

EXPLORING THE INFLUENCE OF COMPANY AGE ON THE COST OF EQUITY IN INDONESIAN MANUFACTURE COMPANIES

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Abstract -Equity is an important source of funds for companies. This research aims to analyze the factors that influence the Cost of Equity of manufacturing companies in Indonesia. The factors studied consisted of earnings management, characteristics of the board of directors, company age, and information asymmetry. The research population is manufacturing companies in the consumer goods sector listed on the IDX in 2019-2021. Data analysis uses multiple regression. The results of the research show that partially the age of the company has a significant negative effect on the cost of equity. Meanwhile, earnings management, characteristics of the board of directors and information asymmetry have no effect. These results can be a reference for investors and regulators that company age is proven to reflect business sustainability and ultimately contribute positively to the creation of an inclusive financial environment that supports economic growth.

Keywords: cost of equity, company age, earning management, characteristic of the board of directors, information asymmetry

I. INTRODUCTION

Equity is an important source of funds to support the Company's operations and growth. The ever-growing dynamics in the business world make industry players and investors increasingly aware of the importance of in-depth analysis of a company's cost of equity. Knowing the factors that influence the cost of equity is essential in making company financial decisions and provides a more comprehensive view of capital market dynamics. The cost of equity is the rate of return that investors expect on the funds invested by the company in the future. Investors will ask for a higher return if the company is considered to have high risk which will basically increase the cost of equity (Herusetya, 2012). Risk is the basis for determining whether to accept or reject an investment. Therefore, the cost of equity is a measure of the risk faced by a company, so determining the cost of equity is important in determining investment for investors. Determining the wrong cost of equity can result in wrong investment decisions.

The cost of equity reflects investment risk, and socioeconomic factors such as political uncertainty, inflation rates, and economic stability can influence investors' risk perceptions. Stable economic conditions and positive socioeconomic factors can lower the cost of equity, as investors may perceive investment in an area or sector to be safer. Affordable equity cost levels can play a role in encouraging financial inclusion and broader economic participation. The wider community can get involved in share ownership and have the opportunity to experience the benefits of economic growth. High costs of equity can be an obstacle to economic empowerment because they hinder access to equity investments. An increase in the cost of equity will reduce profitability, ease of access to equity capital, lower share value and attractiveness for investors.

Financial reports are a means of providing information on the company's financial performance that is needed by external stakeholders, including investors, for making

economic decisions. Through financial reports, management can meet the needs of external parties who do not have the authority to directly access company information sources (Atik Djajanti et al., 2022). Through company financial report in the consumer goods sector on the Indonesian Stock Exchange, the cost of equity has increased in the last three years. Consumer goods are consumable goods produced by companies and directly used by consumers without any prior commercial process, so they have a direct impact on people's daily lives. If a problem occurs in a company in the consumer goods sector, the impact will be felt directly by the community. In table 1 below, data on the cost of equity for this sector for the last three years is presented, calculated using the Ohlson method with the components of book value, EPS and market price (Rivandi & Marlina, 2019).

Table 1.
Average Cost of Equity for Consumer Goods Sector Companies

Indicator	2019	2020	2021
Average Cost of Equity	0.0788	0.0792	0.1295
Average Book Value per Share	5,172	6,363	7,257
Average Earning per Share	1,392	820	1,120
Average Market price per Share	3,590	3,309	2,881

Source: Data processed by researchers

It is known that the average cost of equity for companies in the consumer goods sector has increased by 0.0507 points or the equivalent of 64.27%, due to the growth in the average book value per share without a similar increase in the average share price, resulting in the company's cost of equity being higher. tall. This reflects the lack of attractiveness of shares for investors and the high level of risk. Potential causes include the impact of the Covid-19 pandemic which has made investors reluctant to invest in shares, because many companies have not mitigated risks related to the pandemic. If this continues, consumer goods sector companies will face losses because they have to pay higher costs to obtain funds from investors. Considering the importance of consumer goods sector companies to society, researchers are interested in conducting research with the aim of identifying factors that influence the cost of equity of consumer goods companies. Cost of equity can be influenced by several factors. Therefore, this research was conducted to determine the factors that influence the cost of equity

The development of the capital market and the growth of the Indonesian economy means that research on the cost of equity continues to attract the attention of academics and policy makers because this study presents two perspectives on the cost of equity. From the firm's viewpoint, it represents the expense incurred to secure external financing. From the investor's perspective, it denotes the required or anticipated return on an investment (Setiany et al., 2017). Various studies have developed using various factors that are thought to influence the cost of equity to obtain empirical evidence.

