JOURNAL OF ACCOUNTING AND BUSINESS EDUCATION
P-ISSN 2528-7281 E-ISSN 2528-729X
E-mail: jabe.journal@um.ac.id
http://journal2.um.ac.id/index.php/jabe/

Remuneration Committee and Cost of Equity Capital: A Study of Manufacturing Companies on the Indonesia Stock Exchange for the Period 2013-2023

Herman Darwis[1],
Tatang Ary Gumanti[2],
Andi Harmoko Arifin[3]
Maria Rio Rita[4]
[1] *Doctoral of Management, Postgraduate Program, Universitas Terbuka*
[2] *Study Program of Doctoral in Management Science, Faculty of Business Universitas Katolik Widya Mandala Surabaya*
[3] *Doctoral of Management, Postgraduate Program, Universitas Terbuka*
[4] *Department of Management, Faculty of Economics and Business. Universitas Kristen Satya Wacana Salatiga*
email: 530076279@ecampus.ut.ac.id

DOI: *http://dx.doi.org/10.17977/jabe.v9i4.58997*

Abstract: This study aims to examine the effect of the remuneration committee on the cost of equity capital. The population of this study is manufacturing companies listed on the Indonesia Stock Exchange from 2013 to 2023. The data collection procedure used purposive sampling, the sample used companies that formed a remuneration committee, the number of observations used in this study from 2013 to 2023 was 371, with a sample size of 38 companies. The data analysis technique used multiple linear regression panel data. This study enriches the corporate governance literature in Indonesia with a comprehensive approach to measuring the cost of capital. The results found that the remuneration committee was found to be significantly negatively related to the cost of equity capital. This means that the existence of a remuneration committee is associated with a decrease in the cost of equity capital. This finding confirms that the formation of a remuneration committee can help monitor and advise executive management regarding remuneration decisions. The control variable of company size has a significant negative effect on the cost of equity capital. The control variables of sales growth, debt, and earnings quality do not affect the cost of equity capital.

Article History
Received:
24 February 2025

Revised:
25 March 2025

Accepted:
1 June 2025

Keywords
Remuneration Committee, Cost of equity capital, Company size, Sales Growth, Leverage, Earnings Quality

Citation: Darwis, H., Gumanti, T.A, Arifin, A.H, & Rita, M.R (2025) Remuneration Committee and Cost of Equity Capital: A Study of Manufacturing Companies on the Indonesia Stock Exchange for the Period 2013-2023. *Journal of Accounting and Business Education.9 (4), 32-50*

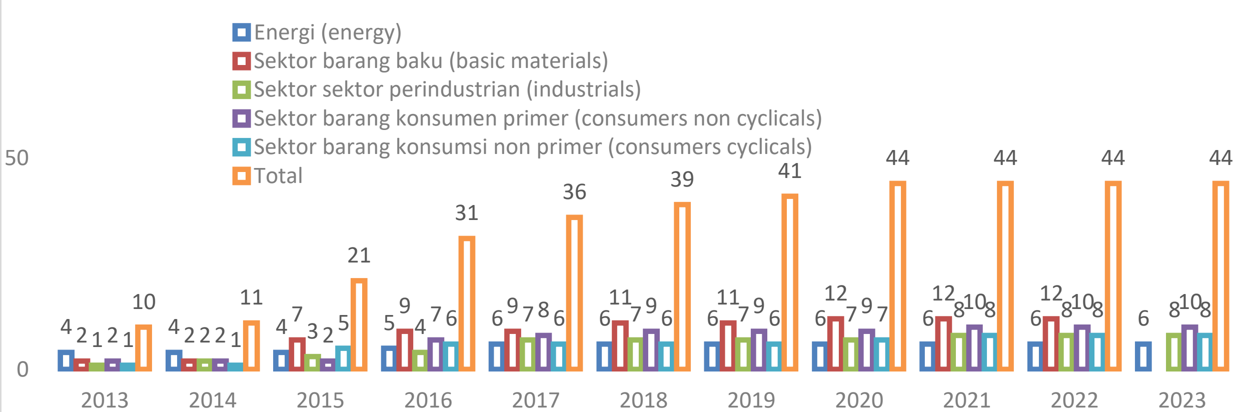
INTRODUCTION

The involvement of a remuneration committee can impact a company's cost of equity capital. An effective committee will be perceived as having sound policies and transparency in its performance appraisal process. A remuneration committee will help minimize agency conflicts by ensuring that appointed remuneration committee members work together to achieve shareholder interests. (Zraiq dan Fadzil, 2018).

The remuneration committee plays an important role in maintaining and controlling the board of directors and management, where an effective remuneration committee can ensure that the remuneration structure (salary, honorarium, incentives and allowances) of the board of directors and management has been properly established, thereby reducing agency costs and information asymmetry (Harymawan et al., 2020). This will increase investor and analyst confidence in the company, making it easier for the company to obtain funding. In this case, the remuneration committee effectively lowers the company's cost of equity capital. Conversely, if a company does not have an effective remuneration committee, it will reduce investor confidence and increase overall risk. This will increase the company's cost of equity capital due to the higher risk of investment.

The remuneration committee's function is to evaluate and provide recommendations regarding the remuneration policies of directors and executives. In Indonesia, a remuneration committee is established to regulate the compensation of directors and executives. Based on Financial Services Authority Regulation 34/POJK.04/2014, it is explained that Issuers or Public Companies are required to have a Remuneration function. The board of commissioners can form a remuneration committee to improve the implementation of good corporate governance principles. Following the issuance of the OJK regulation in December 2014, several companies followed up by establishing remuneration committees. Within an 11-year period (2013-2023), 44 companies had remuneration committees and disclosed them in their annual reports. The annual distribution of companies with remuneration committees is presented in the graph below.

Chart 1. Development Of The Number Of Remuneration Committees In Public Manufacturing Companies in 2013-2023



From the annual report of manufacturing companies on the IDX, Processed (2024)

Graph 1 above shows a significant increase in the number of remuneration committees from 2013 to 2023. Initially, there were ten, with an average of two, but by 2023, this number had increased to 44, with an average of eight point eight. However, the number of remuneration committees has not increased over the past four years. This is certainly interesting to examine, given the importance of remuneration committees for companies and investors.

Research using the remuneration committee variable as an internal corporate governance mechanism was conducted by Harymawan et al. (2020) who stated that the remuneration committee is positively related to the level of executive remuneration and company performance.The formation of a remuneration committee is positively related to its performance (Mintah, 2015).

Corporate failure is negatively related to the independence of the remuneration committee chairman and the effectiveness of the remuneration committee. However, there is a positive and significant relationship between corporate failure and the independence of the remuneration committee (Appiah & Chizema, 2015). Ahmed (2010) stated that the presence of a remuneration committee as a representative for the corporate governance structure plays an important role in company performance. Other studies do not support this prediction, for example Jaafar et al. (2015) stated that there is no relationship between the board of directors and executive remuneration. Tao dan Hutchinson (2013) stated that the remuneration committee has a negative relationship with executive compensation. Ismail et al. (2020) found that there was no relationship between the existence of a remuneration committee and company risk as measured by the cost of equity capital. Puni (2015) stated that the board committee did not have a significant influence on company performance, while the nomination committee had a negative influence on the company's financial performance.

Several cases in Indonesia relate to corporate governance in manufacturing companies listed on the IDX. For example, the Financial Services Authority (OJK) imposed a fine of Rp 5 billion on the President Director of PT. Hanson International Tbk. for violating capital market laws. The case of fictitious project work at PT. Waskita Karya Tbk., between 2009 and 2015, resulted in total losses of Rp 202 billion. Former directors of PT. Tiga Pilar Sejahtera Food Tbk. manipulated the 2017 financial report with the aim of raising the company's stock price (Kompasiana.com).

The above cases show that there is poor governance of public companies, and the results of the study show mixed findings related to the influence of corporate governance mechanisms on the cost of equity capital and also research that examines the remuneration committee. For this reason, there is an urgency to conduct a study on the company's internal governance mechanisms, especially the remuneration committee on the cost of equity capital. This study examines the influence of the remuneration committee on the cost of equity capital in manufacturing companies on the Indonesia Stock Exchange (IDX) using the cost of equity capital as the dependent variable by combining the average of four equity capital cost models, namely the residual income valuation model (Gebhardt et al., 2001), residual income valuation model (Claus & Thomas, 2001), abnormal income growth assessment model (Ohlson & Nauroth, 2005), dan model *Price Earning Growth* (Easton, 2004).

