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Good Corporate Governance and Cost of Debt: Listed Companies on Indonesian Institute for Corporate Governance

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Abstract

Corporate governance concept became stronger in Indonesia after the economic crisis that occurred in 1997 because of lack of legal, unestablished accounting and auditing standards, underegulated capital market, weak supervision of the Commissioners and the neglect of minority rights. To solve these problems, companies implemented corporate governance concept so that access to low cost-debt financing will be easily obtained. Therefore, corporate governance is a factor that cannot be ignored in decision making for creditors.

This study aimed to analyze the effect of Good Corporate Governance (Board of Commissioners, Audit Committee, Managerial Ownership and Institutional Ownership) on Cost of Debt in companies listed in Indonesian Institute for Corporate Governance 2010-2013. The samples used were 10 companies. This research method is using path analysis to see the direct and indirect effect between Good Corporate Governance and Cost of Debt through Corporate Governance Perception Index as intervening variable.

The results of this study showed that the variables of Good Corporate Governance (Board of Commissioners, Audit Committee, Managerial Ownership and Institutional Ownership) partially and simultaneously does not have a significant effect to the Cost of Debt in companies listed in Indonesian Institute for Corporate Governance 2010-2013.

Keywords: good corporate governance, corporate governance perception index, cost of debt, Indonesian institute for corporate governance

1. Introduction

1.1 Background

The concept of corporate governance began to strengthen in Indonesia after the economic crisis that occurred in 1997 were caused by weak law, accounting and auditing standards are not yet established, the capital market is still underegulated, weak supervision commissioner, and the neglect of minority interest (Kusumawati & Riyanto, 2005). Johnson et al. (2000) show that countries with weak legal protection for minority shareholders affected by the crisis more severe than countries with strong legal protection. Mitton (2002) also found that corporate governance has a strong positive impact on the company's performance during the financial crisis. Based on these phenomena implementation of Good Corporate Governance (GCG) becomes important to be consistently applied.

According Forum for Corporate Governance Indonesia (FCGI), GCG can be defined as a set of rules that govern the relationship between shareholders, managers, creditors, government, employees, and stakeholders other internal and external relating to the rights and obligations. GCG implementation is expected to improve oversight of management to encourage effective decision making, prevent opportunistic actions that are inconsistent with the interests of the company and reduce the asymmetry of information between the executive and the stakeholders of the company. In addition, GCG can also provide a frame of reference that allows effective supervision so as to create a mechanism of checks and balances in the company. Implementation of GCG that goes well is expected to increase public confidence in the company, in particular investors and creditors.

Ashbaugh et al. (2003) stated that a company with strong corporate governance has a higher credit rating than the weak corporate governance. A high credit rating will affect perceptions of the creditors and potential creditors on the credibility and the company's ability to meet its financial obligations as a whole. Two main

theories related to GCG is stewardship theory and agency theory. Subsequent developments, agency theory get more responses as seen better reflect the reality. Agency theory looked at the management of the company as an agent for the shareholders, who will act with full awareness of their own, not as the wise and prudent and fair to the shareholders, as assumed in the stewardship theory. Contrary to the stewardship theory, agency theory considers that management cannot be trusted to act in the best possible way for the benefit of the public in general and shareholders in particular.

Agency problems is arising from the separation of ownership and management functions which can then be agency conflict, the conflicts that arise as a result of management's desire (the agent) to act in accordance with their interests to sacrifice the interests of shareholders to earn returns and long-term value company (Ali, 2002). Agency costs arise due to information asymmetry because shareholders can not directly observe the behavior and actions of managers or cannot know the true economic value of the company. Without adequate control, effective monitoring and transparency of financial information, a rational investor would protect themselves by increasing the cost of debt (COD) (Ashbaugh et al., 2004). In this case, the GCG role is to reduce the agency problem by improving the control of management actions, limiting behaviors that can benefit the management and reduce the risk of misinformation.