The company obtains funds from shareholders which will be managed by company management. Due to the fact that the relationship between shareholders and managers of a

company aligns with the pure definition of an agency relationship, it is unsurprising that issues related to the "separation of ownership and control" in companies with modern dispersed ownership are closely linked to the relationship between shareholders and managers of a company (Jensen & Meckling, 1976). Cost of equity reflects the costs imposed on a company as a result of the relationship between principal and agent. In this relationship there is a potential conflict of interest between the principal (shareholder) and management (agent). Agency theory identifies potential conflicts of interest between principals and agents due to differences in goals, information and incentives between the two. In this context, equity costs can be related to several things such as asymmetric information costs, control and supervision costs, monitoring and audit costs, contract and incentive costs. Understanding the cost of equity in agency theory allows companies to develop better corporate governance strategies, including appropriate incentive structures and effective control systems to minimize agency risk and increase shareholder confidence.

Submission of financial reports, which is an obligation for companies listed on the Indonesian stock exchange, is a signal for conveying information to shareholders. This signal can be used to reduce uncertainty or information asymmetry between management and investors. Companies can use signals to influence investors' perceptions of company quality and performance. Good signals can serve as a tool for reducing uncertainty and increasing transparency. For this reason, companies need to incur costs to implement these signals. These fees can be considered as part of a strategy to influence the cost of equity. In the context of signaling theory, companies can use signals to shape market perceptions of their value and performance, which in turn can influence the cost of equity. Efforts to convey convincing and trustworthy signals can help companies optimize the cost of equity and increase investor confidence.

LITERATUR REVIEW AND THE RESEARCH QUESTION

Among the various factors influencing the cost of equity, this research aims to focus on four factors: earnings management, characteristics of the Board of Director, company age, and information asymmetry.

I.A. Earning Management and The Cost of Equity

Earnings management is an intervention carried out by company managers to manipulate financial reporting and structuring transactions with the aim of gaining personal gain. Earnings management has the intention of misleading certain stakeholders regarding the true economic performance of the company or to influence contractual outcomes that depend on reported accounting numbers (Healy et al., 1998). Agency theory states that earnings management can occur due to conflicts of interest between owners and managers. This can be detrimental to external parties to the company because it can lead to errors in decision making if you only rely on information from financial statements which contain earnings management practices. Earnings management can be influenced by several factors, such as political motivation, tax motivation, bonus plans for managers, long-term debt contracts, initial stock offerings, and CEO replacement (Sulistiawan, Dedhy; et.al, 2011)

In uncertain economic situations, managers may feel more pressure to adjust financial reports to meet the expectations of shareholders or financial analysts. High economic or social pressure can trigger more aggressive earnings management behavior, which can have a

negative impact on a company's transparency and accountability. If a company uses positive earnings management extensively to increase profits, this can increase shareholders' expectations of the company's performance. As a result, shareholders may demand higher returns to compensate for the risks associated with such earnings management practices, which may result in a higher cost of equity. If a company uses earnings management to avoid increasing debt, the use of higher equity as a funding source will result in a higher cost of equity because shareholders usually demand higher returns than creditors. If a company uses positive earnings management extensively to increase profits, this can increase shareholders' expectations of the company's performance. As a result, shareholders may demand higher returns to compensate for the risks associated with such earnings management practices, which may result in a higher cost of equity. Extensive or unethical earnings management can trigger negative reactions from shareholders and investors, which can result in higher costs of equity. Empirical evidence shows that earnings management has a significant positive influence on the cost of equity in the research Year (2012-2014) (Dewi & Chandra, 2016) and (2015-2020) (Irwansyah & Aliah, 2022). This is because managers carry out earnings management with the intention of showing good financial performance so that the company's prospects look good and show high risk. Consistent with prior findings, we formulated the research question as hypothesized as follows:

H1: Earnings management have a positive significant effect on the cost of equity of manufacturing companies.