Based on the problem formulation above, the research question raised is: Does the existence of a remuneration committee in a company affect the cost of equity capital?

LITERATURE REVIEW AND HYPOTHESES

Shareholder Theory

According to shareholder theory, shareholders expect a rate of return commensurate with the riskiness of their investment. In the case of equity capital, this reflects the rate of return shareholders desire to invest their capital in the company's shares.

The remuneration committee is closely linked to shareholder theory in the context of corporate governance. Shareholder theory emphasizes that the primary objective of a company is to maximize shareholder returns. The remuneration committee plays a key role in designing and evaluating remuneration policies to ensure that incentives provided to management align with shareholder value creation. The remuneration committee is tasked with supporting and advising the board of directors on remuneration, with the board of directors and executives working to maximize performance. Furthermore, the committee will propose fair remuneration based on the capabilities and performance of directors and executives as a way of appreciating and retaining executives (Harymawan et al., 2020).

Agency Theory

Eisenhardt (1989) states that agency theory uses three basic assumptions of human nature, namely that humans are generally self-interested, humans have limited thinking power and humans always avoid risk.

Based on these assumptions, the agent and principal both try to maximize their respective personal interests. According to agency theory, managers have more complete information about the company's performance than shareholders and have the potential to cause conflict. Conflicts caused by differences in interests between owners and managers can incur costs and must be prevented. One way is to implement various monitoring mechanisms that can prevent opportunistic behavior of managers. If the company fails to form a device to supervise managers, investor confidence in the company's performance will decline and they will demand a higher cost of capital when buying company shares.

Agency theory is a relevant framework in the context of remuneration committees. Remuneration committees aim to mitigate conflicts of interest between shareholders and company management by ensuring that established compensation policies align with company performance. Agency theory emphasizes how management has interests that may not always align with shareholders, and the remuneration committee plays a role in ensuring that incentives provided to management align with the company's long-term goals and shareholder interests.

Remuneration Committee

The remuneration committee is a company organ that supports the work of the board of commissioners by assisting in carrying out the board's functions and duties related to remuneration for members of the board of directors and board of commissioners. Appropriate executive remuneration should aim to ensure alignment of interests between executives and shareholders to achieve the company's goal of corporate value (Setyawati & Hudayati, 2019). Zakaria (2018) states that the remuneration committee is responsible for designing and implementing executive pay packages, bonus schemes and other incentive payments, including stock options and long-term incentive plans.

Cost of Equity Capital

From an investor's perspective, the cost of equity capital is defined as the expected return on providing capital to a company (Botosan, 2006). The cost of equity capital is the amount that investors expect to receive after they have offered the capital needed by the company (Turegun, 2021). For the most part, sources of capital in a company consist of investors who buy shares and bondholders who offer loans to an organization (Hertig, 2019). Consequently, companies are expected to generate returns and ensure that investors and debt holders receive the expected return on their investments. The cost of capital may require mechanical calculations by financial personnel, which are then used by management to generate a profit or discount rate. Companies must provide a surplus in investments (Anderson et al., 2000).

The Effect of the Remuneration Committee on the Cost of Equity Capital

Good governance practices can reduce information asymmetry, which arises due to agency problems, through effective monitoring mechanisms and thereby reduce agency costs and the cost of equity capital, in particular, the cost of equity associated with agency costs (Javaid et al., 2021). Companies with weak governance mechanisms will lead to increased perceived risk for the company, and thus a higher cost of capital (Jiang & Anandarajan, 2009). Zhu (2014) stated that companies with good corporate governance are consistently associated with a cost of equity.

The remuneration committee is part of the corporate governance structure. Through this mechanism, it is hoped that management will perform optimally, thereby increasing the company's value and gaining investor trust. Atty et al. (2018) state that executive director remuneration is typically determined based on a share of annual profits. Thus, compensation levels depend primarily on reported earnings figures, and this can, therefore, place significant pressure on managers to maximize earnings in order to increase their remuneration.

In relation to the cost of capital, the role of the remuneration committee is quite significant. Establishing a well-structured remuneration committee can build investor trust, thereby increasing corporate transparency and accountability. Investors will view companies with a well-structured remuneration committee favorably and may rank them higher. In the long term, this can have a positive impact on the cost of capital, as a better company's reputation in the eyes of investors makes it easier for the company to raise funds from the capital markets at lower prices. Conversely, a poor company reputation can undermine investor confidence and lead to higher risks, thus increasing the cost of capital.

Foreign research examining the influence of corporate governance on the cost of capital was conducted by Qubbaja (2012) found that governance quality has the effect of reducing the cost of equity capital. Ongklang (2016) stated that companies with higher corporate governance have lower costs of capital. Gupta et al. (2018) stated that firm-level governance attributes affect the cost of equity capital. The governance index is statistically negatively related to the cost of capital (AlHares, 2019). Srivastava et al. (2019) stated that there is a significant negative relationship between overall corporate governance and the cost of equity. Salehi et al. (2020) stated that governance has a negative effect on the cost of capital. Puni (2015) found that the nomination committee had a significant negative effect on the company's financial performance. Li (2019) stated that incentive mechanisms have a significant negative impact on the cost of equity capital. Ahmed (2010) findings show that the presence of a remuneration committee as a representative for the corporate governance structure plays an important role in company performance.

Research in Indonesia was conducted by Arslan dan Abidin (2019) revealed a significant negative relationship between governance compliance and cost of capital. Zandi et al. (2022) governance has a negative effect on the cost of capital. Ali et al., (2019) states that corporate governance does not affect the cost of capital. Harymawan *et al*. (2020) The remuneration committee is positively related to the level of executive remuneration and company performance.

The remuneration committee plays a crucial role in corporate governance practices and can impact the cost of equity capital by enhancing reputation and investor confidence. Therefore, companies should consider the structure and function of the remuneration committee to maintain corporate integrity and credibility and minimize financial risk. Based on the above description, the following hypotheses are proposed in this study:

Ha: The remuneration committee has a negative effect on the cost of equity capital.

METHODS

Population and Sample

The population of this study is manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2013 to 2023. Data collection from the population used purposive sampling, with the following criteria.

1. Manufacturing companies that established a remuneration committee in the 2013-2023 period.
2. Manufacturing companies are in the subsector of companies that established remuneration committees and have total assets or sales that are not significantly different from the companies that established remuneration committees in the 2013-2023 period.
3. The company generated a profit in the 2013-2023 period.
4. The company distributed dividends in the 2013-2023 period.
5. The company did not undertake corporate actions, such as mergers and acquisitions or dilution, rights issues (offerings of new shares) or bond issuances.

Dependent Variable

The cost of equity capital is the amount of funds that must be disbursed due to the use of funds for business activities, both from internal and external funds. The cost of equity capital is measured using the average of four estimated measurements of the cost of equity capital (Hail & Leuz 2006; Zhu 2014; Gupta 2018).

a. Residual income valuation model (Gebhardt et al., 2001):

$$P_t = bv_t + \sum_{i=1}^{12} \left(\frac{E(EPS_{t+i} - r_t * bv_{t+i-1})}{(1+r_t)^i} \right) + \frac{\lfloor E_t(EPS_{t+12} - r_t) \rfloor * bv_{t+11}}{r_t * (1+r_t)^{12}} \ldots (3.1)$$

Information:

P_t = the market price of the company's shares at time t,

bv_t = book value (net equity is the difference between a company's assets and its liabilities) per share at time t,

$Eeps_{t+i}$ = future estimates of earnings per share for the period (t+i),

bv_{t+i} = bv_{t+i-1} + $Eeps_{t+i}$ – $DIV_{t+i,}$

r_t = cost of equity capital,
DIV_{t+i} = The estimated dividend per share is calculated as $Eeps_{t+i}$∗DPOUT, Which one DPOUT is an estimate of the dividend payout ratio,
i = shows sample companies in the year t,
t = observation year.