Companies need a source of funding in running its operations. Gujarati (2003) explained that the manager should consider the benefits and costs of the sources of funds that have been in making funding decisions. High COD can arise because of differences in interests between the shareholders and the creditor. Diversified shareholder can give a risk to the creditor by investing in projects that are at high risk but also high returns. Therefore, the creditor compensate for that with the high COD.

Access to debt financing at a low cost will be more easily obtained by a company with a good performance. Low cost due to the company achieved good performance of the company, so the company is able to pay the debt in a timely manner. In other words, GCG is a factor that cannot be ignored in the decision-making creditors. This is because GCG is a means of ensuring the lender that the funds provided have been well managed, transparent and accountable, which aims to protect the interests of creditors. Application of GCG in a company can be measured by several indicators, such as independent directors, audit committee, managerial ownership and institutional ownership.

Board of Commissioner (BC) who can effectively performs the functions of monitoring the performance of management and encourage management to act in accordance with the interests of stakeholders both creditors and shareholders, so that management can produce a good performance. According to Herman (2009), the effectiveness of the BC is influenced by the characteristics of the four commissioners, namely independence, activity, number of members and competence. With the clear and the activity related to its function as monitoring the performance of management, the supervisory function will run well. In addition, the lender will also have more confidence in companies that have a board of directors who are experienced in a top position in a company or business that is similar to its current (Firth et al., 2009).

Another proxy in the measurement GCG is the audit committee (AC). The existence of the AC is very important as one of the main tools in the implementation of GCG where the independence, transparency, accountability and responsibility, and fairness into the principle and foundation of the company's organization (Pittman and Fortin, 2003). The effectiveness of the AC is influenced by three categories that reflect the characteristics of the AC, the activity, the number of members and competence (Herman, 2009). According to Anderson et al., (2003) the company has a large number of AC to supervise the financial reporting process better. AC has extensive knowledge in the fields of accounting and finance is able to influence the perception of creditors so as to minimize the COD.

Managerial ownership (MO) is a manifestation of the principle of transparency. Management must be transparent in managing the company to avoid conflicts of interest between management and shareholders as owners. Managers who do not own shares the company is likely only concerned with its own interests. However, managers also have the company's shares would balance its interests with the interests of shareholders. Results of the study of Anderson et al. (2003) also showed that significant debt holder ask a lower risk premium on companies that have great MO.

Institutional ownership (IO) also can reduce the cost of corporate debt due to the effective oversight by institutional parties such as governments, investment companies, banks and other companies (Piot & Missioner, 2007). In addition, the amount of IO will also make parties outside the company perform more rigorous supervision of the management thus boosted the company's performance. The increased performance is making

the risk of the company becoming smaller so that the desired return creditors also low. Thus, IO can reduce the cost of debt (Juniarti & Sentosa, 2009).

The Indonesian Institute for Corporate Governance (IICG), an independent institute in Indonesia has a role in internalization of GCG, consistently has conducted an assessment of the implementation of GCG in public companies in Indonesia. The main objective of the Corporate Governance Perception Index (CGPI), published by IICG is as an analytical tool to improve the application of the principles of GCG. Another key goal is to provide information to investors and creditors in assessing the corporate governance practices of public companies in Indonesia so CGPI score can mediate the relationship GCG implementation to COD.

Previous studies, Yunita (2010), Juniarti and Sentosa (2009) concluded that MO and the proportion of BC does not have a significant effect on the cost of the debt, while the proportion of IO has a significant impact on the COD. In contrast to studies conducted by Anderson et al. (2003) which states that an independent commissioner has a significant impact on the cost of debt. In addition, the structure of the AC, the AC size and frequency of AC meetings also significantly affect the COD.