I.B. The Characteristics of The Board of Directors and The Cost of Equity

The board of directors is a body within the company that has full rights and obligations in managing the company in accordance with the company's objectives and representing the company, both inside and outside the court according to the rules stated in the articles of association (Zakasyi, 2019). According to OJK regulation no. 33/POJK.04/2014 states that the directors are part of the company who are fully responsible for the management of the company and represent the company both inside and outside the court. Directors in Public Companies at least consists of two members of the Board of Directors. The duties of the directors are to manage the company by paying attention to the interests of all interested parties in a balanced manner in individual activities. The directors must comply with all applicable laws and regulations and comply with the regulations set by the company and always maintain, handle and be responsible for the company's assets properly. Decisions made by the board of directors, especially those related to risk and financial management, can influence a company's resilience to economic or social crises. A company's ability to maintain jobs and contribute to regional economic stability can be impacted by these strategic decisions. The relationship between the board of directors and the firm's cost of equity is critical in managing financial resources and corporate policies. The board of directors is the institution responsible for supervising executive management and making strategic decisions in the company. The role of the board of directors can influence a company's cost of equity in several ways such as determining Dividend Policy, managing corporate risk and formulating business strategies. A well-performing board of directors can increase investor confidence, which can help reduce the cost of equity. The effectiveness of the board of directors is influenced by the size of the board which refers to the number of members of the board of directors, smaller boards tend to be more effective in handling problems (Wahab et al., 2020). There is only a slight difference between the size of a larger and smaller board of directors.

The large size of the board of directors also has the advantage of having better agreement between the company and the environment, providing advice in making better management decisions and the company's image (Wati & Selfina, 2022). Results of studies conducted by Wati and Selfina, indicating that the board of directors has a significant impact on the cost of equity¹³. Based on theory and previous study, we formulated the research question as hypothesized as follows:

H2: The characteristics of the board of Directors has a positive significant effect on the cost of equity of manufacturing.

I.C. Company age and The Cost of Equity

The lifespan of a company can reflect its sustainability and capability in competing in the market¹³. Age shows the level of maturity in managing capital structure which in turn can increase company value (Tunggal & Ngatno, 2018). Old and successful companies can make a significant contribution to the Gross Domestic Product (GDP) of a region or country. Through tax payments, mature companies play a role in supporting infrastructure development, public services, and socioeconomic projects. Aged companies provide important job stability for surrounding communities and create local economic sustainability and provide economic empowerment to local residents. The age of the company is calculated from the time the company was established based on the deed of establishment until the research was carried out. A company's age reflects its reputation and trustworthiness. A good reputation can increase investor confidence and reduce uncertainty, which can result in a lower cost of equity. A company's age can also influence investors' perception of risk. Younger or newer companies may be considered riskier because they are unproven or do not have a long track record of performance. As a result, investors may expect a higher rate of return to compensate for the higher perceived risk, which may increase the cost of equity. The company life cycle can be grouped into four stages, namely start-up, growth, maturity, and decline stage. Companies in the startup and growth stages may face higher risk and volatility, which is reflected in a higher cost of equity. Generally, older companies have had more time to build financial stability. Financial stability can provide investors with confidence that a company can overcome economic challenges and uncertainty, which can reduce the cost of equity. Hence the share price of older companies tends to be stable and attractive to investors.

¹³ Rahmawati. (2012). *Financial accounting theory (1st ed.)*. Yogyakarta: Graha Ilmu.

¹⁵ Gup BE, Aggrawal P. 1996. The product life cycle: A paradigm for understanding financial management. Financial Practise and Education.

(Malau et al., 2019) and (Faysal et al., 2021) conducted research that provides empirical evidence of a significant negative effect on the cost of equity. In accordance with theory and previous research, we formulated the research question as hypothesized as follows:

H₃: Company age has negative significant effect on the cost of equity of manufacturing.

I.D. Information Asymmetry and The Cost of Equity

Information asymmetry is an imbalance of information between managers and stakeholders. This information imbalance arises when managers know more internal company information about the company's future prospects compared to stakeholders. In the market imperfection,

the concept of asymmetric information assumes that the internal parties of the company know more about the future of the company than investors who are the outside parties of the company. Asymmetric information reduces investors' confidence in financial statements. Decreasing the quality of financial reports increases the risk for investors in making investment decisions. The existence of information asymmetry in financial reporting will have an impact on the return expected by investors. Good signals can serve as a tool to reduce uncertainty and increase transparency. According to signaling theory and agency cost theory, mitigating information asymmetry between managers and owners can be explained through dividend distribution policies (Napitupulu & Djajanti, 2021). The company's dividend policy influences the cost of equity through dividend payments which are a reflection of the returns from investing investors' funds¹⁹. Dividends are an indicator that determines the size of the equity costs that the company will spend on the level of share returns or profits desired by investors. Several studies provide empirical evidence for the impact of asymmetric information on the cost of equity (Irwansyah & Aliah, 2022). Consistent with prior findings⁹ and agreement with the theory, we formulated the research question as hypothesized as follows:

H₄: Asymmetric Information has positive significant effect on the cost of equity of manufacturing.