Estimated earnings data is not publicly available in Indonesia, so this study uses reported EPS and then estimates EPS for subsequent years. For example, to estimate r_t in 2013, the EPS reported from 2014 to 2022 is used, and for 2023-2025, the linear trend method is used Chen et al. (2011).

b. Residual income assessment model (Claus & Thomas, 2001)

$$Pt = \mathrm{BVt} + \sum_{i=1}^{5} \frac{(FEPSt+i-rCT*BVt+i-1)}{(1+rCT)i} + \frac{(FEPSt+5-(rCT*BVt+4*(1+glt))}{(rCT-glt)(1+rCT)5} \ldots(3.2)$$

This model derives the expected future residual income stream from actual book value earnings per share and forecast earnings per share for the next five years. After the fifth year, nominal residual income is assumed to grow at a “glt” rate equal to the country's inflation rate, used as a proxy for long-term earnings growth.

c. PEG ratio (*price to earning growth*)

The PEG ratio is based on the model (Easton, 2003). The PEG ratio is expressed as EPS and P, where EPS is earnings per share and stock price, respectively. EPS2 is earnings per share for the next two years, and EPS1 is earnings per share for the next year. The PEG ratio formula is as follows (Nagaraj & Zhang 2019, Zandi et al., 2022) as follows:

$$r_{PEG}= \sqrt{\frac{eps_{t+2} - eps_{t+1}}{pt}} \ldots\ldots(3.3)$$

Information:

r_{PEG} = *Price to earning growth* (Cost of Equity capital),
P_t = Stock market price during the period t,
EPS_{t+1} = Earnings per share in the next 1 year period,
EPS_{t+2} = Earnings per share in the next 2 years,
i = shows sample companies in the year t,
t = observation year.

EPSt+1 is the realized earnings per share at t+1. EPSt+2 is the realized earnings per share at t+2. P0 is the price per share at t=0. Theoretically, the PEG formula uses the estimated EPSt+1 and EPSt+2. However, this study uses the realized EPSt+1 and EPSt+2 following Chen et al. (2011) for a study in China, considering that data for earnings forecasts is not fully available in Indonesia; where EPSt+2 is greater than EPSt+1 (EPSt+2>EPSt+1), and both EPS>0. The observation period starts in 2013 using data from realized earnings per share for EPS period t, period t+1 and t+2, while for 2024 EPS+1 and 2025 EPS+2 using forecast data with the linear trend method..

d. d. Abnormal profit growth (Ohlson & Nauroth, 2005). The assessment model is determined as follows:

$$Re = \frac{1}{2}\left[(y-1) + \frac{dps1}{Po}\right] + \sqrt{A^2 + \frac{eps1}{Po} X \left(\frac{eps2-eps1}{eps1} - (y-1)\right)} \ldots\ldots(3.4)$$

Information:
Re = cost of equity capital,
dps_1= dividend per share next year,
Po = closing stock price,
eps_1= earnings per share for the next 1-year period,
eps_2= earnings per share for the next 2-year period,
y-1 = long-term earnings per share growth rate or the overall growth rate of the economy (Gode & Mohanram, 2005).

Ohlson dan Gao (2006) state that y should be the same for all firms assuming that two firms have the same expected earnings growth in the long run, regardless of any current differences.

Independent Variables

The Remuneration Committee is a committee formed by and responsible to the Board of Commissioners in assisting in carrying out the functions and duties of the Board of Commissioners regarding Remuneration for members of the Board of Directors and members of the Board of Commissioners (PJOK, 2014). In this case, the remuneration committee is represented by a dummy, namely a score of "1" is given if the company has a remuneration committee and "0" if it does not (Zraiq & Fadzil, 2018; Harymawan et al., 2020).

Control Variables

a. Company size. Company size is a scale that can be used to classify companies according to various methods, including total assets, sales value, and market capitalization. This variable is measured using Ln Total Assets (Faysal et al., 2021).
b. Sales growth. Sales growth is the increase in sales from year to year or over time. Sales growth reflects the success of past investments (Dianova & Nahumury, 2019). This variable is measured with the following formulation.

$$\text{Sales Growth} = \frac{\text{Sales}_{t} - Sales_{t-1}}{\text{Sales}_{t-1}} \quad \ldots\ldots\ldots\ldots(3.5)$$

Information:
Sales_t = Sales in period t
Sales_{t-1} = Sales in period t-1
i = indicates the sample company in year t
t = observation year

c. Leverage. Leverage is the level of debt held by a company, both long-term and short-term. Companies use debt as a source of financing. Leverage is measured by the Debt to Equity Ratio (DER), which is the ratio of total liabilities to the company's total stockholders' equity (Groh & Gottschalg, 2011; Battisti et al., 2020). This measure indicates the proportion of capital and debt used to finance the company's assets, which is expressed by the following formula.

$$\text{DER} = \frac{\text{Total Debt}_{it}}{\text{Total Equity}_{it}} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots(3.6)$$

i = indicates the sample company in year t
t = observation year

d. Earnings quality. Earnings quality is defined as earnings that reflect future sustainable earnings, determined by accrual and cash components, and reflect the company's true financial performance. Earnings quality is measured by the ratio of cash flow from operations divided by net income; the smaller the ratio, the higher the earnings quality (Abdelghany, 2005):

$$\text{Earnings Quality Ratio} = \frac{\text{Operating Cash Flow}_{it}}{\text{Net Profit}_{it}} \ldots\ldots\ldots\ldots\ldots(3.7)$$

i = indicates the sample company in year t,
t = observation year.

Data Analysis Techniques

The data analysis technique used to test and analyze the variables in this study is by using multiple linear regression of panel data with the help of the Eviews program version 13. Multiple linear regression analysis was chosen because it will analyze the relationship between one dependent variable (bound) with two or more independent variables (free). The formulation of multiple linear regression is as follows:

$$\text{CoEC}_{it} = \alpha + \beta 1\text{RC}_{it} + \beta 2\text{CS}_{it} + \beta 3\text{SG}_{it} + \beta 4\text{Lev}_{it} + \beta 5\text{EQ}_{it} + e \ldots\ldots(3.8)$$

Where:
CoEC = Cost of Equity Capital,
RC = Remuneration Committee,
CS = Company Size,
SG = Sales Growth,
Lev = Leverage,

EQ = Earnings Quality,
i = sample company in year t,
t = observation year,
α = Constant,
$\beta 1, \ldots \beta 6$ = koefisien regresi.

RESULTS AND DISCUSSION

Based on the sampling criteria outlined previously, the research sample is obtained as shown in the following table.

Table 1. Sample selection results

Information	Year											Number of Observations
	013	014	015	016	017	018	019	020	021	022	023	
Manufacturing companies listed in 2013-2023	53	53	53	53	53	53	53	53	53	53	53	1.683
The company did not make a profit and did not distribute dividends consecutively in 2013-2017.	2	2	4	4	6	8	4	3	2	2	8	765
Manufacturing companies with different total assets in 2013-2022 and carrying out corporate actions	3	3	1	1	0	0	3	8	7	0	22	548
Number of Samples	8	8	8	8	7	5	6	2	4	1	3	370

Processed data (2024)

Manufacturing companies registered from 2013-2023 were 153 companies with a total of 1,683 observations consisting of companies that did not make a profit and did not distribute dividends from 2013-2017 amounting to 765 observations, companies with different total assets and carried out corporate actions amounting to 548 observations. So the number of observations used in the study was 370 with a total sample of 38 companies consisting of companies that had a remuneration committee from 2013-2023 amounting to 19 companies and comparison companies amounting to 19. The number of companies that met the criteria in the sample varied from 2013-2023, so the data that will be used for further analysis is unbalanced data.

Correlation of Research Variables

Table 2 below presents the correlation between research variables.