This research refers to research conducted by Anderson et al. (2003) which analyzed the relationship GCG is based on the independence of the BC and the AC is measured by the structure, number of members and meeting frequency to cost of debt (COD). In contrast to previous studies, this study measured the variables BC and AC based on their effectiveness. Effectiveness is a measure that states how far the target is related to the quality and quantity has been reached where the greater percentage of the target is achieved, the higher the effectiveness. The effectiveness will be measured by the score obtained by a list of questions derived from research Hermawan (2009) so that a more complete measurement used. This study also used a company registered in IICG as the research object because the companies have a score CGPI from a survey conducted by IICG can have a positive impact particularly with respect to investor confidence on funds invested thus affecting the perception of creditors on the company's ability to meet its financial obligations.

2. Literature Review

2.1 Agency Theory

Agency theory emerged after the separation of the ownership of the company with a phenomenon that is contained in the management of large companies which modern classical theory of the firm so that it can no longer be the basis of the analysis of such a company. According to the classical theory of the firm, companies are entrepreneurial role is to control his own company and took the decision to run an performance management in order to achieve the company's goal to maximize profit as the main requirement in order to survive and thrive in the business world. In the link between ownership structure and corporate performance, there is one thing that cannot be separated from the achievement of a manufacturing organization and performance, the management or the management of the company. Achievement of objectives and corporate performance management is inseparable from the performance itself.

In practice, always appears a problem where the interests of the managers are not always aligned with the interests of capital owners. Conflict itself arose as a result of management's desire (the agent) to act according to its own interests without taking into account the interests of shareholders (principal). The role of agency theory here is to identify the cause of the conflict of interest between the parties within the company culture and behavior that affect the company (Ali, 2002). Agency theory also stated that the company in determining the use of debt based on the tradeoff between the benefits that arise because of reduced agency cost between managers and shareholders with losses that arise due to the increase in agency cost between creditors and shareholders.

2.2 Good Corporate Governance (GCG)

GCG according to the National Committee on Governance (2006) is one of the pillars of the market economy system. GCG is closely related to trust either of the companies that execute them or to the business climate in a country. Implementation of GCG encourages healthy competition and conducive for business climate. Therefore, the GCG implementation by firms in Indonesia is very important to support the growth and sustainable economic stability and is expected to support the government's efforts to enforce GCG in general in Indonesia. GCG principles according to the Organization of Economic Cooperation and Development (OECD), namely (1) Transparency is openness in the decision making process and put forward relevant material information regarding the company. Disclosure is the presentation of information to stakeholders, whether mandatory or voluntary, on matters pertaining to operating performance, financial, and business risk. It aims to maintain objectivity in running a business, (2) Independence is a state where a professionally managed company with no conflict of interest and influence or pressure from any party that is not in accordance with the applicable

legislation and the principles of healthy corporate so no companies that dominate the other organs and intervention by other parties, (3) Accountability is clarity of function, implementation, and accountability of the management company so that the management company to run effectively and economically, (4) Accountability is conformity in corporate management with laws the applicable law and the principles of healthy corporate. This principle emphasizes the existence of responsibility in the management board, supervisory management as well as accountability to the company and shareholders, and (5) Fairness is fairness and equality in fulfilling the rights of the parties with an interest in the company arising under the agreements and regulations applicable legislation, especially on minority shareholders of any fraud or injustice majority shareholder.

Various efforts and steps have been made to improve the practice of GCG implementation in Indonesia. On August 19, 1999, the Government of Indonesia established a National Committee on Corporate Governance or the National Committee on Corporate Governance (NCCG) whose job is to promote and monitor the development of corporate governance reform. This committee succeeded in formulating the concept of the GCG practice guidelines (Code of Good Corporate Governance), published in March 2001. Various initiatives appear to assist efforts to socialize corporate governance. It is characterized by the formation of several non-governmental organizations (NGOs), such as the FCGI who designed the tools to assess corporate governance practices, IICG first conduct a survey on CGPI, and the Indonesian Institute for Corporate Directorship (IICD) who do a lot of training in the field of implementation of corporate governance. From this standpoint, it can be said that it has raised the willingness of various parties to apply corporate governance as one of the main solutions to overcome the economic crisis. However, most of the business community still considers that corporate governance is something that must be followed and executed as a form of obedience to rules. Compliance to regulation is mandatory not enough to ensure a satisfactory practice. This condition leads to the conclusion that the awareness of the importance of GCG practices for improving the performance and sustainability of the business in Indonesia has not been reached.

