

THE EFFECT OF ASYMMETRICAL INFORMATION, FIRM SIZE, AND OWNERSHIP STRUCTURE ON COST OF CAPITAL

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ABSTRACT

Asymmetrical information has an important role especially for investors who invest their capital. When the quality of information from stocks to be purchased is not good, the problem of asymmetrical information will surface which later can be a source of financial system instability from investors. What happens today is the information required by some market participants is often not fully owned. Other market participants have better information so that many investors are at high risk. This study uses a quantitative approach with positivism paradigm. The research proves that the independent variable of asymmetrical information, firm size, and ownership structure are simultaneously (as shown in the Indonesian Stock Exchange) have a significant effect on the cost of capital in the property.

Keywords: Asymmetrical Information, Firm Size, Ownership Structure, Cost of Capital.

INTRODUCTION

In the midst of high banking growth in the last three years, banks must feel the impact of the global crisis. The impact of the American and European economic crisis as well as the nuclear crisis of Japan and Iran will have a direct impact on domestic imports and national exports. The current national banking condition is depreciating against global economic system pressures. The government and Bank of Indonesia are expected to maintain the stability of the national banking system on the impact of the global economic crisis. In this case will affect the investment climate and the distribution of capital by bank loans to companies or investors.

One type of investment that is traded in the capital market is stock. Stock is a proof of participation in the capital of the company and has the right to a portion of the company's wealth. The capital market is a place for fair share trading mechanism. But fair share transaction is difficult to achieve due to conflict of interest and not transparency of issuer's financial statement. The financial statements are the result of an accounting process that aims to provide information concerning the financial position, performance, and changes in the financial position of a company that is beneficial to a large number of users in decision making (Indonesia Accountant Association, 2002).

Capital markets provide the possibility and opportunity to obtain returns for the owner of the funds, in accordance with the characteristics of the selected investment. In capital markets, market participants interact in order to realize the purpose of buying and selling securities. The activities they do are primarily influenced by information received either directly (public reports) or indirect (insider trading). Information owned by issuers in the capital market is fundamental information and has an important role for investors or other market participants because information provides information, description of a good company that concerns the

performance, and prospects in the future. This will help decision makers in anticipating the changing condition.

However the information required is often not wholly owned by some market participants while other actors have better information. This condition is called asymmetrical information where many investors are at high risk. In addition, the interest rate of Bank Indonesia can affect the cost of capital loan in a company, in which the capital structure obtained from debt. The size of a company will affect the capital structure, and large capital structure will be in large companies.

The control of the company today is also often left to professional managers who are not the owners of the company. In the financial context the problem arises between the principal and the agent. The agency problem can occur between the owner (shareholders) with the manager, and the manager with the stockholders, as well as the manager with shareholders with the stockholders. There are several factors that are sensitive and very influential to the high cost of capital, among others: macro-economics, the selling power of a company's stocks-if the selling power of shares increases, the minimum yield level of investors will decrease and the cost of the company's capital will be low. In addition, the information is not perfect and leads investors to bear the risk of cost of funds and will lead to wrong prediction on the investment taken.

From the description presented above, then the problem statements that arise in this study are as follows:

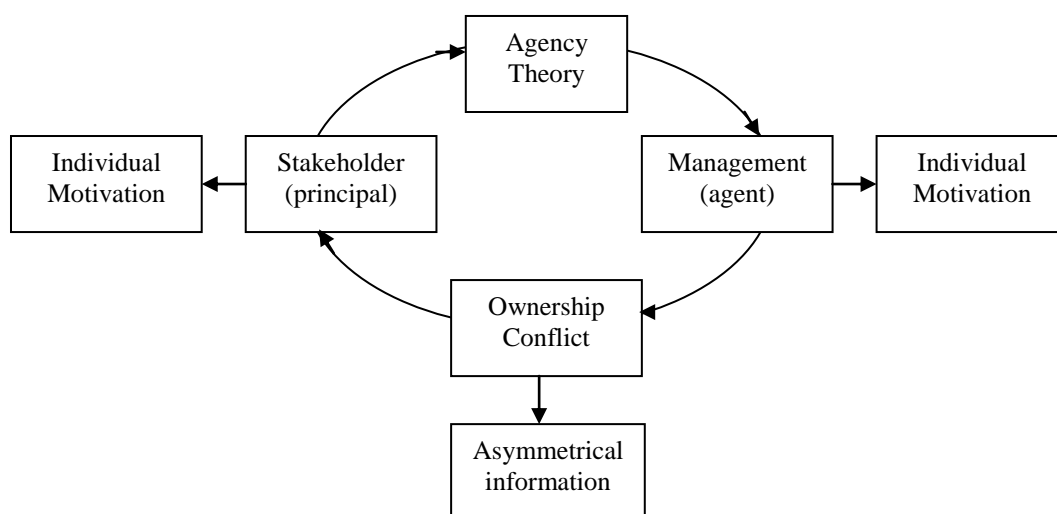
- 1) Does asymmetrical information have a partial effect on cost of capital on companies listed on the Indonesia Stock Exchange?
- 2) Does firm size have a partial effect on cost of capital on companies listed on Indonesia Stock Exchange?
- 3) Does ownership structure have a partial effect on cost of capital on companies listed on Indonesia Stock Exchange?
- 4) Does Asymmetrical Information, firm size and ownership structure have a simultaneous effect on cost of capital on companies listed on Indonesia Stock Exchange?

