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Research Article

Corporate Governance Mechanism to Decrease the Cost of Equity: Empirical Study on the Indonesian Infrastructure Company

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ABSTRACT

The 1997 Asian financial crisis highlighted the importance of Good Corporate Governance (GCG) practices in developing countries, including Indonesia, which to this day still faces challenges in improving the quality of corporate governance, especially in the infrastructure sector. Good GCG practices are believed to be able to reduce the cost of equity by increasing transparency and investor confidence, however their implementation in Indonesia is still not optimal even though various regulations have been made. This research aims to provide a deeper understanding of how Good Corporate Governance practices can influence the cost of company equity in this strategic sector. This research uses a quantitative approach with a population of infrastructure sector companies listed on the Indonesia Stock Exchange (BEI) during the 2019–2023 period. The sampling technique uses a purposive sampling method, namely selecting samples based on certain criteria. Data was collected through documentation methods, namely by accessing company annual reports from the official IDX website and each company's website. The data analysis technique used is panel data regression with the help of the Eviews 10 application, which involves the Chow test, Hausman test, and Lagrange multiplier test to determine the best model, as well as partial tests (t tests), simultaneous tests, and coefficient of determination tests to test the research hypothesis. The research results show that the variables that have a significant influence on the cost of equity include Block Ownership which has a positive influence, Insider Ownership, Institutional Ownership, and Foreign Ownership which each have a negative influence, as well as Independent Non-Executive Directors which have a positive influence. Meanwhile, the variables Non-Executive Directors, Board Size, Board Meeting, Gender Diversity, CEO Duality, CEO Tenure, and Political Connections do not show a significant influence on the cost of equity. This shows that the ownership structure and role of independent directors play a more important role in determining the cost of equity than board characteristics and other aspects.

Keywords: cost of equity, foreign ownership, good corporate governance, independent non-executive directors, infrastructure

INTRODUCTION

Good Corporate Governance (GCG) has become the most crucial problem in the financial markets of developing countries since the Asian financial crisis in 1997 (Krismiaji & Raharja, 2018). This is supported by international organizations, such as *the Organisation for Economic Co-operation and Development* (OECD), the *International Monetary Fund* (IMF), as well *World Bank,* which has issued standards and guidelines for corporate governance practices. This condition is caused by several things, Firstly, good GCG practices have a significant impact on various aspects of the company's operations and reputation. Companies with a good GCG reputation also tend to get better access to resources such

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as capital and credit, because investors and lenders have more confidence in companies that have good management systems (Wahyuni & Utami, 2018). In line with this, GCG development in Indonesia has experienced several changes and advances in recent years.

One of the main challenges is the low GCG ranking of Indonesian companies when compared with other countries in the Asian region. This is reflected in the GCG ranking in Asia in 2023, which shows that companies in Indonesia still need to make many improvements to achieve better governance standards.

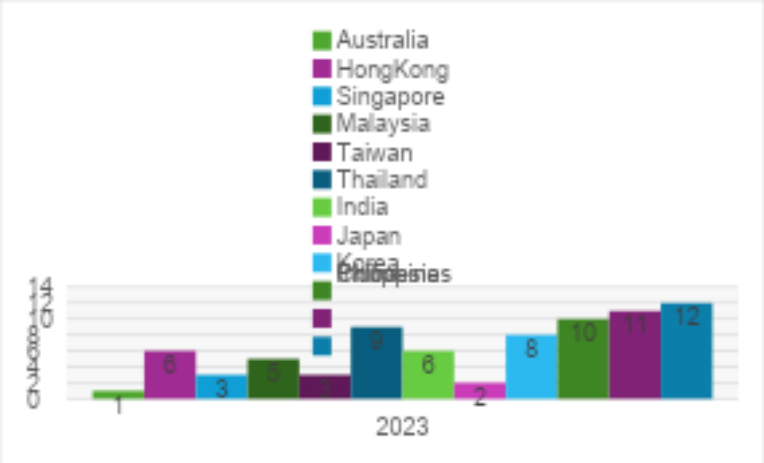

Figure 1. GCG ranking in Asia
Source: *Asian Corporate Governance Association* (ACGA)