In Indonesia, the legal framework and the legislation has adopted the principles of GCG, either directly or by implication in the regulation of existing legislation. Application of GCG principles in Indonesia is regulated by Law No. 40 year 2007 regarding Limited Company (Hoesada, 2000). As already known, companies in Indonesia uses a two tier system. In this system, there is a clear separation between the commissioners as the supervisory board of the company and as the manager of the company. Measurement corporate governance structure based on a review of previous research in this study using indicators BC, AC, MO and IO.

2.3 Corporate Governance Perception Index (CGPI)

The main benefits for companies that implement GCG are to gain the trust of investors and the public. Companies that implement GCG recognized as improving the credibility and performance of companies (Wahyukusuma, 2009). GCG implementation is done by the company consistently from year to year can give a satisfactory result for the shareholders and stakeholders of the company. Evaluation of the implementation of good corporate governance refers to the International Standard Code on corporate governance set by the OECD with regard to the requirements of Security Exchange Commissions and the Indonesia Stock Exchange.

Methods of data collection to assess the implementation of GCG practices are based on various publicly available information, such as annual reports and financial statements issued by public companies, notes of meeting and records of the shareholders meeting, as well as other publicly available information. Methods impartial total score was used to evaluate the level of implementation of GCG respective companies. The assessment results can be interpreted based on the following criteria.

Table 1. Valuation criteria for GCG practices

Weighted Score	Performance	Interpretation
90-100%	Excellent	The Company has implemented and meets international standards of corporate governance set by the OECD.
80-89%	Good	The company has fulfilled more than the minimum regulatory requirements and less than international standards set by the OECD, but showed a positive commitment to GCG practices.
60-79%	Fair	The Company has met the minimum regulatory requirements.
Less than 60%	Poor	The Company does not meet the minimum regulatory requirements and did not show enough commitment to good corporate governance practices.

Sources. IICD-CIPE Indonesia GCG Scorecard 2007.

2.4 Cost of Debt (COD)

COD can be defined as the level to be received from the investment to achieve the rate of return (yield rate) required by the lender, or in other words is the rate of return required by lenders when making funding in a company (Juniarti & Sentosa, 2009). The COD includes the interest rate to be paid by the company when performing loans. Meanwhile, according to Greene (2003), the COD is the interest rate before taxes that companies pay to the loan provider.

COD is calculated from the amount of interest expense paid by the company within a period of one year divided by the number of loans that generate such interest. It is given that the company usually has a debt not only to one party creditor only, but to some parties, where the magnitude of rate or the interest rate set by each of the different parties (Walandouw et al., 2013). Therefore, the COD can be calculated using the weighted average of interest expense to be paid by the company proxy to the principal of the loan is interest-bearing. Debt instruments may include bank loans (bank loans), bonds, lease (leasing), and other debt