LITERATURE REVIEW

Asymmetrical Information

According to Diantimala and Hartono (2001), asymmetrical information is an uneven distribution of information in the market. Asymmetrical information is also a condition in business transactions where one of the parties involved in the transaction has advantages and excess information compared to others (Scott, 2003). In other words, in asymmetrical information there is an imbalance in the reception of information because one party has more information. Asymmetrical information arises when managers know more about internal information and future company prospects than shareholders and other stakeholders. Irfan (2002) suggests that the relationship between principal and agent usually also enters the area of information imbalance, because agents are in positions that have more information about the company than the principal.

Figure 1: Basic Concept of Asymmetrical Information



Agency Theory

This theory is one that emerged in the development of accounting research which is a modification of the development of financial accounting model by adding aspects of human behavior in the economic model. Agency theory bases contractual relationships between shareholders / owners and management / managers. According to this theory the relationship between owner and manager is intrinsically difficult to create due to conflicting interests.

In agency theory, agency relationships arise when one or more people (principal) hire another person (agent) to provide a service and then delegate decision-making authority to the agent. The relationship between principal and agent can lead to the condition of information imbalance (asymmetrical information) because the agent is in a position that has more information about the company than the principal. Assuming that individuals act to maximize self-interest, then with its asymmetry information it will encourage agents to hide some information that the principal does not know. Under such asymmetric conditions, the agent may affect the accounting figures presented in the financial statements by means of earnings management.

Jensen and Meckling (1976) state that agency theory describes shareholders as principal and management as agents. Management is a party contracted by shareholders to work in the interests of shareholders. For that the management is given some power to make decisions for the best interests of shareholders. Therefore, management is obliged to account for all its efforts to shareholders. Since the unit of analysis in agency theory is a contract underlying the relationship between principal and agent, the focus of this theory is on the most efficient determination of contracts underlying the relationship between principal and agent. To motivate an agent, the principal designs a contract to accommodate the interests of the parties involved in the agency contract.

An efficient contract is a contract that meets two factors, namely (1) Agents and principals have symmetrical information that means both the agent and the employer have the same quality and amount of information so that no hidden information can be used for their own benefit; (2) The risk that the agent has on the return is small, which means the agent has a high degree of certainty about the rewards it receives.

In fact symmetrical information never happens, because managers are inside the company so managers have a lot of information about the company, whereas principals very rarely or even never come to the company so the information obtained very little. This leads to an inefficient contract never executed so that agent and principal relationships are always based on information asymmetry. Agents as the controller of the company must have better and more information than the principal. In addition, because verification is very difficult to do, then the action of the agent was very difficult to observe. Thus, it opens the agency's opportunity to maximize its own interests by taking undue action or often called dysfunctional behavior, which can harm the principal, either utilizing the company's assets for personal gain, or the company's performance engineering. One of the hypotheses in this theory is that management in managing companies tends to be more concerned with personal interests than to increase the value of the company.

In stock trading on stock exchanges, information plays an important role in helping investors make the right choice in investing. However often the asymmetrical information is experienced by investors. This of course will cause losses, especially investors who lack information. Asymmetrical information is a term to describe the two conditions of investors in stock trading namely *more informed investors* and *less informed investors*.

From the theory expressed above can be concluded that asymmetrical information is the most important concept in financial accounting theory because this is related to investment decisions made by investors.

Types of Asymmetrical Information

In asymmetrical information, Scott (2003) states in his book that there are two types of asymmetrical information, namely: 1) *Adverse selection*. It is an asymmetrical information type in which one or more parties in a business transaction or a potential transaction have more favorable information than the other party. 2) *Moral hazard*. It is an asymmetrical information type in which one or more parties in a business transaction or a potential transaction can observe their actions in the fulfillment of a transaction but the other party cannot do the same.