Based on data *Corporate Governance Watch* from *Asean Corporate Governance Association* (ACGA) in 2023 Indonesia will be ranked 12th in GCG in Asia. This ranking reflects that there is no significant improvement in the implementation of good corporate governance in Indonesia from 2018 to 2023. To improve Indonesia's position in GCG, there needs to be continuous efforts to implement policy reforms and strengthen the regulatory framework that supports better GCG practices (Dewi et al., 2021). The still weak GCG practices in Indonesia will have an impact on *cost of equity* for companies. In general, previous research shows that CG has a positive effect on company performance or company value (AlHares, 2020). Ali et al. (2019) also noted something similar, namely that there are many studies that highlight that there is a positive relationship between CG quality and profitability as a performance measurement. This encourages the need to research the impact of CG quality on company performance using *cost of equity* (COE) which is an indirect proxy for performance (Ali et al., 2019).

Cost of Equity (COE) is a very important aspect in corporate finance, especially in relation to capital expenditure (AlHares, 2020; Faysal et al., 2020). COE plays a key factor in a company's survival and growth, because this capital cost is one of the most important elements in attracting investment, both internal and external (Faysal et al., 2020). Infrastructure companies will become the state's priority sector in 2024, this is evidenced by the significant budget allocation in the Draft State Revenue and Expenditure Budget (RAPBN) for that year. This can be seen from the placement of the Ministry of Public Works and Public Housing (PUPR) at the top of the budget allocation ranking, reaching a figure of IDR 146.98 trillion (Putri, 2023).

In the eyes of the international community, Indonesia is still considered a country that faces challenges in terms of corruption (Saptono & Purwanto, 2022). The Coordinating Ministry for Economic Affairs, through a press release, stated that to date, corporate governance practices are still a weakness of most companies in Indonesia (PR Ekon, 2021). Corporate governance practices that are able to maintain and increase investor confidence in the company can be a driver of low levels *cost of equity* company. *Cost of equity* includes all costs incurred by a company in its efforts to obtain funds from external sources, manage that capital, and face the consequences of using that capital (Layarda, 2021). Zandi et al. (2022) also revealed that *cost of equity* is one of the main determinants of financing sources. Based on several previous studies which explain that there are many GCG mechanisms. Mechanism

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Good Corporate Governance influenced by several factors, among others *block ownership, insider ownership, institutional ownership*, *non-executive directors*, *independent non-executive*, *board size*, *board meeting, gender diversity,* CEO *duality,* CEO *tenure, Foreign Ownership*, political connections (Ali et al., 2019; Faysal et al., 2021; Odat et al., 2021; Wahyuni & Utami, 2018; Dewi et al., 2020). Another research conducted in Indonesia was conducted by Krismiaji & Raharja (2018), which examined the impact of GCG and the quality of accounting information on *cost of equity*. This research uses 414 companies as research samples.

Based on the description of the phenomenon and the results of previous research above, this research will examine the influence of corporate governance mechanisms to *cost of equity* in infrastructure sector companies. The independent variables that will be used in this research use several mechanisms *corporate governance,* that is *block ownership, insider ownership, non-executive director, independent non-executive director, board size, gender diversity, CEO duality, CEO tenure*. Apart from that, in this research an independent variable was added, namely *board meeting, institutional ownership*, foreign ownership and political connections as novelties in this research. This research will also be carried out on infrastructure sector companies listed on the Indonesian Stock Exchange in 2019-2023, where previous research has never examined the influence of corporate governance mechanisms to *cost of equity* in infrastructure sector companies listed on the Indonesian Stock Exchange.