2.5 Theoretical Frameworks

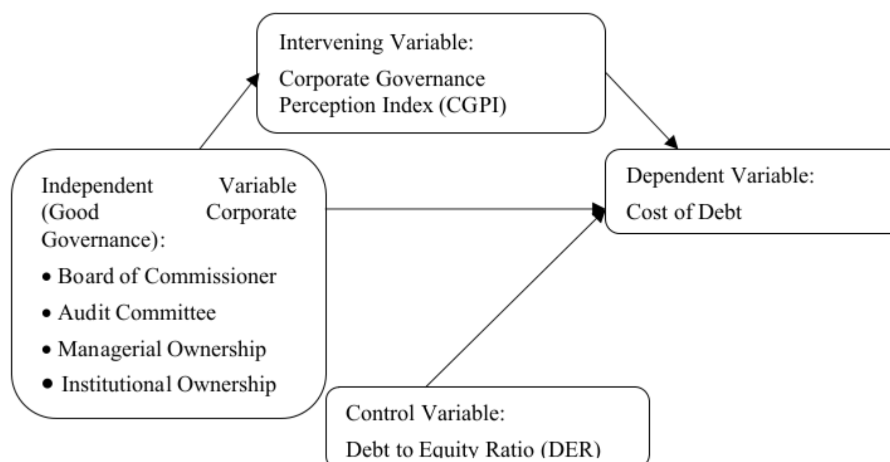

Figure 1. Theoretical frameworks

This study aimed to examine the effect of GCG about the COD. In this case, GCG elements used are BC, AC, MO and IO. Determination of COD aims to determine the amount of costs to be incurred by the company in accordance with the expected return by shareholders or creditors. Problems often occur in the company is the conflict of interest between principal and agent which can lead to agency problems where the agent does not act in accordance with the interests of the principal. This is due to the asymmetry of information between management and shareholders as the management company that manages more directly determines the actual condition of the company compared to the shareholder (Ashbaugh et al., 2004). In this condition, GCG is the mechanism used to reduce the agency problem by improving the monitoring of management action and reduce information risk borne by shareholders. A healthy GCG structure is one of the indicators considered by lenders when determining the risk premium of the company (Anderson et al., 2003). One element GCG used in this study is that the BC. BC who can effectively perform the functions of monitoring the performance of management and encourage management to act in accordance with the interests of the stakeholders so that management can produce a good performance. Good performance of management will affect the low interest rates which will be given the creditors (Vafeas, 2000).

AC will also affect the cost of debt is low. The frequency of AC meetings held more frequently provide mechanisms for oversight and monitoring of financial activities more effective, including the preparation and reporting of financial information company According to the study Mitton (2002) explains that the market reacted positively to the company that has the frequency of audit committee meetings were more frequent, This is demonstrated by the low cost of debt which the company enjoyed as a creditor confidence is high.

The indicator used to measure of MO is the percentage of shares owned by the management of the entire outstanding share capital of the company. With the desire to improve the performance of these companies make management will attempt to make it happen so as to make the risk smaller companies in the eyes of lenders and

creditors finally just asked for a small return. As well as IO can significantly reduce the cost of debt. It is caused by a large IO makes party outside the company conduct a closer scrutiny of the management so that the management is encouraged to improve the performance of the company (Piot & Missioner, 2007).

In addition, the DER as a control variable in this study is also one way to reduce the risk of the company. The greater the ratio, the risks faced by the company will increase particularly the risks associated with the company's inability to settle its obligation. DER high value increases the risks to shareholders and creditors. This leads to the shareholders and creditors ask for extra return that an increase in the COD for the company (Claessens, 2003). GCG can directly influence the COD but also can influence indirectly through the CGPI variables to COD. Logically, the better corporate governance in a company, the higher the score obtained CGPI and will reduce the COD.

2.6 Research Hypothesis

The effectiveness of the BC can be measured through scores according to four characteristics, namely independence, activity, number of members and competence (Herman, 2009). According to the study of Anderson et al. (2003), BC has negatively affect the cost of debt because the company may receive a lower interest rate when the BC within the company more and more. In addition, the activity of the BC also affects the quality of financial reporting that ultimately have an impact on the likelihood of a company deemed credit worthy and banking. In the presence of an effective BC, the company can produce quality financial statements so that lenders assess that the company deserves credit from the bank.

The effectiveness of the AC can be seen through the activity, number of members and competence (Herman, 2009). The effectiveness of the AC in carrying out the supervisory role over the financial reporting process and internal controls require regular meetings. Meeting of AC was in checking the accounting relating to the internal control system and in terms of keeping information management (Pittman & Fortin, 2004). Moreover, the competence of the AC is influenced by the level of formal academic education. The higher education of AC members, the more extensive knowledge has a better solution to solve the problems (Pittman and Fortin, 2004). The quality of the AC either proxied by activity, frequency of meetings, competence and size of the AC will affect external parties in lending.