II. METHODS

This study uses secondary data which drawn from the listed company in consumer goods sector on the floor of the IDX market. The data were obtained from BEI (Bursa Efek Indonesia) data based and Company legal web. The sample used in this study are 69 firm-year observations from 2019 to 2021. This research uses Regression analysis to determine the effect of some variables, namely Earning management, Characteristic of the Board of Directors, Company age and Information asymmetris on Cost of equity. Explanations and references for each variable can be explained as follows:

1) Earning Management (EM)

Earnings management (EM) is carried out using discretionary accrual indicators with the modified Jones model, the most power in detecting earnings management (Dechow et al., 1995). According to (Swari Arizoni & Ratnawati, 2020) with total accruals (TAC) calculations carried out using the following equation:

$$TAC_{it} = NI_{it} - CFO_{it}$$

Information:

TAC_{it} : Total accruals of company i in year t

NI_{it} : Net profit after tax at

company i in year t CFO_{it} :

Operating cash flow of company i in year t

Then calculate the Jones model coefficient value using regression with the following formula:

$$\frac{TAC_{it}}{TA_{it-1}} = \beta_1 \left(\frac{1}{TA_{it-1}} \right) + \beta_2 \left(\frac{\Delta REV_{it}}{TA_{it-1}} \right) + \beta_3 \left(\frac{PPE_{it}}{TA_{it-1}} \right) + \epsilon_{it}$$

Information:

TAC_{it} : Total accruals of company i in year t

TA_{it-1} : Total company assets at the end of year t-1

ΔREV_{it} : Change in total income in year t

PPE_{it} : The company's Property, Plant, and Equipment in year t or the company's fixed assets in year t

ε_{it} : Item error

After that, calculate the Non-discretionary Accruals (NDAC) value using the following formula:

$$NDAC_{it} = \beta_1 \left(\frac{1}{TA_{it-1}} \right) + \beta_2 \left(\frac{\Delta REV_{it} - \Delta REC_{it}}{TA_{it-1}} \right) + \beta_3 \left(\frac{PPE_{it}}{TA_{it-1}} \right) + \epsilon_{it}$$

Information:

NDAC_{it} : Nondiscretionary Accruals company i in year t

ΔREC_{it} : Change in total receivables in year t

So after that the Discretionary Accruals (DTAC) value will be obtained through the difference between total accruals and non-discretionary accruals using the following formula:

$$DAC_{it} = \left(\frac{TAC_{it}}{TA_{it-1}} \right) - NDAC_{it}$$

Information:

DAC_{it} : *Discretionary accruals*

2) Characteristics of the Board of Directors (BOD)

According to (Sari, 2023) stated that the board of directors can be counted:

$$BOD = \text{Number of members of the board of directors}$$

3) Company Age (AGE)

According to (Agustia & Suryani, 2018), the measurement of company age is based on the difference between the date of the observation period and the date of establishment of the company listed on the Indonesia Stock Exchange. Company age can be calculated using the formula:

$$AGE = (\text{Year of Research} - \text{Year of Company Establishment})$$

4) Information Asymmetry (Asim)

According to (Veno & Sasongko, 2017), Information asymmetry can be determined by measuring the bid-ask spread of a company. Information asymmetry is proxied by the bid-ask spread, which can be expressed as follows:

$$ASIM = (\text{askit} - \text{bidit}) / \{(\text{askit} + \text{bidit}) / 2\}$$

Information:

ASIM : The difference between the ask price and the company's bid price that occurs at t

ASK_{it} : The highest ask price for company i's shares that occurred on day t

Bid_{it} : The lowest bid price for company i's shares that occurred on day t

5) Company Cost of Equity (COE)

In this study, the cost of equity variable is measured using the Ohlson model. Based on studies (Rivandi & Marlina, 2019). The formula for calculating the cost of equity capital in the Ohlson model is as follows:

$$COE = (B_t + X_{t+1} - P_t) / P_t$$

Information:

COE : Estimated cost of equity

P_t : Stock price in period t

B_t : Book value per share in period t

X_{t+1} : Profit per share in period t+1

The data collected was employed to estimate the following model.

$$COE_{it} = \beta_0 + \beta_1 EM_{it} + \beta_2 BOD_{it} + \beta_3 AGE_{it} + \beta_4 ASIM_{it} + \varepsilon$$

Where,

COE : Cost of Equity

i : company

t : year

β₀ : intercept

β₁ β₂ β₃ β₄ : coefficient

EM : Earning Management

BOD : Board of Director

AGE : company age

ASIM : Asymmetry Information

III. RESULTS AND DISCUSSION

Based on table 2, it can be seen that the minimum, maximum, mean and standard deviation of 67 data sample from 23 companies for 3 years (2019 -2021).