RESEARCH METHODS

The research method used in this research is quantitative research which is a scientific method that uses data in the form of numbers or numbers that can be processed and analyzed using (Cooper & Schindler, 2019). In this study, the population taken was infrastructure sector companies listed on the Indonesia Stock Exchange (BEI) in 2019-2023 with the sampling method used, namely *purposive sampling*. *Purposive sampling* is a sampling technique with certain considerations (Sekaran & Bougie, 2017).

The method used to collect data in this research is the documentation method. This method is used to obtain data in the form of company annual reports obtained through the Indonesia Stock Exchange website (www.idx.co.id) or published by the company from the company's official website.

The data analysis technique in this study uses panel data regression with the Eviews 10 application. Panel data regression analysis aims to see the influence of independent and dependent variables. Panel data regression analysis produces three estimation models obtained from several methods. According to Basuki & Prawoto (2016), to estimate models in panel data regression, you can use the following methods: Chow test, Hausman test, and Lagrange multiplier test. next, test the hypothesis with a partial test or t-test, a simultaneous test, and a coefficient of determination test.

The hypotheses in this research are as follows.

H1: Block Ownership influences the Cost of Equity.
H2: Insider Ownership influences the Cost of Equity.
H3: Institutional Ownership influences the Cost of Equity.
H4: Non-Executive Directors Affect the Cost of Equity.
H5: Independent Non-Executive Directors Affect Cost of Equity.
H6: Board Size influences the Cost of Equity.
H7: Board Meetings influence the Cost of Equity.
H8: Gender Diversity in the board of directors influences the Cost of Equity.
H9: CEO Duality influences the Cost of Equity.
H10: CEO Tenure influences Cost of Equity.
H11: Foreign Ownership influences the Cost of Equity.
H12: Political connections influence the Cost of Equity.

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RESULTS AND DISCUSSION

Results

Regression Model Selection

The following are tests carried out to determine the best estimation model:

1. Uji Chow

This test aims to determine whether the panel data regression model uses the method *common effect model* or *fixed effect model*, with the following output results:

Table 1. Chow Test Results

Effects Test	Statistic	Prob.
Cross-section F	4.856419	0.0000
Cross-section Chi-square	154.466620	0.0000

Source: Eviews 10 output, secondary data processed in 2024

Based on the chow test results shown in the table, the chi-square probability value is 0.000, which is smaller than 0.05. Therefore, it can be concluded that *fixed effect mode*l is the most suitable.

2. Hausman test

This test aims to choose between a fixed effect model or a random effect model. The following are the Hausman test results:

Table 2. Hausman Test Results

Test Summary	Chi-Sq Statistic	Prob.
Cross-section random	0.0000000	1.0000

Source: Eviews 10 output, secondary data processed in 2024

Based on the output above, the probability value is 1.0000 which is above 0.05. Therefore, model *random effect* is the best model chosen for panel data regression.

3. Uji Lagrange Multiplier

This test aims to choose between *common effect model* or *random effect model*. The following are the LM test results:

Table 3. Test Results *Lagrange Multiplier*

Null (no rand. effect) Alternative	Cross-section One-sided	Period One-sided	Both
Breusch-Pagan	51.23318 (0.0000)	206.3508 (0.0000)	257.5840 (0.0000)

Source: Eviews 10 output, secondary data processed in 2024

Based on the output above, the probability value is 0.000 which is below 0.05. Therefore, model *random effect* is the best model chosen for panel data regression.

Panel Data Regression Analysis

Based on the results of selecting the panel data regression model that has been carried out, *random effect model* (REM) was chosen as the model used for panel data regression analysis in this research. The results of panel data regression with the REM model in this research are as follows:

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Table 4. Regression Results *random Effect Model*

