negative effect of Information Asymmetry to Cost of Equity Capital with Managerial Ownership as Moderate Variable.

Table 4.2

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-120,641	83,415		-1,446	,154
Information Asymmetry	,264	,056	1,994	4,682	,000
ICD	,671	1,450	,097	,463	,645
Institutional Owner	,245	1,244	,113	,197	,845
Moderating 1b	-.004	,001	-1,927	-4,293	,000
Moderating 2b	,020	,021	,592	,924	,359

a. Dependent Variable: COC

From table 4.2 above can be said that the variable has a significance value below 0.05 is the moderate variable 1b or which means that Hypothesis 1b accepted, stating that There is a significant negative effect Asymmetry Information to Cost of Equity Capital with Institutional Ownership as a Moderate variable.

All Variable Test Result

VARIABLE	+ / -	B	t	Sig
IA	+	.106	2.41	.019**
ICD	+	2.064	1.725	.017**
Moderating 1a	-	- 1.414	-3.363	.001**
Moderating 2a	+	.76	.095	.964
Moderating 1b	+	-.004	-4.293	.000**
Moderating 2b	+	.020	.924	.0359
Size	+	-	.855	.361
IAC	+	-	.997	.324
IBC	+	-	1.033	.315

** Significant effect

Information:

IA : Information Asymmetry

ICD : Intellectual Capital Disclosure

Moderasi 1a : IA*MO

Moderasi 2a : ICD*MO

Moderasi 1b : IA*IO

Moderasi 2b : ICD*IO

Size : Total Asset

IAC : Independent Audit Committee

IBC : Independent Board of Commissioners

Conclusion

Based on the analysis that has been discussed, it can take several conclusions, that there is a significant positive effect between information asymmetry and intellectual capital disclosure to cost of equity. This indicates that firms with low information asymmetry and high intellectual capital disclosure have low cost of equity estimates. There is a significant positive influence between Information Asymmetry to Cost of Equity. Decrease in information asymmetry occurs to lower cost of capital in some situations by providing investors with poorly informed access to information previously available only to better informed investors. Therefore, decrease in capital costs is not from a decrease in information asymmetry but through investor communication with more information. There is a significant positive effect of intellectual capital disclosure on cost of equity. This study results indicate that investors are already using intellectual capital disclosure information in estimating return and risk of their shares, so that companies with high intellectual capital disclosure rate have low cost of equity estimates. Although level of intellectual capital disclosure is still relatively low, investors have an annual report because information contained in annual report provides new information or news in capital market and is proven when financial statements are published, the average stock price will increase and decrease cost of equity (Hernita, 2012).

Moderate variables in this study are Managerial Ownership and Institutional Ownership. In this study H1a and H1b hypothesis accepted. There is a significant negative effect of information Asymmetric to Cost of Equity Capital moderated by Managerial Ownership (H1a). There is a significant negative effect of Information Asymmetric to Cost Of Equity Capital moderated by Institutional Ownership (H1b). The existence of managerial ownership of shares will reduce agency conflict and managerial ownership is seen to align the potential difference of interests between outside shareholders and management. This can increase company performance that will ultimately lower cost of capital. Control variables Firm Size, Independent Audit Committee and Independent Board of Commissioners have no significant effect on cost of capital. Since several large and small companies have not maximized the transparency of Intellectual Capital Disclosure, they have not been able to reduce cost of capital.

Suggestion

Based on this study results, suggestions that can be given authors are as follows: For further research, use a sample of more companies. Can also use a type of industry that is not tech intensive, so it can find out how much the comparisons of companies that intensive technology and which are not in companies in Indonesia. For disclosure items may be able to adapt from other studies using sample Indonesian firms.

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