MO is one element of GCG. With the MO in a company then the manager will be more careful in making decisions related to the debt policy. For the manager suppress the amount of debt to minimize the risk that might occur which would also have an impact on the decision of creditors in determining the rate of return specified. The smaller the company, the risks that creditors have a higher level of confidence and it affects the rate of return will be set. The desire to improve the performance of these companies make the management will try to make it happen so as to make the risk smaller companies in the eyes of creditors and creditors finally just asked a small return (Juniarti & Sentosa, 2009). The larger MO, less COD, the manager will feel the impacts and risks of the company.

IO is the percentage of ownership of company shares owned by institutional investors such as government, investment companies, banks, insurance companies and holdings agencies and other companies. Juniarti and Sentosa (2009) confirm that institutional investors have a better ability to monitor management actions compared to individual investors because institutional investors are not easily misled by the actions manipulation by management. Fidyati (2004) explains that the institutional investors to spend more time to analyze investment and they have access to information that is too expensive acquisition for other investors. Institutional investors actively participate in corporate governance by reducing the level of risk of the companies they invest their portfolios through effective management oversight.

With the institutional ownership, effective monitoring of the management can be done so as to improve company performance. Because of the improved performance, the risk is also getting smaller. In addition, the high level of IO can lead to the use of debt declines, because the role of debt as one of the means of monitoring agency costs have been taken over by institutional investors (Juniarti & Sentosa, 2009). Therefore, the hypothesis can be formulated that **H1: GCG has a negative effect on the Cost of Debt.**

Walandouw (2013) stated that a better corporate governance structure is one important indicator of a very considered by lenders when determining the risk premium of the company. The quality of GCG is expected to contribute to the overall value creation in which one of the characteristics of the creation is the reduction in the COD. GCG is a factor that cannot be ignored in the decision-making creditors. This is because corporate governance is a means of ensuring the lender that the funds provided have been well-managed and transparent to protect the interests of creditors. Therefore, the GCG implementation in the company is very important to be

known by the public, especially creditors and investors. Therefore, the hypothesis can be formulated that **H2: GCG simultaneously have a negative effect on the Cost of Debt**

The application of GCG can be judged by the quality of corporate governance through CGPI score that assessed by IICG and it will affect to the COD. Research conducted by Piot and Missioner (2007) also proved that the quality of corporate governance has a significant effect in reducing the COD. This is because corporate governance is a means of ensuring the lender that the funds provided to the company has been well managed, transparent and accountable, which aims to protect the interests of creditors. This indicates that the higher CGPI, the greater the potential for the company to obtain a lower COD, the hypothesis can be formulated **H3: GCG has a negative effect on the Cost of Debt with CGPI as an intervening variable.**

3. Research Methodology

3.1 Population and Sample

Overall population is elements that have one or more of the same characteristics. In this study, the population used is the companies listed in IICG the period 2010-2013. The sample selection technique is done by using purposive sampling method, where the sampling is done in accordance with the criteria that have been established to be relevant to the purpose of research. The criteria are (a) the Company registered in IICG 2010-2013, (b) the Company is not engaged in finance and banking, (c) Companies that publishes financial statements and annual report with complete the period 2010-2013, (d) companies that have the interest expense for the period and company data necessary cost of debt available. Based on the data above qualifications, then there are 10 companies that can be sampled in this study.

3.2 Research Variables

The dependent variable used in this study is the COD. COD amount is calculated based on the percentage of lending to the principal, because the company's debt is usually not only to one creditor alone but to some party, then in the calculation of the overall COD the company is done by using a weighted average COD. Any interest expense to be paid by companies proportioned to the principal debt of the company. Formula COD, according to research Juniarti & Sentosa (2009) is:

$$COD = \frac{InterestExpense}{AverageInterestBearingDebt} \tag{1}$$

Independent variable is a variable whose value is not determined directly in the system. These variables determine the movement of the value of the dependent variable. In this study, there are four variables that indicate the characteristics of corporate governance that affect the COD decision.