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.564370	1.225939	6.985967	0.0000
X1	0.642991	0.298627	2.153157	0.0327
X2	-0.874186	0.412534	-2.119064	0.0355
X3	-0.659599	0.250230	-2.635965	0.0092
X4	-0.082578	0.627364	-0.131626	0.8954
X5	1.040215	0.362126	2.872526	0.0046
X6	0.013877	0.017209	0.806404	0.4211
X7	-0.003306	0.002388	-1.384520	0.1680
X8	-0.021245	0.087908	-0.241676	0.8093
X9	0.022222	0.051483	0.431643	0.6665
X10	1.01E-05	0.018135	0.000555	0.9996
X11	-0.672653	0.331915	-2.026581	0.0443
X12	-0.040471	0.035584	-1.137345	0.2570
Q1	-0.097488	0.023911	-4.077192	0.0001
K2	-0.000274	7.19E-05	-3.809351	0.0002

Source: Eviews 10 output, secondary data processed in 2024

Based on regression results *random effect model*. in the table above, the regression model equation can be obtained as follows:

Cost of Equity = 8.564370 + 0.642991X_1 - 0.874186X_2 - 0.659599X_3 -0.082578X_4 + 1.040215X_5 + 0.013877X_6 - 0.003306X_7 - 0.021245X_8 + 0.022222X_9 + 0.0000101X_{10} - 0.672653X_{11} - 0.040471X_{12} - 0.097488K_1 - 0.000274K_2 + and

Coefficient of Determination Test

The coefficient of determination is useful for measuring how big a role all independent variables play in explaining the dependent variable. The results of testing the coefficient of determination are as follows:

Table 5. Coefficient of Determination Test Results

R-squared	0.162722
Adjusted R-squared	0.093770

Source: Eviews 10 output, secondary data processed in 2024

Mark *r-squared* for this research model is 0.162722 indicates that the contribution is variable *block ownership, insider ownership, institutional ownership, board characteristics, board size, board meeting, gender diversity, CEO duality,* And *CEO tenure, foreign ownership* and political connections to *cost of equity* is 16.27%, while the remaining 83.73% is explained by other variables outside the variables used in this research

Uji F

The simultaneous test or commonly called the f test aims to find out whether all the independent variables in the research have a joint influence on the dependent variable. The testing criteria for the f test is that if the probability value is less than the 0.05 significance level, then the independent variables together have an effect on the dependent variable (Ghozali, 2018). The simultaneous test results in this research are as follows:

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Table 6. Simultaneous Test Results

F-statistic	2.359921
Prob(F-statistic)	0.005141

Source: Eviews 10 output, secondary data processed in 2024

Simultaneous test results show a statistical probability value of f 0.005141 which is smaller than the significance value of 0.05 so it is variable *block ownership, insider ownership, institutional ownership, board characteristics, board size, board meeting, gender diversity, CEO duality,* And *CEO tenure*, *foreign ownership*, political connections, *leverage* and *firmsize* simultaneously influence *Cost of Equity*.

Uji T

Partial tests are generally used to see how much influence an independent variable individually has in explaining the dependent variable. The t test is carried out by comparing the probability value with the significance level (Ghozali, 2018). The following are the partial test results in this study:

Table 7. Partial Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.564370	1.225939	6.985967	0.0000
Block Ownership (X1)	0.642991	0.298627	2.153157	0.0327
Insider Ownership (X2)	-0.874186	0.412534	-2.119064	0.0355
Institutional Ownership (X3)	-0.659599	0.250230	-2.635965	0.0092
Non-Executive Directors (X4)	-0.082578	0.627364	-0.131626	0.8954
Independent non-Excecutive (X5)	1.040215	0.362126	2.872526	0.0046
Board Size (X6)	0.013877	0.017209	0.806404	0.4211
Board Meeting (X7)	-0.003306	0.002388	-1.384520	0.1680
Gender Diversity (X8)	-0.021245	0.087908	-0.241676	0.8093
CEO Duality (X9)	0.022222	0.051483	0.431643	0.6665
CEO Tenure (X10)	0.0000101	0.018135	0.000555	0.9996
Foreign Ownership (X11)	-0.672653	0.331915	-2.026581	0.0443
Political Connections (X12)	-0.040471	0.035584	-1.137345	0.2570
Leverage (K1)	-0.097488	0.023911	-4.077192	0.0001
FirmSize (K1)	-0.000274	7.19E-05	-3.809351	0.0002

Source: Eviews 10 output, secondary data processed in 2024

Based on the partial test results, it shows that the variable *block ownership, insider ownership, institutional ownership, independent non-excecutive, foreign ownership, leverage* and *firmsize*

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influence on *cost of equity*. Meanwhile variables *non-executive directors, board size, board meeting, gender diversity, CEO duality, CE tenure,* and political connections has no effect on *cost of equity*.