Table 2. Pearson Correlation Matrix of Research Variables (N=371)

Variabel	CoEC	RC	CS	SG	Lev
RC	-0.228**				
CS	-0.154**	0.241**			
SG	-0.029	-0.029	-0.018		
Lev	-0.102	0.340**	0.344**	0.028	
EQ	0.021	-0.136**	0.188**	-0.204**	-0.190**

Notes:
CoEC = Cost of Capital, RC = Remuneration Committee, CS = Company Size, SG = Sales Growth, Lev = Leverage, EQ = Earnings Quality
**. Significant at the 1% alpha level
Processed data (2024)

Table 2 shows that of the five variables studied, the cost of capital was found to be negatively and significantly related to the remuneration committee and company size, negatively and insignificantly related to sales growth and the debt adequacy ratio, and positively but insignificantly related to earnings quality.

The remuneration committee was positively and significantly related to company size and the debt adequacy ratio, negatively and significantly related to earnings quality, and negatively and insignificantly related to sales growth. Company size was positively and significantly related to the debt adequacy ratio and earnings quality, and negatively and insignificantly related to sales growth. Sales growth was negatively and significantly related to earnings quality, and positively and insignificantly related to the debt adequacy ratio. The debt adequacy ratio was negatively and significantly related to earnings quality.

Panel Data Regression Estimation Model Selection

The results of the first sample panel data regression are shown in Table 3 below.

Table 3. Panel Data Regression Summary (n=371)

Information	Prediction	*Common Effect Model*		*Fixed Effect Model*		*Random Effect Model*	
		Coefficient	*t-hitung*	*Coefficient*	*t-hitung*	*Coefficient*	*t-hitung*
Constants		-0.847	-1.256	6.719	.737	1.291	1.007
Remuneration Committee	Negatif	-0.285	-3.727[a]	-0.065	0.569	-0.169	-1.764[c]
Company Size	Negatif	-0.045	-1.915[c]	-0.305	-3.667[a]	-0.120	-2.753[a]
Sales Growth	Negatif	-0.123	-0.680	-0.085	0.593	-0.105	-0.740
Leverage	Positif	0.007	0.136	0.046	0.600	0.034	0.505
Earnings Quality	Negatif	0.005	0.139	0.032	0.873	0.033	0.930
R-squared		0.063		0.493		0.040	
Adjusted R-squared		0.051		0.429		0.027	
F-statistic		4.979		7.620		3.064	
Prob(F-statistic)		0.000		0.000		0.010	

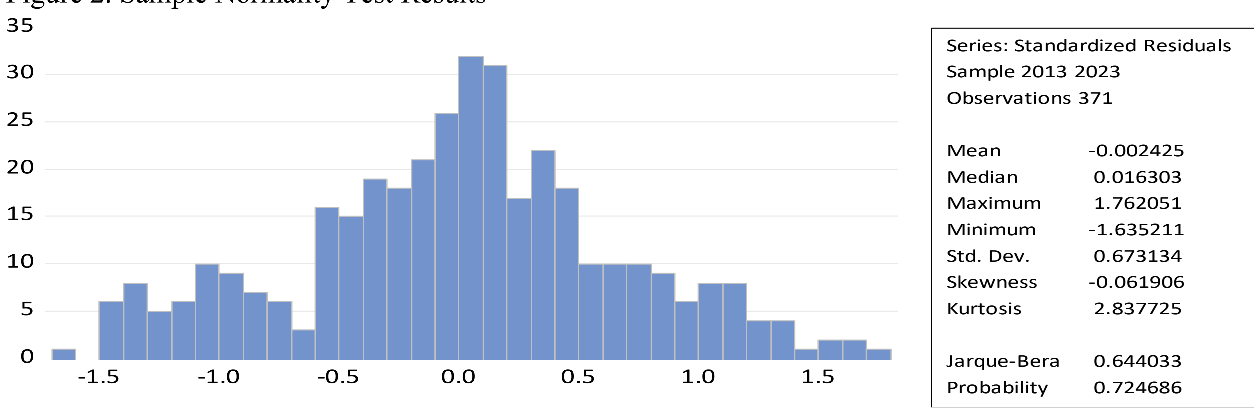
Note:
a, b, c indicate significance at the 1%, 5%, and 10% alpha levels, respectively.
Processed data (2024)

Uji asumsi klasik

a. Normality Test

The results of the normality test for the first sample regression residuals can be seen in Figure 2.

Figure 2. Sample Normality Test Results



Data processed (2024)

The Jarque-Bera value for the regression residual normality test is 0.644. The probability value of 0.724 is higher than 0.05. This means that the regression residuals are normally distributed.

b. Multicollinearity Test

The results of the multicollinearity test can be seen in Table 4.

Table 4. Multicollinearity Test Results

Variabel	Koefisien Variance	*Uncentered* VIF	*Centered* VIF
Constant	0.458	379.914	NA
Remuneration Committee	0.005	1.966	1.176
Company Size	0.005	414.498	1.269
Sales Growth	0.032	1.289	1.048
Leverage	0.003	2.888	1.306
Earnings Quality	0.001	2.751	1.194

data processed (2024)

Based on the results of Table 4, all centered VIF values for the independent variables are below 10. This indicates that none of the variables have a high correlation with each other. Thus, this regression model does not experience multicollinearity problems.

a. Uji Heterokedastisitas

The results of the heteroscedasticity test can be seen in Table 5 below.

Table 5. Heteroscedasticity Test Results

F-statistic	1.527	Prob. F(19.351)	0.073
*Obs*R-squared*	28.329	*Prob. Chi-Square*(19)	0.077
Scaled explained SS	22.570	*Prob. Chi-Square*(19)	0.256

data processed (2024)

Using the White test, the Obs*R-squared value was 28.329. The Chi-Square probability value of 0.077 is higher than 0.05, indicating that the data passes the heteroscedasticity test.

Hypothesis Testing

The test results after selecting a regression model showed that the random effects model was the appropriate model to use. The following explains the panel data regression equation for the random effects model.

a. The regression coefficient of the remuneration committee variable is negative at 0.169 and significant at the 10% level. This means that the presence of a remuneration committee will lower the cost of equity capital, and vice versa, if the remuneration committee does not exist, it will increase the cost of equity capital. Partially, the hypothesis stating that "the remuneration committee has a negative effect on the cost of equity capital" is not rejected, and H1a is accepted.
b. The regression coefficient for the firm size control variable is negative at 0.120 and significant at the 5% level. This means that the larger the firm, the lower the cost of equity capital, and vice versa, the smaller the firm, the higher the cost of equity capital.
c. The regression coefficient for the sales growth control variable is negative at 0.105 and insignificant. This means that sales growth has no impact on the cost of equity capital.
d. The regression coefficient for the debt variable is positive at 0.034, with a probability of 0.613 and is insignificant. This means that the company's debt level has no impact on the cost of equity capital.
e. The regression coefficient for the earnings quality variable is positive at 0.033 and insignificant. This means that earnings quality has no impact on the cost of equity capital.
f. The correlation coefficient, as seen in the R-squared value, is 0.040. This means that the relationship between the independent and dependent variables is categorized as weak.
g. The coefficient of determination can be seen in the Adjusted R-squared value of 0.027. This means that 2.71% of the independent variables influence the cost of equity capital. The small coefficient of determination is due to the fact that only two of the five independent variables used influence the cost of equity capital: the remuneration committee and company size. This suggests that there are many other independent variables that could influence the cost of equity capital besides those used in this study.

h. In this study, the F-statistic test was used to determine the simultaneous effect of independent variables on the dependent variable. This can be seen in the calculated F-value of 3.064, which is significant at the 5% level. This means that the remuneration committee, company size, sales growth, debt, and earnings quality simultaneously influence the cost of equity capital.

Difference Test of Large and Small Companies

The difference tests used were the Mann-Whitney U test and the independent sample t-test. The results of the difference tests can be seen in the following table.

Table 6. Results of the Differential Test of Remuneration Committee Variables

Keterangan	Jumlah
Mann-Whitney U	15355.500
Wilcoxon W	33691.500
Z	-1.993
p-value	0.046

data processed (2024)

The remuneration committee variable has a Mann-Whitney U value of 15355.500 and a significance level of 0.046 <0.05. This indicates a difference in the presence of remuneration committees between large and small companies. Large companies are more likely to have remuneration committees to support transparent and accountable governance, while small companies often have more flexible and informal structures.