Table 2. Descriptive Statistics Results

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
COE	69	-,96	,81	-,3237	,49683
EM	69	-1,90	,85	-,1275	,49260
BOD	69	2,00	12,00	5,6667	2,45349
AGE	69	10,00	92,00	43,2174	20,41976
ASIM	69	,00	,11	,0295	,02189
Valid N (listwise)	69				

Source: Data processed by SPSS, 2023

Before evaluating the factors that influence the cost of equity, the most appropriate and effective model is selected. We conducted a classic assumption test which consists of normality tests, multicollinearity tests, heteroscedasticity tests and autocorrelation tests. Based on the Kolmogrov-Smirnov (KS) statistical test, the Monte Carlo sig value is 0.119 which is greater than the significance level of 0.05. It concluded that the study data has a normal distribution. Regarding the multicollinearity between the independent variables, we use variance inflation factor (VIF) and correlation matrix. The results of the VIF reveal that they are less than 10 and therefore, within the acceptable range. For the heteroscedasticity test, the significance value of all dependent variable used is above 0.05 and hence, are not harmful. We used the Durbin Watson value (DW) to evaluate autocorrelation test. The result of the DW value is 1.799, which is greater than $du = 1.7343$ and smaller than $4-du = 2.2657$. Thus, there is no autocorrelation problem. The model used in this research is Multi Linear Regression (MLR) which explains the relationship of several variables to the cost of equity. Based on this model we evaluate the impact of the variables studied on the cost of equity.

III.A. Results

We find the model in Multiple Linear Regression with each independent variables coefficients as stated in table 3.

Table 3. Multi Linear Regression Result

		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	-2,331E-11	,113		,000	1,000
	EM	,047	,128	,047	,363	,718
	BOD	-,003	,127	-,003	-,022	,983
	AGE	-,410	,118	-,410	-3,466	,001

ASIM	,100	,119	,100	,847	,400
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a. Dependent Variable: COE

Source: Data processed by SPSS, 2023

From the table above it is known that the Constant value is -2.331×10^{-11} , earnings management is 0.047, Board of Directors Characteristics is 0.003, Company Age is -0.410 and Information Asymmetry is 0.100. These results are entered into the multiple linear regression equation so that the following equation is known:

$$\text{COE} = -2,331 \times 10^{-11} + 0.047 \text{ EM} - 0.003 \text{ BOD} - 0.410 \text{ AGE} + 0.100 \text{ ASIM}$$

The resulting regression model has a probability (F-statistic) value of 3,657 and a significant value of 0.010. This means that there are at least one or more independent variables that have a significant effect on the dependent variable of this study.

Regarding our third research question, the result in table 3 shows that company age is related negatively and statistically significant. The result indicates that company age has a negatively significant effect on cost of equity. This means that the more a company ages the cost of equity can be further reduced. Other independent variables, namely earning management, characteristics of the board of directors and asymmetric information, do not have a significant effect on the cost of equity.

Based on table 4 the coefficient of determination or the value of Adjusted R-square resulting from the model is 0.135 or 13.5%. It shows that the variables Earnings Management, Characteristics of the Board of Directors, Company Age, and Information Asymmetry influence the Cost of Equity variable by 13.5%, while the other 86.5% is influenced by other variables outside the research.

Table 4. The Coefficient of Determination (R^2)

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,431 ^a	,186	,135	,93678	1,799

a. Predictors: (Constant), ASIM, AGE, BOD, EM

b. Dependent Variable: COE

Source: Data processed by SPSS, 2023

III.B. Discussion of Research Results

We conducted this research to evaluate the factors that influence the cost of equity by creating a research hypothesis. The research variables used are earnings management, age and board of directors. Based on the results of statistical tests on table 3, it can be determined whether the hypothesis can be accepted or not.