The equation between adverse selection and moral hazard lies in the element of deliberate, yet different in terms of planning. In the adverse selection, there is initially an indication to provide information, but since the other party does not know or is considered not to know then the information is not given. For moral hazard, from the beginning there is an indication to not provide such information to other parties. According to Subekti and Suprpti (2002), adverse selection is more related to the lack of disclosure that should be publicized by the management company, while the moral hazard lies in the motivation and business management issues to act that prioritizes its own interests. If asymmetrical information is associated with disclosure, then the asymmetrical information that occurs is adverse selection. The financial statements as a means of information are intended to reduce asymmetrical information. In the microstructural literature on bid-ask spreads there is a component of spread that contributes to the losses experienced by the dealer when transacting with an informed trader. The component according to Amirah (2005) is as follows:

- a) Ordering cost. It consists of the costs charged by the securities trader (effect) on its readiness to reconcile buyer and seller orders, and compensate for the time spent by securities traders to complete transactions.
- b) Inventory holding cost. It is the cost borne by the securities trader to bring stocks of stocks to be traded on demand.

- c) Adverse selection component. Describe a reward given to securities traders to take risks when dealing with investors with superior information. This component is closely related to the flow of information in the capital market.

According to Madura (2001: 241) there are two types of orders that apply in the capital market, namely market orders and limit orders. Market order is the execution of transactions at the best possible price in the market. Limit order is the execution of a transaction at a price pre-determined by the investor. Cohen (1986) in Rahmawati and Triatmoko (2007) suggests that researchers doing research on *bid-ask spreads* distinguish between *market spreads* and *dealer spreads*. He explained that the spread dealer for a stock is the *bid* and *ask* price difference determined by the dealer individually, when he wants to trade the stock. While the market spread for a stock is the highest bid price difference and the lowest ask among some dealers or stock traders. In Indonesia Stock Exchange, spread dealer is a spread that cannot be observed because the dealer also operates double as broker. Thus, research related to *bid-ask spread* had better use *market spread*.

In measuring the asymmetrical information, the author uses a *bid-ask spread proxy* approach. According to Amirah (2005) in order that the stock market can be operated effectively the market must be liquid. This means stocks can be sold instantly at the lowest transaction cost. In a liquid market, the bid price is the price at which the broker is willing to pay or buy, otherwise only slightly lower than the ask price (ask spread) that is the price at which the broker is willing to accept or sell the stock. Asymmetrical information is a variable that is difficult to observe directly in research. For this purpose, proxies are typically used to describe asymmetrical information. The measurement of asymmetrical information is often proxied by bid-ask spreads because it cannot be observed directly. *Bid-ask spread* is the highest purchase price difference with the lowest selling price of trader's stock (Mardiyah, 2002).

Firm size

Grouping of companies on the scale of operations (large or small) can be used by investors as one of the variables in determining investment decisions. The benchmark that shows the size of a company is total sales, average sales rate and total assets (Ferry and Jones, 1979 in Panjaitan, 2004). Large companies generally have a large total of assets so as to attract investors to invest in the company. The size of a company is a scale which can be clarified by the size of the company in various ways including total assets, log size, stock market value, and others.

According to Kartini and Arianto (2008) company size is one of the factors considered in determining how much funding decision policy (capital structure) in meeting the size or size of a company's assets. Companies on high growth will always need increased capital and vice versa companies on low sales growth, the need for capital is also smaller then, the concept of sales growth rate has a positive relationship but the implications will give a different effect on capital structure namely in determining the type of capital used.

According to research conducted by experts that the size of the company has a positive influence, which means the increase in firm size will be followed by the increase in capital structure is stated by Saidi (2004) and Hartono (2003). The logarithm of total assets is used as an indicator of firm size because if the larger the size of the firm, the fixed assets needed will also be greater. Basically the size of the company is only divided into three categories: large companies (large firm), medium companies (medium firm) and small firms. The

determination of size of the company is based on the total assets of the company (Machfoedz, 1994).

According to the National Standardization Agency in Dyka (2009), there are 3 categories of company size: 1) Small Company. A company may be categorized as a small company if it has a net worth of more than US \$ 5,000, - with a maximum of US \$ 50,000, - excluding a building of business premises, or having annual sales of more than US \$ 30,000, - up to a maximum of US \$ 250,000, -. 2) Medium Enterprise. Companies may be categorized as medium-sized companies if they have net worth of more than US \$ 50,000, - up to a maximum of US \$ 1,000,000, - excluding business premises, or having annual sales of more than US \$ 250,000, - up to at most US \$ 5000.000, - 3) Large Company. Companies may be categorized as large corporations if they have a net worth of more than US \$ 1,000,000, - excluding premises or having annual sales of more than US \$ 5,000,000.

Theoretically larger companies have greater certainty than small companies that will reduce uncertainty about future prospects. It can help investors predict the risks that may occur if investing in the company (Martini and Yolana, 2005).