Table 7. Differential test of Company Samples (n= 179) and 2 (n= 191)

Variables	Company Size	Mean (%)	Average difference	t-count	p-value	Information
Cost of Equity Capital	Big	11.3	-2.0[a]	-2.326[a]	0.021	different
	Small	13.4		-2.327[b]	0.020	different
Sales Growth	Big	8.9	-0.87[a]	-0.427[a]	0.670	no different
	Small	9.8		-0.428[b]	0.669	no different
Leverage	Big	95.7		5.006[a]	0.000	different
	Small	60.2	0.35[b]	4.989[b]	0.000	different
Earnings Quality	Big	129.5	0.32[a]	3.234[a]	0.001	different
	Small	96.7		3.248[b]	0.001	different

Note:
[a] The assumption of equal variances, [b]The assumption of unequal variances
Processed data (2024)

The results of the analysis in Table 7 can be explained as follows.

a. Cost of equity capital. The average cost of equity capital for large companies is 11.3%, lower than for small companies, which is 13.4%. The t-test on the cost of capital, assuming equal variances, shows a significant result (p-value = 0.02), which is less than 0.05. This indicates a significant difference in the cost of equity capital between large and small companies. The lower average cost of equity capital for large companies indicates that large companies are generally perceived as more stable, have more consistent cash flows, and face lower risks than small companies. This stability makes investors willing to accept lower returns, thus lowering the cost of equity capital for large companies. Conversely, small companies are generally perceived as riskier due to their limited resources, higher volatility, and less stable cash flows. These conditions lead investors to demand higher returns on their investments, thus increasing the cost of equity capital for small companies.
b. Sales growth. The average sales growth rate for large companies was 8.9%, lower than the average rate for small companies, which was 9.8%. However, the t-test results for sales growth assuming equal variances showed no significant results (p-value = 0.670). This indicates that there is no statistically significant difference in sales growth between large and small companies.
c. Debt adequacy ratio. The average debt adequacy ratio for large companies is 97.7%, higher than the average for small companies, which is 60.2%. The t-test on the debt adequacy ratio, assuming different

variances, is significant (p-value = 0.00), indicating a difference in the debt adequacy ratio between large and small companies. Large companies are more likely to use debt as part of their capital structure than small companies. The financing structures of large and small companies differ significantly, with large companies relying more on debt than small companies.

d. Earnings quality. The average earnings quality for large companies is 129.5%, higher than the average for small companies, which is 96.7%. The t-test on earnings quality, assuming equal variances, is significant (p-value = 0.00), indicating a difference in earnings quality between large and small companies. Large companies tend to report higher quality earnings than small companies, which can be explained by factors such as better corporate governance, tighter oversight, and greater access to resources.

Robustness Test

The results of the robustness test can be seen in the following table.

Table 8. Robustness Test Results

Variabel	Prediction	Large companies (n=179)		Small companies (n=191)	
		Koefisien	t-hitung	Koefisien	t-hitung
C		1.141	0.503	3.211	1.112
Remuneration Committee	negatif	-0.279	-2.208[b]	-0.025	-0.168
Company Size	negatif	-0.111	-1.511	-0.191	-1.869[c]
Sales Growth	negatif	0.140	0.671	-0.284	-1.412
Leverage	positif	0.012	0.145	0.033	0.318
Earnings Quality	negatif	0.014	0.258	0.046	0.983

Note:

a, b, c indicate significance at the 1%, 5%, and 10% levels, respectively.

Processed data (2024)

Table 8 shows the robustness test results for large companies. The remuneration committee variable obtained a negative regression coefficient of 0.279 and was significant at the 5% level, indicating that the remuneration committee significantly negatively affected the cost of equity capital. The robustness test results for the large company sample confirmed the hypothesis test results that the remuneration committee significantly negatively affected the cost of equity capital. Furthermore, for small companies, the regression coefficient of the remuneration committee was negative at 0.025 and was not significant, indicating that the remuneration committee did not affect the cost of equity capital. These results do not support the results of the main hypothesis test that the remuneration committee had a significant negative relationship with the cost of equity capital. Furthermore, the company size variable in small companies had a negative regression coefficient of 0.191 and was significant at the 10% level, indicating that company size affected the cost of equity capital, this is in accordance with the results of the main model.

The remuneration committee was measured using a dummy variable (1 = present, 0 = absent), which aims to analyze whether the presence of a remuneration committee can reduce the cost of equity capital. The analysis results show that the presence of a remuneration committee can reduce the cost of equity capital in large companies, but not in small companies. This is likely due to the number of large companies that have a remuneration committee is more, namely 10 companies, compared to those that do not have a remuneration committee, which is only 8 companies. Conversely, in small companies, the number of companies that have a remuneration committee is less, namely 9 companies, compared to those that do not have a remuneration committee, which is 11 companies.

a. The Impact of the Remuneration Committee on the Cost of Equity Capital

The results of the hypothesis test indicate that the remuneration committee variable, measured by a dummy variable, has a significant negative relationship with the cost of equity capital. This indicates that the existence of a remuneration committee is associated with a lower cost of equity capital. This finding is consistent with research conducted by Reverte (2009), Ahmed (2010), Puni (2015), Mintah (2015), and Li (2019) which concluded that the establishment of a remuneration committee can help monitor and advise executive management regarding remuneration decisions. This step can reduce agency costs and, ultimately, lower the cost of equity capital. The results of the difference test found that there are differences in the existence of remuneration committees between large and small companies. Large companies are more likely to have remuneration committees to support transparent and accountable governance, while small companies often have more flexible and informal structures.

A robustness test, dividing large and small companies, found that remuneration committees were significantly negatively associated with the cost of equity capital in large companies, but not in small companies. This is likely due to the fact that in the sample of large companies, remuneration committees were more numerous than those without them. Meanwhile, in small companies, remuneration committees were fewer than those without them. Core et al. (1999) stated that large companies benefit more from having an effective remuneration committee due to the complexity of their management and governance structures. Small companies may benefit less from having a remuneration committee due to their generally simpler governance structures and limited resources to establish an independent committee. Bhagat dan Bolton (2008) state that the impact of governance on corporate performance differs between large and small companies. In large companies, more formal governance systems (such as the existence of remuneration and audit committees) are more effective in improving performance than in small companies, where simpler structures are more common. Furthermore, remuneration committees in large companies likely have greater authority and access than in small companies. In small companies, the existence of a remuneration committee is likely merely a formality to comply with OJK regulations. Furthermore, investors may pay less attention to governance or remuneration issues in small companies, so remuneration policies do not significantly impact the cost of equity capital. Sun dan Cahan (2009) stated that remuneration committees influence compensation policies in larger companies that are more closely monitored, compared to smaller companies, in which case remuneration committees are often seen as merely a formality. Conyon dan Peck (1998) state that the existence of remuneration committees in smaller companies is often only to fulfill governance obligations, and their influence on executive compensation tends to be less strong than in larger companies.

Atty et al. (2018) stated that executive director remuneration is usually determined based on a share of annual profits. As in the research sample, which is a profitable company, the determination of the amount of remuneration depends on the amount of reported income. This creates considerable pressure on managers to maximize income in order to increase their remuneration. The relationship between the remuneration committee and the cost of equity capital is related to how managers design incentives that encourage company performance, transparency, and stability. Brick et al. (2006) stated that an effective remuneration committee plays a role in ensuring appropriate incentives for executives, which ultimately impacts company performance and strengthens investor confidence, as well as contributing to stability and reducing the cost of capital.

The results of this study align with agency theory, demonstrating that remuneration committees develop compensation packages for management that align the interests of the agent and the principal. Remuneration committees mitigate agency conflicts by determining remuneration based on performance, thus motivating management to increase firm value. This reduction in agency conflicts positively impacts the cost of capital, as shareholders feel more secure with proper oversight, and are therefore willing to accept lower returns. Core et al. (1999) stated that remuneration committees design performance-based compensation schemes to mitigate agency conflicts between management and shareholders. Good governance reduces investor risk, which can lower the company's cost of capital. Bebchuk dan Fried (2012) state that performance-based remuneration, administered by a remuneration committee, is a way to mitigate agency conflicts. With better governance, strict oversight, and appropriate incentives, shareholders feel more secure and are willing to accept lower returns, thereby lowering the company's cost of capital.