Discussion

Influence of Block Ownership on Cost of Equity

The research results show that block ownership has a positive and significant effect on the cost of equity. This research is in accordance with the results of research conducted by AlHares, (2020) which revealed that there is a positive and significant influence of block ownership on the cost of equity. According to AlHares (2020) increasing block ownership will increase the cost of equity.

The results of this research are in accordance with the agency theory put forward by Jensen & Meckling (1976) which is the basis for explaining the relationship between block ownership by shareholders and the cost of equity capital. Agency theory refers to a relationship where one party (agent), such as company management, acts on behalf of another party (principal), such as shareholders, and the potential for conflicts of interest between these two parties.

The influence of block ownership in increasing the cost of equity can also be explained by institutional theory. Although the presence of institutional investors as blockholders often stabilizes a company's risk, it can also create risk if it is not aligned with the company's goals. Institutional investors tend to be more skilled and have the resources to monitor management, thereby reducing agency conflicts. However, if the institution focuses only on short-term profits, this can increase uncertainty and the cost of capital. Muslim & Setiawan (2021) stated that the high cost of equity is caused by excessive control from majority shareholders (blockholders), which creates conflict between minority and majority shareholders. This conflict will create high monitoring costs and ultimately increase the cost of equity capital (Muslim & Setiawan, 2021). Therefore, it can be concluded that the first hypothesis is accepted.

Influence of Insider Ownership on Cost of Equity

The research results show that insider ownership has a significant negative effect on the cost of equity. This research is in accordance with the results of research conducted by (AlHares, 2020; Faysal et al., 2020; Krismiaji & Raharja, 2018), which states that insider ownership is able to reduce the cost of equity by creating alignment of interests between managers and shareholders. When management members have share ownership in the company, they tend to be more focused on monitoring the company's performance carefully, efficiently and effectively (Faysal et al., 2020).

This is in line with the perspective of stewarding theory, insider ownership reflects the role of managers as protectors and managers of company interests, where management shows high loyalty and responsibility to ensure long-term sustainability and profitability (AlHares, 2020). This also strengthens management's position as a strategic decision maker who prioritizes shareholder interests, while minimizing conflicts of interest that often arise in agency relationships (Krismiaji & Raharja, 2018). Thus, insider ownership not only helps align the interests of managers and shareholders, but is also an effective solution to reduce agency problems and increase the efficiency of the overall cost of equity capital. Therefore, it can be concluded that the second hypothesis is accepted.

Influence of Institutional Ownership on Cost of Equity

The research results show that institutional ownership has a negative and significant effect on the cost of equity. This research is in accordance with the results of research conducted by (Faysal et al., 2021; Krismiaji & Raharja, 2018; Pangestika & Widiatmoko, 2021; Khan et al., 2020), which revealed that there is a negative and significant influence of institutional ownership on the cost of equity. According to Faysal et al. (2021), increasing institutional ownership will increase the cost of equity. This means that the higher the level of institutional ownership in a company, the lower the cost of equity capital.

This is in accordance with agency theory put forward by Jensen & Meckling (1976), which states that institutional arrangements provide net benefits through reducing agency costs. Theoretically, monitoring can be useful for reducing agency costs by minimizing conflicts between directors and investors (Khan et al., 2020). Through better knowledge and expertise, institutional investors can

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evaluate company decisions and interpret the information disclosed in annual reports (Khan et al., 2020). Therefore, it can be concluded that the third hypothesis is accepted.