III.C.1. The Effect of Earning Management on Cost of Equity

Hypothesis 1 which states that earning management has a positive significant effect on the cost of equity is rejected based on statistical test results with a probability value of 0.718 which is greater than 0.05. If investors have a deep understanding of earnings

management practices that may occur and they can sort the information provided by the company more carefully so that the impact of earnings management on risk perception and equity costs can be minimized. In addition, investors should not only rely on information provided by company management, but also evaluate fundamental analysis that considers various other aspects. If the capital market has a high level of efficiency and is able to respond quickly to the information released, the earnings management efforts carried out by the company may have a short-lived impact. Markets can quickly correct their valuations, and the cost of equity can return to reflecting a company's fundamentals. Openness and transparency in financial reporting can help reduce uncertainty and create investor confidence. In this situation, earnings management has a more limited impact on the cost of equity because investors can have more trust in the information provided. These findings are in line with research conducting by (Yolifiandri, 2023), and (Widanengsih et al., 2022) with data sample in banking sector.

III.C.2. The Effect of Characteristic Board of Directors on Cost of Equity

Hypothesis 2 stated that characteristic Board of Director has a positive significant effect on the cost of equity is rejected based on statistical test results with a probability value of 0.983, greater than 0.05. Several studies imply that the size of the board of directors can affect decision-making efficiency (Susanto & Fransiska, 2022). Boards that are too large may have difficulty reaching consensus, while boards that are too small may lack a variety of perspectives. However, this relationship is not always linear, and board size is not always a direct indicator of decision-making efficiency. More important than the number of board members is the quality and composition of the board. A board consisting of experienced individuals with appropriate expertise can provide significant added value to the company. Besides, the company's cost of equity can also be influenced by the size of the board of directors which is perceived by the market and investors in accordance with the company's business characteristics. Some industries may require a larger or smaller board of directors based on business complexity or regulatory requirements. The study conducted by Susanto and Fransiska²⁸ with sample data from 1445 company years showed the same results. This study is consistent with Khemakhem's research on Canadian companies listed on the Toronto Stock Exchange in year 2004,2005 and 2006 (Khemakhem & Naciri, 2015)

III.C.3. The Effect of Company age on Cost of Equity

Hypothesis 3 stated that company age has a negative significant effect on the cost of equity is accepted based on statistical test results with a probability value of 0.01, lower than 0.05. As stated previously, company age can reflect the company's reputation, experience, trust and financial stability. All of this reduces investor uncertainty. A longer company life can help in building stronger relationships with financial institutions and creditors. This can give positive signals to investors. (Malau et al., 2019). and (Faysal et al., 2021) conducted the research result in line with this study.

III.C.4. The Effect of Information Asymmetry on Cost of Equity

Hypothesis 4 stated that information asymmetry has a positive significant effect on the cost of equity is rejected based on statistical test results with a probability value of 0.400, greater than 0.05. Information asymmetry does not have a significant impact on the cost of equity because investors can still use the information received by investors to make decisions. Even though not all information about the company can be known, the available

information can still be used to estimate risk and measure potential investment returns. Therefore, information asymmetry is not considered a significant risk for investors (Panjaitan & Sofian, 2022). This study consistent with findings from other studies conducted by Sujiarti33 (2017), (Putri & Rokhmania, 2018), (Panjaitan & Sofian, 2022).

IV. CONCLUSION

In this study, we sought to answer the research question whether some variable such as earning management, characteristic of board of directions, company age, and information asymmetry can explain variation in firms' implied cost of equity. We developed and tested the hypothesis using samples of firms listed at the Indonesian Stock Exchange from the year 2019 – 2021.

Our findings have important implication for shareholder (investor) and firms' management. The results of the study strongly support our hypothesis that there is a negative relationship between the implied cost of equity and the company life. For the three other variables we tested, no strong relationship with the cost of equity was found.

The age of a company, measured by the length of time it has been listed on the Indonesian stock exchange. So, the longer a company has been established, the lower its cost of equity tends to be. This finding imply that firm's age can serve as a useful indicator of firm riskiness. As a firm progresses through its life-cycle, its riskiness gradually decreases, leading to a lower rate of return required by investors. Understanding the impact of company age on the cost of equity is crucial for shareholders and creditors in assessing riskiness and information asymmetry (Shah et al., 2018).

This suggests that a longer company life, reflecting reputation, experience, trust, and financial stability, can reduce investor uncertainty. Building strong relationships with financial institutions and creditors over time sends positive signals to investors, aligning with the findings of other studies in the field

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