This research also aligns with shareholder theory, which emphasizes maximizing shareholder value as the primary goal of a company. The remuneration committee ensures that the compensation structure encourages management to make decisions that enhance shareholder value. Shareholders support a clear and transparent remuneration structure, particularly one that links compensation to long-term performance. Improved governance through a remuneration committee increases investor confidence and lowers the company's cost of capital (Gompers et al., 2007). Furthermore, in accordance with stakeholder theory, the remuneration committee considers the impact of compensation decisions not only on shareholders, but also on employees, customers, and other communities. A fair and balanced remuneration structure can enhance a company's reputation and relationships with stakeholders, which in turn can reduce the cost of capital by increasing trust and support from various parties. Eccles et al. (2012) stated that companies that consider sustainability and the interests of various stakeholders, including through balanced compensation, tend to have a better reputation in the market. This improved reputation strengthens the trust of investors and other stakeholders, which ultimately can lower the cost of capital. This finding also supports OJK Regulation No. 34/pojk.04/2014 concerning the nomination and remuneration committee, which states that every issuer or public company is required to have a nomination and remuneration function (PJOK, 2014).

b. The Effect of Control Variables on the Cost of Equity Capital

The results of the study found that the control variable of company size had a significant negative effect on the cost of equity capital, meaning that if the company size increased, it would be able to reduce the cost of equity capital (Embong et al., 2012; Ongklang, 2016; Kling et al., 2021). Phoprachak (2018) stated that small, medium and large sized companies have an influence on the cost of capital. Shleifer dan Vishny (1997) stated that large company size can lead to greater governance problems or agency conflicts. If not managed properly, this can lead to an increase in the cost of equity capital. Large companies tend to have lower risk premiums, which results in a lower cost of equity capital. However, very rapid growth in size without proper management can increase certain risks, which can result in an increase in the cost of capital (Chen et al., 2008). Company size is related to expected stock returns, which are directly related to the cost of equity capital. Generally, larger companies tend to have a lower cost of equity capital because they are perceived as more stable and less risky than smaller companies (Fama & French, 1992). The negative effect of company size on the cost of equity capital is that the larger the company, the lower the risk perceived by investors. Large size is typically associated with stability, diversification, better access to capital markets, and higher operational efficiency, all of which contribute to a lower cost of equity capital. Investors perceive larger companies as more stable, so they are willing to accept lower returns, ultimately lowering the company's cost of equity capital.

The sales growth control variable does not affect the cost of equity capital, meaning that if sales growth increases, it has no impact on the cost of equity capital. Sales growth only reflects operational performance, but is not a primary factor influencing investors' perceived risk or required rate of return. Gompers et al. (2007) states that corporate governance and profitability performance have a greater impact on the cost of equity capital than sales growth. Sales growth does not always have a direct impact on the cost of equity capital, especially if the company's risk factors remain high or if the growth is not accompanied by increased profitability and stability. Sales growth is more correlated with operational efficiency, but is not significant enough to reduce capital risk (Iskandar, 2021). Sales growth tends to reflect short- or medium-term potential, while the cost of equity capital is closely tied to investors' long-term expectations, which are heavily influenced by risk factors such as earnings volatility and the company's financial resilience (Danilov, 2024). Good governance reduces information risk and increases transparency, thereby enhancing investor confidence. This contributes to a lower cost of equity capital through lower perceived risk, something that cannot be achieved through sales growth alone (Hmaittane et al., 2022).

The debt control variable does not affect the cost of equity capital, which means that the rise and fall of debt does not impact the rise and fall of the cost of equity capital. Bui et al. (2023) found that changes in debt levels affect a firm's overall risk profile. This could theoretically affect the cost of equity capital, as increased debt can increase a firm's financial risk. However, this effect is not always pronounced or significant in all situations. Firms with higher debt levels do not experience significant changes in the cost of equity capital. This is because investors may have already factored in additional risks associated with the firm's financial strategy, such as the use of debt. Gonçalves et al. (2022) states that investors may overlook increasing debt if they believe the company has good risk management or strong environmental, social, and governance performance.

The earnings quality variable does not affect the cost of equity capital, which means that increases and decreases in earnings quality do not have an impact on increases and decreases in the cost of equity capital. Bhattacharya et al. (2012) found that earnings quality does not directly affect the cost of equity capital. The lack of effect on the cost of equity capital may be due to investors often already factoring in accounting information-related risks into their valuations. For example, companies with low earnings quality may already signal risk reflected in their stock prices, thus minimizing the cost of equity. Furthermore, information asymmetry or earnings management can be mitigated by other factors, such as growth expectations, industry risk, or investor confidence in good corporate governance, making the effect of earnings quality less significant. Leuz et al. (2003) explores the relationship between earnings management, investor protection, and the quality of financial information across countries, indicating that in environments where oversight is weak, earnings quality is often misleading. Beneish (1999) developed a model to detect earnings manipulation and showed that high earnings reports can mask the company's fundamental risks.

CONCLUSION

The remuneration committee was measured using a dummy variable, namely the presence or absence of a remuneration committee, and was found to be significantly negatively associated with the cost of equity capital. This means that the presence of a remuneration committee is associated with a decrease in the cost of equity capital. This finding confirms that the establishment of a remuneration committee can help monitor and advise executive management regarding remuneration decisions. As a control variable, company size was found to have a significant negative impact on the cost of equity capital. This means that an increase in company size will decrease the cost of equity capital, while a decrease in company size will increase the cost of equity capital. The sales growth variable did not affect the cost of equity capital. This means that an increase in sales growth had no impact on the cost of equity capital. The debt variable did not affect the cost of equity capital. This means that increases in debt did not impact increases in the cost of equity capital. Furthermore, the earnings quality variable did not affect the cost of equity capital. This means that increases in earnings quality did not impact increases in the cost of equity capital.

Managerial and Policy Implications

Company managers can establish a remuneration committee if one does not already exist, by appointing members with expertise in governance, accounting, or human resources. Regularly evaluate the number of members on the remuneration committee to ensure it is sufficient to support accurate and strategic decision-making. Provide regular training to committee members on the benefits and strategic role of the remuneration committee in reducing the cost of equity capital and supporting corporate sustainability.

Research Limitations

1. This study focuses solely on manufacturing companies without distinguishing between them based on their listing boards. However, the Indonesia Stock Exchange classifies companies into four listing boards: the Acceleration Board, the Development Board, the Main Board, and the Economic Board. Separate testing of each board could potentially reveal specific differences between the four.
2. This study only uses residual income as a measure of the cost of equity capital. Several measures of the cost of equity capital exist, such as the capital asset pricing model (CAPM), the dividend valuation model, and the Weighted Average Cost of Capital (WACC).
3. This study uses only one independent variable, namely the internal corporate governance mechanism that influences the cost of equity capital. While several internal corporate governance mechanisms exist, such as managerial ownership, the board of commissioners, and the audit committee, there are also external corporate governance mechanisms, such as institutional ownership, the market for corporate control, and the level of debt financing, which may influence the cost of equity capital.
4. This study only uses log total assets as a measure of firm size. Several measures of firm size exist, such as total sales and market capitalization.

Suggestions

1. The government can evaluate existing regulations and establish an evaluation team to review the effectiveness of the regulations on remuneration committees issued by the Financial Services Authority (OJK), including their implementation in public companies. The government needs to provide official technical guidance on the formation, role, and reporting of remuneration committees to support their effectiveness. The government can set gradual deadlines for public companies to comply with the new regulations, prioritizing companies with large market capitalizations.
2. Future researchers should use more complex remuneration committee measurements, for example, the proportion of the remuneration committee to the board of commissioners, remuneration committee meetings, and other appropriate measurements.
3. Reexamine the four measures of the cost of equity capital, namely: (1) the residual income valuation model (Gebhardt et al., 2001); (2) residual income valuation model (Claus & Thomas, 2001); (3) abnormal income growth assessment model (Ohlson & Juettner 2005); (4) Price Earning Growth ratio model ((Easton, 2004). Compare the results of the four models to identify the differences or relative advantages of each approach.
4. Include both equity and debt costs of capital in the test to obtain a more comprehensive picture. Add companies in the financial and service sectors, given that these sectors have different capital cost characteristics than manufacturing or other sectors. Ensure the study population includes a range of company sizes to evaluate variations in results based on business size.
5. Add governance variables, for example managerial ownership, institutional ownership, Board of Commissioners, and so on.