Influence Non-Executive Directors on Cost of Equity

The research results show that Non-Executive Directors do not have a significant effect on the cost of equity. This is in line with the results of research conducted by (Ali et al., 2019; Busru et al., 2018; Pangestika & Widiatmoko, 2021), which also states that Non-Executive Directors do not have a significant influence on the cost of equity. The greater ineffectiveness of Non-Executive Directors with less diversity of managerial skills appears to be a possible influencing factor in this relationship (Busru et al., 2018). In line with this, Pangestika & Widiatmoko (2021) stated that this might happen because even though the number of board of commissioners is large, it is not necessarily capable of carrying out monitoring activities optimally.

This is in line with institutional theory, where institutional theory highlights that organizations are often influenced by normative pressures (AlHares., 2020). Boards of directors may function more to meet institutional or regulatory expectations than to direct strategic decision making that directly impacts equity investors' risk perceptions. As a result, although the board of commissioners plays a role in corporate oversight, this role does not always have a significant impact on the cost of equity, especially if the board is more focused on meeting formal compliance or corporate governance standards. This suggests that the presence of a board of commissioners is not automatically considered a relevant risk reduction measure for equity investors because the nature of their supervision tends to be influenced by institutional legitimacy, not risk management efficiency. Therefore, it can be concluded that the fourth hypothesis is rejected.

Independent Influence of Non-Executive Directors on Cost of Equity

The research results show that Independent Non-Executive Directors have a significant effect on the cost of equity. This research is in accordance with the results of research conducted by (Li et al., 2020; Mira et al., 2019; Pratama & Rifa, 2019), which revealed that there is a positive and significant influence of Independent Non-Executive Directors on the cost of equity. According to Li et al. (2020) Independent Non-Executive Directors are often seen as safeguarding the interests of minority shareholders and can bring improvements in corporate governance.

Financial Services Authority Regulation no. 57 of 2017 stipulates that public companies in Indonesia must have a minimum of 30% independent commissioners from the total members of the Board of Commissioners to support good governance. When a company has a proportion of independent commissioners that is too high or too many, it is possible that this will actually lead to ineffective monitoring of the company and will ultimately increase the company's cost of equity. This is in line with the perspective of stewarding theory; the existence of independent commissioners is not always relevant if management has acted to protect the interests of shareholders. In these conditions, independent commissioners can be considered redundant, complicating decision-making, and creating uncertainty, which leads to an increase in COE. Independent commissioners can also force companies to disclose more information to the public. While transparency is a good thing, these disclosures can expose previously unknown company weaknesses, thereby increasing the risk perceived by investors and causing an increase in COE. Therefore, it can be concluded that the fifth hypothesis is accepted.

The Effect Board Size on Cost of Equity

The research results show that Board Size does not have a significant effect on the cost of equity. This is in line with the results of research conducted by (Ali et al., 2019; Bertoncelli et al., 2021; Busru et al., 2018; Khan et al., 2020; Odat et al., 2021), which also states that board size is unable to influence the cost of equity. This is supported by institutional theory, where institutional theory highlights that organizations are often influenced by normative pressures (AlHares., 2020). The size or number of boards in a company is often determined based on prevailing norms or standards in the industry, and not for strategic reasons that directly impact the risk assessment by equity investors.

A large board size does not always increase the effectiveness of supervision or efficiency in decision making. Especially, the board may not have special skills related to that field. Apart from that, the results of this research can also be supported by agency theory. Agency theory, put forward by Jensen

& Meckling (1976) highlights the relationship between capital owners (principals) and agents who act on their behalf (management or insiders). Effective oversight of the board is important, but this depends more on the quality and independence of board members than on the number of board members themselves. If the board's independence is not strong, the monitoring effectiveness of the board will not be able to control the company's cost of equity. Thus, larger board size may not be perceived by equity investors as a direct risk reduction or performance improvement factor. Conversely, investors may view board size as an element of formality that is less relevant to risk management, and therefore does not affect the cost of equity. Therefore, it can be concluded that the sixth hypothesis is accepted.