In the face of economic shocks, usually the more solid stand is a large company, although it does not close the possibility of experiencing bankruptcy, so investors are more likely to like large companies than small companies. Large companies are relatively easy to access to the capital market. This convenience indicates that large companies are relatively easy to meet the source of funds from loan through the capital market. The larger the company, the more funds used to run the company's operations. A source for obtaining funds is through loan in the capital market. The equations used are as follows:

$$\text{SIZE} = \text{Ln} (\text{Total Assets})$$

Ownership Structure

The ownership structure is the type of institution or company that holds the largest share in a company (Wahyudi and Pawestri, 2006). The ownership structure can be individual investors, governments, and private institutions. Ownership structures maintained under various categories of ownership structures include ownership by domestic institutions, foreign institutions, governments, and employees. The ownership structure is believed to have the ability to influence the way the company can affect the company's performance. Agency problems can be reduced by the ownership structure which is a mechanism to reduce conflict between management and shareholders (Faisal, 2005). The proportion of managerial ownership in the firm can indicate that there is a common interest between management and shareholders. While institutional shareholders have more expertise than individual investors, especially major institutional shareholders or above 5%. Large institutional shareholders are assumed to have long-term investment orientation. Institutional ownership generally acts as a party to monitor the company (Faisal, 2005).

Wahyudi and Pawestri (2006) who examined the effect of ownership structure on firm value with financial decisions as intervening variables determined that the managerial ownership structure would align the interests of managers and shareholders, thus benefiting directly from the decisions taken and losing as a consequence of decision making wrong. But this study did not find any effect of institutional ownership structure on financial or corporate decisions.

The ownership structure can be classified into *external block ownership* and *internal block ownership* or *managerial block ownership*. The ownership structure in a company implies the existence of sacrifices in the use of resources efficiently and effectively in order to maximize the company's profit.

1) *External block ownership*

External ownership can be defined as the ownership of shares owned by large investors who are not from the managerial circles. According to Friend and Lang (1988), external shareholders have the authority to monitor and influence management reasonably to protect their investment in the company. Shleifer and Vishny (1986) revealed that external shareholders reduced the opportunist behavior of managers, resulting in a low direct agency conflict between management and shareholders.

2) *Managerial block ownership*

Managerial ownership is a shareholding by company management as measured by percentage of total shares owned by management (Sujono and Soebiantoro, 2007). According to Itturiaga and Sanz (2001), the managerial ownership structure can be explained from two perspectives namely agency approach and asymmetric information approach. The agency approach considers the managerial ownership structure as an instrument or tool to reduce agency conflict among some claims against the company. The approach of imbalance information considers the mechanism of managerial ownership structure as a way to reduce the imbalance information between the insider and outsider through disclosure of information within the capital market.

HYPOTHESIS

Cost of capital in developing countries such as Brazil, Indonesia, Russia and India tends to be higher than developed countries such as the US, EU, Japan and the UK. Specifically if the position of Indonesia compared to countries such as the US, EU, UK, Japan, Korea, Australia, ASEAN-5, and BRIC in 2010 was in the top three in terms of interest rates with benchmark interest rates on loans, interest rates deposits, government bond yields as well as inflation. However, in terms of average economic growth during the last five years Indonesia is ranked fourth. The economic growth of China, India, and Singapore is on average over Indonesia for the last five years. Interest rates and economic growth are inseparable. In the concept of the mechanism of transmission of interest rates or cost of capital plays an important role in the target achievement of a country's economic growth.

The Influence of Asymmetrical Information on Cost of Capital

Information on quality accounting is useful for investors to lower asymmetrical information. Asymmetrical information arises when managers know more about internal information and future company prospects compared to shareholders or other stockholders. When asymmetrical information arises, decision making created by managers can affect stock prices because asymmetrical information between more informed investors and less-informed investors raises transaction costs and reduces the expected liquidity in the market for company stocks (Komalasari, 2001).

According to the study of Komalasari (2000), the relationship between asymmetrical information and cost of equity capital, where asymmetrical information is measured using *bid-ask spreads*. The results show that there is a positive relationship between asymmetrical information and cost of equity capital. In another study, Mardiyah (2002) found a positive relationship between asymmetrical information and cost of capital. This means that the

smaller the asymmetrical information that occurs between the participants of the capital market, the less the cost of capital alone which is borne by the company.