REFERENCES

Abdelghany, K. E. M. (2005). Measuring the quality of earnings. *Managerial Auditing Journal*, *20*(9), 1001–1015. https://doi.org/10.1108/02686900510625334

Ahmed, H. J. A. (2010). Impact of independent directors and remuneration committee on firm performance? evidence from Malaysian capital market. *Corporate Ownership and Control*, *8*(1 B), 222–225.

AlHares, A. (2019). Corporate governance and cost of capital in OECD countries. *International Journal of Ethics and Systems*. https://doi.org/10.1108/IJOES-02-2019-0043

Ali, S. T., Yang, Z., Sarwar, Z., & Ali, F. (2019). The impact of corporate governance on the cost of equity: Evidence from cement sector of Pakistan. *Asian Journal of Accounting Research*, *4*(2), 293–314. https://doi.org/10.1108/AJAR-08-2019-0062

Anderson, R. C., Byers, S. S., & Groth, J. C. (2000). The cost of capital for projects: conceptual and practical issues. *Management Decision*, *38*(6), 384–393. https://doi.org/10.1108/00251740010344568

Appiah, K. O., & Chizema, A. (2015). Remuneration committee and corporate failure. *Corporate Governance (Bingley)*, *15*(5), 623–640. https://doi.org/10.1108/CG-11-2014-0129

Arslan, M., & Abidin, S. (2019). Nexus between corporate governance practices and cost of capital in PSX listed firms. *Cogent Economics and Finance*, *7*(1). https://doi.org/10.1080/23322039.2019.1600222

Atty, A. M. A., Moustafasoliman, M., & Youssef, A. E. (2018). The effect of board of directors characteristics on firm's financial performance: an empirical study on the most active firms in the Egyptian Stock Exchange. *OALib*, *05*(11), 1–19. https://doi.org/10.4236/oalib.1104993

Battisti, E., Bollani, L., Miglietta, N., & Salvi, A. (2020). The impact of leverage on the cost of capital and market value: Evidence from Sharīʿah-compliant firms. *Management Research Review*, *43*(9), 1081–1096. https://doi.org/10.1108/MRR-01-2019-0007

Bebchuk, L. A., & Fried, J. M. (2012). Executive compensation as an agency problem. *The Economic Nature of the Firm: A Reader, Third Edition*, *17*(3), 327–345. https://doi.org/10.1017/CBO9780511817410.026

Beneish, M. D. (1999). The Detection of Earnings Manipulation Messod D . Beneish * June 1999 Comments Welcome. *Financial Analysts Journal*, *5*(June), 24–36.

Bhagat, S., & Bolton, B. (2008). Corporate governance and firm performance. *Journal of Corporate Finance*, *14*(3), 257–273. https://doi.org/10.1016/j.jcorpfin.2008.03.006

Bhattacharya, N., Ecker, F., Olsson, P. M., & Schipper, K. (2012). Direct and mediated associations among earnings quality, information asymmetry, and the cost of equity. *Accounting Review*, *87*(2), 449–482. https://doi.org/10.2308/accr-10200

Botosan, C. A. (2006). Disclosure and the cost of capital: What do we know? *Accounting and Business Research*, *36*(SPEC. ISS), 31–40. https://doi.org/10.1080/00014788.2006.9730042

Brick, I. E., Palmon, O., & Wald, J. K. (2006). CEO compensation, director compensation, and firm performance: Evidence of cronyism? *Journal of Corporate Finance*, *12*(3), 403–423. https://doi.org/10.1016/j.jcorpfin.2005.08.005

Bui, T. N., Nguyen, X. H., & Pham, K. T. (2023). The Effect of Capital Structure on Firm Value: A Study of Companies Listed on the Vietnamese Stock Market. *International Journal of Financial Studies*, *11*(3). https://doi.org/10.3390/ijfs11030100

Chen, H., Chen, J. Z., Lobo, G. J., & Wang, Y. (2011). Effects of audit quality on earnings management and cost of equity capital: Evidence from China. *Contemporary Accounting Research*, *28*(3), 892–925. https://doi.org/10.1111/j.1911-3846.2011.01088.x

Chen, L., Petkova, R., & Zhang, L. (2008). The expected value premium. *Journal of Financial Economics*, *87*(2), 269–280. https://doi.org/10.1016/j.jfineco.2007.04.001

Claus, J., & Thomas, J. (2001). Equity premia as low as three percent? Evidence from analysts' earnings forecasts for domestic and international stock markets. *Journal of Finance*, *56*(5), 1629–1666. https://doi.org/10.1111/0022-1082.00384

Conyon, M. J., & Peck, S. I. (1998). An authentication and key exchange protocol. *Security*, *41*(2), 443–458.

Core, J. E., Holthausen, R. W., & Larcker, D. F. (1999). Corporate governance, chief executive officer compensation, and firm performance. *Journal of Financial Economics*, *51*(3), 371–406. https://doi.org/10.1016/s0304-405x(98)00058-0

Danilov, G. (2024). The impact of corporate governance on firm performance: panel data evidence from S&P 500 Information Technology. *Future Business Journal*, *10*(1). https://doi.org/10.1186/s43093-024-00376-8

Dianova, A., & Nahumury, J. (2019). Investigating the effect of liquidity, leverage, sales growth and good corporate governance on financial distress. *Journal of Accounting and Strategic Finance*, *2*(2), 143–156. https://doi.org/10.33005/jasf.v2i2.49

Easton, P. (2003). PE ratios, PEG ratios, and estimating the implied expected rate of return on equity capital. *SSRN Electronic Journal*, *July*, 1–39. https://doi.org/10.2139/ssrn.423601

Easton, P. D. (2004). PE Ratios, PEG Ratios, and Estimating the Implied Expected Rate of Return on Equity Capital This paper was inspired by Ohlson and Juettner-Nauroth (2000) and reflects numerous conversations with Jim. *The Accounting Review*, *79*(1), 73–95. www.bloomberg.com

Eccles, R. G., Ioannou, I., & Serafeim, G. (2012). *SSRN-id1964011.pdf*.

Eisenhardt, K. M. (1989). Agency theory: An assessment and review. *Academy Ol Managwneni Review.*, *14*(1), 57–74. https://doi.org/10.1159/000169659

Embong, Z., Mohd-Saleh, N., & Hassan, M. S. (2012). Firm size, disclosure and cost of equity capital. *Asian Review of Accounting*, *20*(2), 119–139. https://doi.org/10.1108/13217341211242178

Fama, E. F., & French, K. R. (1992). The Cross-Section of Expected Stock Returns. *The Journal Of Finance*, *36*(3), 275–280.