The Effect of Board Meetings on Cost of Equity

The research results show that board meetings do not have a significant effect on the cost of equity. The results of this research are in accordance with the results of research conducted by (Rahmah & Kusumadewi, 2020; Srivastava et al., 2019) which also states that board meetings have no effect on the cost of equity. The results of this study provide evidence that a higher frequency of meetings does not guarantee a reduction in risk and an increase in the value of the cost of equity capital or returns expected by investors. This is possible because there is a requirement for a minimum number of boards to hold meetings in 1 year (Rahmah & Kusumadewi, 2020). In line with this disclosure, Irfani & Muchamad (2024) also stated that board of commissioners meetings are not always able to control external factors, such as market changes, government policies, or global economic conditions which can influence the level of returns desired by investors.

This is supported by institutional theory, where institutional theory highlights that organizations are often influenced by normative pressures (AlHares., 2020). Board meetings may serve more as symbols of expected governance compliance, such that companies hold them to maintain their image or meet industry standards, rather than to create a strategic impact on the risks or returns to equity shareholders. As a result, even if board meetings are held regularly, equity investors may not view this as a factor that can significantly reduce risk or increase the value of the company. This is because board meetings do not always guarantee an increase in the quality of supervision or strategic decision-making that has a direct impact on the company's risk structure. Therefore, it can be concluded that the seventh hypothesis is accepted.

The Effect of Gender Diversity on the Cost of Equity

The research results show that gender diversity does not significantly influence the cost of equity. This research is in accordance with the results of research conducted by (Busru et al., 2018; Vasconcelos et al., 2023; Sarang et al., 2022; Sari & Aling, 2022) which revealed that gender diversity does not have a significant effect on the cost of equity. According to (Vasconcelos et al., 2023), the reason why gender diversity is not significant to the cost of equity is possibly due to the low participation of women on the board of directors. In addition, the appointment of a female director may only be symbolic, having nothing to do with the company's results.

The influence of gender diversity on the cost of equity can also depend greatly on the industry and country context. Some industries or countries may be more responsive to social factors such as gender diversity, while others may be less. Therefore, changes in gender diversity may not have a significant impact on investors' risk perceptions and, consequently, the cost of equity. Based on the research results and supported by previous research, it can be seen that gender diversity does not have a significant effect on the cost of equity. Therefore, it can be concluded that the eighth hypothesis is rejected

The Effect of CEO Duality on Cost of Equity

The research results show that CEO duality does not significantly influence the cost of equity. This research is in accordance with the results of research conducted by (Ali et al., 2019; Bertoncelli et al., 2021; Zandi et al., 2022). CEO duality is considered not to have adequate capacity regarding measuring its impact on the cost of equity (Zandi et al., 2022). The impact of CEO duality on the cost of equity may vary depending on the company's specific context. In some companies or industries, a dual leadership structure may be considered appropriate and even desirable, and thus not significantly affect investors' perceptions of risk or the quality of corporate governance.

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Although CEO duality is generally considered an undesirable practice in corporate governance, in some cases, separating the functions of CEO and chairman may be impractical or impossible. Additionally for some companies, company performance and achievement of strategic goals may be more of a focus than the specific leadership structure. As long as CEO duality does not interfere with a company's performance or effectiveness, investors may not view it as a significant factor in assessing the cost of equity.

The Effect of CEO Duality on Cost of Equity

The research results show that CEO tenure does not significantly influence the cost of equity. This research is in accordance with the results of research conducted by (Busru et al., 2018; Sari & Aling, 2022; Zéghal & Gouiaa, 2009). Busru et al. (2018) revealed that the length of a CEO's tenure does not provide strong evidence to confirm the existence of a cause-and-effect relationship that has a significant effect on the cost of equity.