The Influence of Corporate Size on Cost of Capital

The size of the company indicates the company's activities owned by the company. The larger the size of the company means the greater the asset that can be used as collateral to obtain loan so that leverage will increase. The relative market share will show the competitiveness of the company is higher than its main competitor so that it will encourage the company to do the lending and leverage will increase. Market growth shows that the company's performance improves so that investors will respond positively and the value of the company will increase. Bhattacharya (1979) argues that high profitability indicates good company prospects so that investors will respond positively and company value will increase. Jensen and Meckling (1976) say that large companies will disclose more information for several reasons, namely, in an effort to reduce agency costs, can invest in various types of businesses, more easily enter the capital market and bank loans.

According to Fitriani (2001) large corporations will face high public demand for information so that large companies must disclose more information. While Buzby (1975) assumes that small companies may not have the resources to provide detailed annual report due to cost constraints. Another management assumption is that small companies if creating detailed disclosures would jeopardize the position of the competitors (Singhvi and Desai, 1993). Referrals can be negative if associated with the theory that large companies will not be separated from political pressure namely the pressure to carry out social responsibility. Consequently, large corporations reduce financial statements (in detail) because there is a tendency for political action to avoid taxes (Jensen and Meckling, 1976).

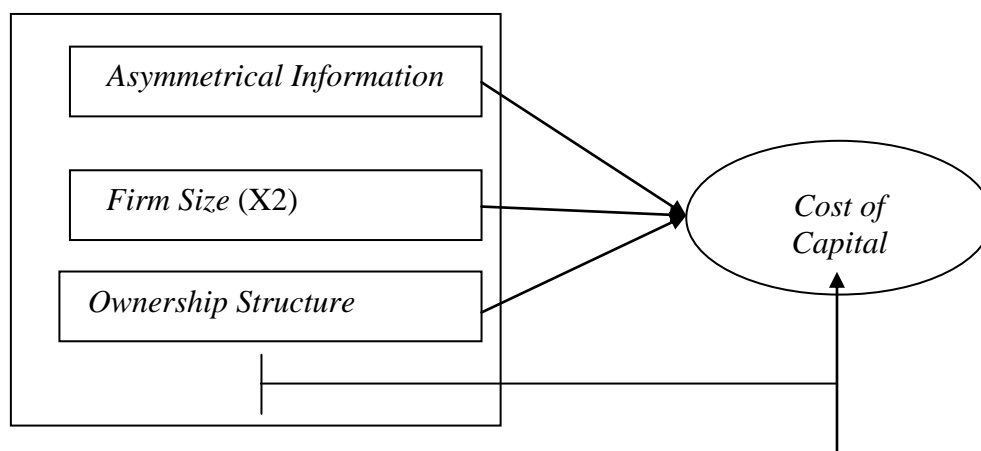
The Effect of Ownership Structure on Cost of Capital

Theoretical ownership structure also has a relationship with leverage. The more concentrated the ownership, the more effective the control done by the owner over the management. Management will be more careful in obtaining a loan, because the increase of debt amount will cause financial distress. The occurrence of financial distress will result in the decline of company value so that it will decrease the prosperity of the owner. As a result of the capital loan, the interest cost will arise which is the capital cost for the company. High interest rates mean high capital costs so that companies are reluctant to lend and further leverage will decrease. The increasingly volatile state of the capital market will reduce the company's interest in taking a loan as the company is more interested in financing through the capital market so that leverage will decline.

High market growth shows a good market opportunity that will encourage companies to take loan so that leverage will increase. Institutional ownership will encourage owners to propose a loan to management so that management is encouraged to improve its performance, then the value of the company will increase. Managerial ownership will encourage management to improve company performance since they also own the company. Increased corporate performance will increase the value of the company. High interest rates will reduce the interest of investors to invest funds into the capital market so that trading activity will decrease and the value of the company will decrease.

Based on the above description, it can be drawn a framework as follows:

Figure 2: The Effect of Asymmetrical Information, Firm Size, Ownership Structure on Cost of Capital



Research Hypothesis

Based on the above description, a hypothesis can be drawn as follows:

- H.1 : Asymmetrical Information (X1) has a significant effect on cost of capital (Y).
 H.2 : Firm size (X₂) has a significant effect on Cost of capital (Y).
 H.3 : Ownership Structure (X3) has a significant effect on Cost of capital (Y).
 H.4 : Asymmetrical information (X1), Firm Size (X2), Ownership Structure (X3) have a significant effect on Cost of capital (Y).

METHODOLOGY

Research Design

This research was conducted at property companies listed on Indonesia Stock Exchange in 2007 up to 2011. All the data required in accordance with the purpose of this study has been collected. This research is a study that tests the theories through measurement of quantitative research variables and perform data analysis with statistical procedure. The purpose of this study is to test the research hypothesis related to the variables studied namely the asymmetrical information, firm size, and ownership structure to the cost of capital. The results of data testing are used as the basis for drawing conclusions of research, supporting or rejecting hypotheses developed from theoretical analysis. This study will identify how the independent variables affect the dependent variable.