Faysal, S., Salehi, M., & Moradi, M. (2021). Impact of corporate governance mechanisms on the cost of equity capital in emerging markets. *Journal of Public Affairs*. https://doi.org/10.1002/pa.2166

Gebhardt, W. R., Lee, C. M. C., & Swaminathan, B. (2001). Toward an implied cost of capital. *Journal of Accounting Research*, *39*(1), 135–176. https://doi.org/10.1111/1475-679X.00007

Gode, D. (Dan) K., & Mohanram, P. S. (2005). What affects the implied cost of equity capital? *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.258702

Gompers, P., Ishii, J., & Metrick, A. (2007). Corporate governance and equity prices. *Corporate*

Governance and Corporate Finance: A European Perspective, *118*(February), 523–556. https://doi.org/10.4324/9780203940136

Gonçalves, T. C., Dias, J., & Barros, V. (2022). Sustainability Performance and the Cost of Capital. *International Journal of Financial Studies*, *10*(3), 1–32. https://doi.org/10.3390/ijfs10030063

Groh, A. P., & Gottschalg, O. (2011). The effect of leverage on the cost of capital of US buyouts. *Journal of Banking and Finance*, *35*(8), 2099–2110. https://doi.org/10.1016/j.jbankfin.2011.01.012

Gupta, K. (2018). Financial development, corporate governance and cost of equity capital. *Journal of Contemporary Accounting and Economics*, *14*(1), 65–82. https://doi.org/10.1016/j.jcae.2018.02.001

Gupta, Kartick, Krishnamurti, C., & Tourani-Rad, A. (2018). Financial development, corporate governance and cost of equity capital. *Journal of Contemporary Accounting and Economics*, *14*(1), 65–82. https://doi.org/10.1016/j.jcae.2018.02.001

Hail, L., & Leuz, C. (2006). International differences in the cost of equity capital: Do legal institutions and securities regulation matter? *Journal of Accounting Research*, *44*(3), 485–531. https://doi.org/10.1111/j.1475-679X.2006.00209.x

Harymawan, I., Agustia, D., Nasih, M., Inayati, A., & Nowland, J. (2020). Remuneration committees, executive remuneration, and firm performance in Indonesia. *Heliyon*, *6*(2), e03452. https://doi.org/10.1016/j.heliyon.2020.e03452

Hertig, G. (2019). Financial regulation and externalities: Efficiency vs politics. *Annales Des Mines - Réalités Industrielles*, *Novembre 2*(4), 69–71. https://doi.org/10.3917/rindu1.194.0069

Hmaittane, A., Bouslah, K., M'Zali, B., & Ibariouen, I. (2022). Corporate Sustainability and Cost of Equity Capital: Do Managerial Abilities Matter? *Sustainability (Switzerland)*, *14*(18), 1–17. https://doi.org/10.3390/su141811363

Iskandar, D. (2021). the Effect of Profitability and Sales Growth on Company Value. *International Journal of Management Studies and Social Science Research*, *3*(5), 32–41. http://jawapos.com

Ismail, A. M., Ismail, C. R., Sulaiman, S., & Daud, D. (2020). Corporate governance and firm risk: evidence from malaysian shariah compliance companies. *Humanities and Social Sciences Letters*, *8*(2), 169–193. https://doi.org/10.18488/JOURNAL.73.2020.82.169.193

Jaafar, S. B., Rahmat, M. M., & James, K. (2015). An empirical examination of the role of the remuneration committee in the relationship between board of directors and remuneration. *International Journal of Monetary Economics and Finance*, *8*(2), 126–142. https://doi.org/10.1504/IJMEF.2015.070778

Javaid, A., Nazir, M. S., & Fatima, K. (2021). Impact of corporate governance on capital structure: mediating role of cost of capital. *Journal of Economic and …*. https://doi.org/10.1108/JEAS-09-2020-0157

Jiang, W., & Anandarajan, A. (2009). Shareholder rights, corporate governance and earnings quality: The influence of institutional investors. *Managerial Auditing Journal*, *24*(8), 767–791. https://doi.org/10.1108/02686900910986402

Kling, G., Volz, U., Murinde, V., & Ayas, S. (2021). The impact of climate vulnerability on firms' cost of capital and access to finance. *World Development*, *137*, 105131. https://doi.org/10.1016/j.worlddev.2020.105131

Leuz, C., Nanda, D., & Wysocki, P. D. (2003). Earnings management and investor protection: An international comparison. *Journal of Financial Economics*, *69*(3), 505–527. https://doi.org/10.1016/S0304-405X(03)00121-1

Li, H. (2019). Cost of capital: Literatures review about calculation methods and influencing factors. In *Journal of Service Science and Management*. scirp.org. https://www.scirp.org/html/7-9202192_91713.htm?pagespeed=noscript

Mintah, A. P. (2015). The nomination committee and firm performance: An empirical investigation of UK financial institutions during the pre/post financial crisis. *Corporate Board: Role, Duties and Composition*, *11*(3), 176–190. https://doi.org/10.22495/cbv11i3art14

Nagaraj, P., & Zhang, C. (2019). Regulatory quality, financial integration and equity cost of capital. *Review of International Economics*, *27*(3), 916–935. https://doi.org/10.*1111*/roie.12403

Ohlson, J. A., & Juettner-Nauroth, B. E. (2005). Expected EPS and EPS growth as determinantsof value.

Review of Accounting Studies, *10*(2–3), 349–365. https://doi.org/10.1007/s11142-005-1535-3
Ohlson, J., & Gao, Z. (2006). Earnings, earnings growth and value. *Foundations and Trends in Accounting*, *1*(1), 1–70. https://doi.org/10.1561/1400000001
Ongklang, A. (2016). The effect of corporate governance on cost of capital: An empirical investigation of listed companies on the Stock Exchange of Thailand. *(Doctoral Dissertation), Rajamangal University of Technology Thanyaburi. Faculty of Business Administration*.
Phoprachak, D. (2018). Influence of firm size on cost of capital through corporate social responsibility disclosure of the listed companies in the Stock Exchange of Thailand. *PSAKU International Journal of Interdisciplinary …*. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3226544
Puni, A. (2015). Do board committees affect corporate financial performance evidance from listed companies in Ghana. *International Journal of Business and Management Review*, *3*(5), 14–25.
Qubbaja, A. (2012). Impact of corporate governance quality on the cost of equity capital in an emerging market: Evidence from Malaysian listed firms. *African Journal of Business Management*, *6*(4). https://doi.org/10.5897/ajbm10.1624
Reverte, C. (2009). Do better governed firms enjoy a lower cost of equity capital?: Evidence from Spanish firms. *Corporate Governance*, *9*(2), 133–145. https://doi.org/10.1108/14720700910946587
Salehi, M., Arianpoor, A., & Dalwai, T. (2020). Corporate governance and cost of equity: Evidence from Tehran stock exchange. *Journal of Asian Finance, Economics and Business*, *7*(7), 149–158. https://doi.org/10.13106/jafeb.2020.vol7.no7.149
Setyawati, V. Y., & Hudayati, A. (2019). Pengaruh Komite Remunerasi dan Peraturan Otoritas Jasa Keuangan Terhadap Kinerja Perusahaan. *Proceeding of National Conference on Accounting & Finance*, *1*(2016), 22–33. https://doi.org/10.20885/ncaf.vol1.art3
Shleifer, A., & Vishny, R. W. (1997). A survey of corporate governance andrei. *PhD Proposal*, *1*(2), 737–783.
Srivastava, V., Das, N., & Pattanayak, J. K. (2019). Impact of corporate governance attributes on cost of equity: Evidence from an emerging economy. *Managerial Auditing Journal*, *34*(2), 142–161. https://doi.org/10.1108/MAJ-01-2018-1770
Sun, J., & Cahan, S. (2009). The effect of compensation committee quality on the association between CEO cash compensation and accounting performance. *Corporate Governance: An International Review*, *17*(2), 193–207. https://doi.org/10.1111/j.1467-8683.2008.00726.x
Tao, N. B., & Hutchinson, M. (2013). Corporate governance and risk management: The role of risk management and compensation committees. *Journal of Contemporary Accounting and Economics*, *9*(1), 83–99. https://doi.org/10.1016/j.jcae.2013.03.003
Turegun, N. (2021). How cost of capital is changing: The effect of accounting information. *Journal of Corporate Accounting and Finance*, *32*(1), 129–138. https://doi.org/10.1002/jcaf.22462
Zakaria, A. (2018). The influence of the audit committee and the remuneration committee on company performance. *KnE Social Sciences*, *3*(8), 18. https://doi.org/10.18502/kss.v3i8.2498
Zandi, G. R., Shahzad, I. A., Bajaber, N., Nowodziński, P., & Shahid, M. S. (2022). Relationship between corporate governance and cost of equity capital. *Polish Journal of Management Studies*, *26*(1), 386–406. https://doi.org/10.17512/pjms.2022.26.1.24
Zhu, F. (2014). Corporate governance and the cost of capital: An international study. *International Review of Finance*, *14*(3), 393–429. https://doi.org/10.1111/irfi.12034
Zraiq, M. A. A., & Fadzil, F. H. B. (2018). The impact of nomination and remuneration committee on corporate financial performance. *Academy of Accounting and Financial Studies Journal*, *22*(3), 1–6.