Perhaps CEOs who have long tenure tend to implement strategies that have been proven to be successful in the long term. The CEO may have a very important role in determining the company's strategy and direction, but in a company that has a solid and skilled management team, the CEO's departure will not have a significant impact on investors' perceptions of the company's risk. Based on the research results and supported by previous research, it can be seen that CEO tenure does not have a significant effect on the cost of equity. Therefore, it can be concluded that the tenth hypothesis is rejected.

The Influence of Foreign Ownership on the Cost of Equity

The research results show that foreign ownership has a significant effect on the cost of equity. These results are consistent with research conducted by (Khan et al., 2020; Park, 2020) which states that the presence of foreign shareholders can reduce risk perceptions and, thus, reduce the company's cost of equity capital. Foreign ownership has a crucial role in improving and developing corporate governance, because foreign investors play a role in monitoring managerial actions as part of internal corporate governance mechanisms (Bousnina et al., 2024). According to a study conducted by Khan (2020), foreign shareholders usually carry high standards of corporate governance, which increases transparency, accountability and operational efficiency of the company. The presence of foreign shareholders can help minimize the risk of opportunistic behavior from management.

In connection with this, the results of this research are in line with agency theory (agency theory) Jensen & Meckling (1976), which explains that the presence of foreign shareholders acts as an additional control that supports good governance and reduces the risk of agent behavior that could harm shareholders. In agency theory, the presence of foreign shareholders as supervisors from outside the company helps reduce the risks posed by conflicts of interest between management and shareholders. From the perspective of stewarding theory, foreign shareholders often act as strategic managers who support company sustainability. They bring knowledge, technology and global networks that can strengthen the company's position in the international market.

The Influence of Political Connections on the Cost of Equity

The research results show that the hypothesis regarding the positive influence of political connections on the cost of equity is rejected, which means that political connections have no influence on the company's cost of equity capital. These findings indicate that political connections may not play a large role in investors' risk perceptions of the company, or that other factors are more dominant in influencing investors' assessments regarding the cost of equity. This is in line with findings from research (Fajri, 2019; Ijaz et al., 2021; Wati & Selfina, 2022) which revealed that political connections have no effect on the cost of equity.

From the perspective of Jensen & Meckling's (1976) agency theory, this rejected hypothesis may also indicate that political connections do not always lead to conflicts of interest between management and shareholders. In other words, the existence of political connections may not increase the risk that management will act in political or personal interests that are detrimental to shareholders, so it does not affect investors' risk perceptions or the risk premium they demand, this is in line with research proposed by Ijaz (2021).

CONCLUSION

Based on the results of the analysis and discussion, it can be concluded that the variables which have a significant influence on the cost of equity include Block Ownership which has a positive influence, Insider Ownership, Institutional Ownership and Foreign Ownership which each have a negative influence, as well as Independent Non-Executive Directors which have a positive influence. Meanwhile, the variables Non-Executive Directors, Board Size, Board Meeting, Gender Diversity, CEO Duality, CEO Tenure, and Political Connections do not show a significant influence on the cost of equity. This shows that the ownership structure and role of independent directors play a more important role in determining the cost of equity than board characteristics and other aspects.

Contributory Authors

Muhammad Andi Mubarok: The main author who initiated the research topic. Developing a framework of thinking related to main research: corporate governance, cost of equity, big company in Indonesia.

The main author compiling a framework for deciding on a hypothesis, building a research model, determining the all of variables and research population. Collecting data and processing data are also the contributions of the first author. The first author's contribution is also in terms of completing the entire paper, because this paper source from a thesis.

Lindrianasari: The second author helped provide research direction. The second author becomes a sparring partner to direct the concepts and theories that play in research area, show the real condition of the topics.

The research topic of corporate governance and financial accounting is in accordance with the expertise of the second author who also acts as the first author's supervisor. The assessing data tabulation and determining the main articles that are worthy of being used as references is also done by the second author. Ensuring that the entire article is mature and worthy of being published in a reputable journal is the other task of the second author.

Open Data Source: available on https://bit.ly/3ELkBpe

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