Source of Data

The data used in this study is quantitative data, namely data in the form of figures in the form of financial statements on property companies listed on the Indonesia Stock Exchange.

Population and Sample

This study employs purposive sampling method with the aim at obtaining a representative sample in accordance with the criteria specified. The criteria used to select the sample are as follows:

- 1) The research sample is a property company listed on the Indonesia Stock Exchange from 2007 up to 2011.
- 2) Issue the complete annual financial statements during the study period.
- 3) The Company posted a profit during the study period.

Based on the criteria determined by the author, then from the population mentioned above, the company that meets the criteria specified is as many as 15 companies which are then used as research samples.

Data Collection

This research is a capital market-based research, so the data used is secondary data, that is data that has been collected by data collecting institution and is published to the data user community (Sekaran, 2003). This secondary data is obtained from Indonesia Stock Exchange (IDX) that is from *Indonesian Capital Market Directory*.

Data Analysis

Data were analyzed using multivariate data analysis method which is descriptive and inferential statistic method used to analyze data of more than two research variables.

RESULT AND ANALYSIS

Descriptive Statistical Analysis

Based on raw data input from Indonesian Capital Market Directory (ICMD) from 2007 to 2011, the financial data used in this study includes Asymmetrical Information, Ownership Structure, Firm Size, and Cost of Capital. The purpose of this research is to test empirically about the influence of Asymmetrical Information, Firm Size, Ownership Structure to Cost of Capital. Ghozali (2012, p.19) mentioned that descriptive statistics give description of data seen from average value (mean), standard deviation, variance, maximum, minimum, sum, range, kurtosis and skewness. Independent variables used in this study as many as 3 (three) namely Asymmetrical Information, Firm Size, and Ownership Structure as can be seen in Table 1 as follows:

Table 1: Descriptive Statistics

| | N | Minimum | Maximum | Mean | Std. Deviation |
|-------------------------------|----|---------|---------|---------|----------------|
| Asymmetrical Information (X1) | 75 | -2875 | 13975 | 1084.21 | 1836.602 |
| Ln Firm Size (X2) | 75 | 25.11 | 30.41 | 28.0547 | 1.14143 |
| Ownership Structure (X3) | 75 | 1 | 2 | 1.53 | .502 |
| Ln Cost of Capital (Y) | 75 | 18.02 | 30.56 | 27.7499 | 2.54004 |
| Valid N (listwise) | 75 | | | | |

Based on data from Table 1 above, it can be explained that:

1. The number of observation data (N) in the property companies listed on the Indonesia Stock Exchange for the period 2007 - 2011 is as many as 75 data samples.
2. Variable of Asymmetrical Information has the minimum value (smallest) -2875, maximum value (largest) 13975, mean (mean value) 1084.21 and Standard Deviation (standard deviation) of this variable is 1836.602. This shows that during the period 2007 - 2011 in general, asymmetrical information has increased. Standard of asymmetrical information deviation of 1836,602 or 1,836.602%, the standard deviation of asymmetrical information exceeds the average of asymmetrical information, with the amount of data deviation indicating the high fluctuation of variable asymmetrical information during the period of observation.
3. The firm size variable has the minimum value (smallest) of 25.11 and maximum value (largest) of 30.41, mean (average value) 28.0547 and Standard of Deviation of this variable is 1.14143.
4. Variable of ownership structure consists of national ownership symbolized by number 1 and foreign ownership symbolized by number 2. Minimum value (smallest) of 1,

- maximum value (largest) of 2, mean (average value) 1.53% and Standard of Deviation of this variable is 0.502 or 50.2%.
5. The cost of capital variable has the minimum (smallest) value of 18.02, the maximum value of 30.56, the mean (average value) 27.7499 and the standard deviation of this variable is 2.54004. This shows that during the period of 2007 - 2011 in general cost of capital has increased.
 6. The standard of deviation of cost of capital is 2,54004 or 254,004%, the standard of deviation of cost of capital exceeds the average cost of capital, with the amount of data deviation indicates the high fluctuation of cost of capital variable during the observation period.

Hypothesis Testing

1. Coefficient of Determination Test

The amount of contribution between donations given by variable of asymmetrical information, firm size, ownership structure to the cost of capital in property companies listed in Indonesia Stock Exchange can be known from the value of double determination coefficient or R^2 . In this study the authors use measurements with Adjusted R^2 .

According to Ghazali (2009: 15), "The coefficient of determination (R^2) essentially measures how far the ability of the model in explaining the variation of the dependent variable. The magnitude of the coefficient of determination is between zero to one. The small value of R^2 means the ability of the independent variables to explain the variation of the dependent variable is very limited. A value close to one means the independent variables provide almost all the information needed to predict the variation of the dependent variable ". Adjusted R^2 essentially measures how far the model's ability to explain variations of dependent variables. In this case adjusted R^2 is used to find out how much influence the independent variable to the dependent variable. The results of coefficient of determination can be seen in Table 2 as follows:

Table 2: Determination Testing Results
Summary Model (b)

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|-------|---------|----------|-------------------|----------------------------|---------------|
| 1 | .834(a) | .696 | .683 | 1.43006 | 2.131 |

a Predictors: (Constant), Ownership Structure (X3), Asymmetrical Information (X1), Ln Firm Size (X2)

b Dependent Variable: Ln Cost of Capital (Y)

The amount of Adjusted R^2 based on the result of the analysis using SPSS 15, it is obtained a figure of 0.683. Thus, the amount of influence given by asymmetrical information variable, firm size, ownership structure to cost of capital equals to 68.3%. While the rest of 31.7% is influenced by other factors is not examined in this study.

2. Simultaneous Testing Results (F Test)

F test is used to determine whether there is influence together with independent variable to dependent variable. F Test can be searched by looking at F arithmetic from SVS Anova output table version 15 for windows, besides also comparing the result of probability value. If the probability value > 0.05 then H_0 is accepted and if the probability value < 0.05 then H_a is accepted. Or if F arithmetic $> F$ table is $F_{\alpha}(k - 1, n - k)$, then the null hypothesis is rejected

which means independent variables (X1, X2, and X3) simultaneously affect the dependent variable (Y).

Table 3: F Test Result
ANOVA(b)

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|----|-------------|--------|---------|
| 1 | Regression | 332.234 | 3 | 110.745 | 54.152 | .000(a) |
| | Residual | 145.200 | 71 | 2.045 | | |
| | Total | 477.435 | 74 | | | |

Predictors: (Constant), Struktur Kepemilikan (X3), Asimetri Informasi (X1), Ln Firm Size (X2)
b Dependent Variable: Ln Cost of Capital (Y)

In table Anova, it can be known that probability value (significance) in this research is 0.000 which means this figure is under 0,05. It is known that F table equals to 2.74 while F count is 54.152 which means $54.152 > 2.74$ (F arithmetic > F table). The conclusion is that H0 is rejected so that the asymmetrical information, firm size, and ownership variables simultaneously (together) have a significant effect on the cost of capital.

3. Partial Test Results

To know the influence of each independent variable to the dependent variable that is between asymmetrical information, firm size, ownership structure to cost of capital in this research is tested to regression coefficient that is by t test. Based on the calculation of SPSS version 15 for windows, it is known that the probability value of each independent variable to the dependent variable. If the probability value > 0.05 then H0 is accepted and if the probability value < 0.05 then Ha is accepted. Or if $t \text{ arithmetic} > t \text{ table}$ is $t_{(k-1, n-k)}$, then the null hypothesis is rejected which means independent variables (X1, X2, and X3) respectively (partial) effect on the dependent variable (Y).

Table 4: T Test Result
Coefficients(a)

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|-------------------------------|-----------------------------|------------|---------------------------|--------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -20.647 | 4.215 | | -4.899 | .000 |
| | Asymmetrical Information (X1) | -4.24E-005 | .000 | -.031 | -.458 | .648 |
| | Ln Firm Size (X2) | 1.665 | .152 | .748 | 10.938 | .000 |
| | Struktur Kepemilikan (X3) | 1.138 | .340 | .225 | 3.352 | .001 |

a Dependent Variable: Ln Cost of Capital (Y)

Variables of asymmetrical information do not have a positive and significant effect on the cost of capital. This can be seen from the significant value of 0.648 above (greater) than 0.05. The firm size variable has a positive and significant effect on the cost of capital. This can be seen from the significant value of 0.000 below (smaller) than 0.05. The variable of ownership structure has a positive and significant impact on cost of capital. This can be seen from the significant value of 0.001 below (smaller) than 0.05. From the above table, it can be obtained a model of multiple regression equation as follows:

$$Y = -20.647 - 4.245X_1 + 1.665 X_2 + 1.138 X_3 + e$$

Note:

- a) The value of constant is -20.647 means that if the asymmetrical information, firm size, and ownership variable is zero (no) then the cost of capital will decrease by IDR 20,647.
- b) The value of asymmetrical information coefficient is -4.245 which means that each drop of asymmetrical information of one unit will increase the value of cost of capital of IDR 4.245.
- c) The value of firm size coefficient is 1665 which means that each increase in firm size of one unit will increase the value of cost of capital of IDR 1.665.
- d) The value of the coefficient of ownership structure is 1,138 which means that each increase of ownership structure of one unit will increase the *cost of capital* as much as 1.138%.

DISCUSSION

This study aims at determining the effect between asymmetrical information, firm size, and ownership structure to the cost of capital either partially or simultaneously on property companies listed on the Indonesia Stock Exchange in 2007, 2008, 2009, 2010 and 2011. Independent variables used in this research is the asymmetrical information variable, firm size, and ownership structure. Dependent variable in this research is cost of capital. The population used in this study are all property companies listed on the Indonesia Stock Exchange in 2007, 2008, 2009, 2010 and 2011. The study population amounted to 15 companies. The sampling technique used is purposive sampling technique where the amount of observation obtained in this research is 75 (15 x 5 years). The tests used in this study are classical assumption test (normality, heteroscedasticity, autocorrelation and multicollinearity) and hypothesis test (t test, F test and Determination test)

Based on test result of adjusted R^2 from the result of analysis by using SPSS 15, it shows a figure of 0,683. Thus, the amount of influence given by asymmetrical information variable, firm size, and ownership structure to cost of capital equals to 68.3%. While the rest of 31.7% is influenced by other factors which is not examined in this study.

The first hypothesis states that the variable asymmetrical information does not have a positive and significant effect on the cost of capital. Based on the research, the coefficient of regression of asymmetrical information -4,245, the value of t counted negative by -0.031, with a significant value of 0.648 which is still greater than 0.05 ($0.648 > 0.05$), and it means the first hypothesis (H1) is rejected so that the asymmetrical information variable has no positive effect and significant to cost of capital. This indicates that the magnitude of asymmetrical information in property companies has no positive and significant impact on cost of capital, and indicates that investors do not view asymmetrical information has a role in making investment decisions. The results of this test are in line with research conducted by Siti Asiah (2004).

However, this study does not support the results of research conducted by Amihud Mendelson (1986) as quoted from Puput Trikomalasari and Zaki Baridwan (2001), as well as research conducted by Tri Komalasari (2000) and Aida Ainul Mardiyah (2002).

The second hypothesis states that firm size variables have a positive and significant effect on cost of capital. Based on the research, the firm size regression coefficient is 1.665, the value of t is positive with 10,938, with the significant value 0.000 which is still smaller than 0.05 ($0.000 < 0.05$), which means that the second hypothesis (H2) is accepted so that firm size

variable has positive and significant influence against the cost of capital. This indicates that the firm size of property firms will have a positive and significant effect on cost of capital, and indicates that investors perceive firm size has a role in making investment decisions. The results of this test are in line with research conducted by Kartini and Arianto, T. (2008), Sylvia Veronica N.P. Siregar and Siddharta Utama (2005). But this research is not in line with previous research conducted by Indra Wijaya (2009).

The third hypothesis states that the ownership structure variable has a positive and significant effect on the cost of capital. Based on the research, the regression coefficient of ownership structure is 1,138, the value of t is positive with 3,352, with the significance value 0.001 which is smaller than 0.05 ($0.001 < 0.05$) which means the third hypothesis (H3) is accepted so that the ownership structure variable has positive and significant effect to cost of capital. The results of this test are in line with research conducted by Sylvia Veronica N.P. Siregar and Siddharta Utama (2005).

The fourth hypothesis states that the variable of asymmetrical information, firm size, and ownership structure simultaneously (together) have a significant effect on cost of capital. Based on the simultaneous test results it is known that the probability value (significance) in this study is 0.000 which means this figure is below 0,05 ($0.000 < 0.05$). It is known that F table is 2.74. While F arithmetic is 54.152 which means $54.152 > 2.74$ (F arithmetic > F table). The conclusion is that the fourth hypothesis (H4) is accepted namely the asymmetrical information variable, firm size, and the ownership structure simultaneously (together) have a significant effect on the cost of capital.

CONCLUSION AND RECOMMENDATION

Based on the results of research and analysis on the property companies in IDX period 2007 - 2011 above, it can be concluded that the independent variables of asymmetrical information, firm size, and ownership structure simultaneously (together) have a significant effect on the cost of capital in the property company at Indonesia Stock Exchange. Partially, the variable of asymmetrical information does not have a positive and significant effect to the cost of capital. Partially firm variable have positive and significant influence to the cost of capital and partially variable of ownership structure also have positive and significant to the cost of capital.

From this study, researchers provide suggestions for further research and investors. For further research on similar themes, the number of samples can be increased namely all property companies, longer observation period and add other variables both fundamental and technical factors. In the next study, the variables used should be more developed, and the selection of other alternatives to estimate the asymmetrical information and cost of capital. For example, using the proxy of analysis forecast dispersion to measure the variable of asymmetrical information.

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