3.3 Board of Commissioners (BOC)

BC variables in this study using a score of effectiveness of the BOC in accordance with the research Herman (2009) as the measurements obtained by assessing the effectiveness of BOC tables listed in the Annex. The list of questions drawn up based on the characteristics that are considered to improve the effectiveness of the BOC, namely independence, activities, size and competence were categorized with high, medium and low.

3.4 Audit Committee

This study uses ratings set out to gauge the views of the AC of the activities and responsibilities of the AC, the frequency of audit committee meetings, the competence of the audit committee as well as the size of the audit committee in accordance with the research Herman (2009). Assessment is using the criteria of good, average and bad for each component of the measurement of the AC.

Managerial Ownership, MO is measured by the percentage of shares held by the management of the entire outstanding share capital of the company. Formula MO in accordance with the research Yunita (2010) are:

$$MO = \frac{ShareOwnedbyManagement}{Outs\tan dingShare} \tag{2}$$

3.5 Institutional Ownership

IO as measured by the percentage of institutional ownership in the structure of the company's shares. Formula IO in accordance with the research Piot and Missioner (2007):

$$IO = \frac{ShareOwnedbyInstitutional}{Outs\tan dingShare} \tag{3}$$

3.6 Control Variable

Control variable is DER that ratio compares the total long-term liabilities and total equity of the company at the end of the year. Formula DER in accordance with research Juniarti & Sentosa (2009) is:

$$DER = \frac{TotalLongTermDebt}{TotalEquity} \tag{4}$$

3.7 Intervening Variable

Methods weighted total score (total weighted score) was used to evaluate the level of implementation of corporate governance of each company. Scores are generated in the form of percentage with a maximum value of 100%. Each score has its own interpretation in accordance with good corporate governance practices assessment criteria established by IICG. In this study, the CGPI variables measured by the score obtained by each company.

3.8 Data Analysis Methods

3.8.1 Path Analysis

This study uses a model of path analysis to determine the relationship of direct and indirect relationships between variables BOC, AC, MO, IO, and DER, CGPI and the COD. Based on the purpose of this study, there will be regression to the research model as follows:

$$CGPI = \beta_1 BOC + \beta_2 AC + \beta_3 MO + \beta_4 IO + \Delta_1 \tag{5}$$

$$COD = \beta_1 BOC + \beta_2 AC + \beta_3 MO + \beta_4 IO + \beta_5 CGPI + \beta_6 DER + \Delta_2 \tag{6}$$

4. Analysis and Discussion

4.1 Data Description

Table 2. Effectiveness of boards' commissioners

No.	Companies	2010	2011	2012	2013
1	PT Astra Otoparts Tbk	0.74	0.84	0.84	0.83
2	PT Bakrie & Brothers Tbk	0.84	0.84	0.86	0.82
3	PT Bakrie Telecom Tbk	0.76	0.76	0.72	0.72
4	PT Bakrieland Development Tbk	0.74	0.74	0.62	0.62
5	PT Garuda Indonesia (Persero)	0.80	0.84	0.90	0.93
6	PT Jasa Marga (Persero) Tbk	0.76	0.76	0.80	0.78
7	PT Timah (Persero) Tbk	0.80	0.80	0.88	0.86
8	PT Telekomunikasi Indonesia Tbk	0.82	0.82	0.86	0.86
9	PT United Tractors Tbk	0.80	0.78	0.80	0.78
10	PT Panorama Transportasi Tbk	0.76	0.76	0.80	0.74
Maximun		0.84	0.84	0.90	0.93
Minimum		0.74	0.74	0.62	0.62
Average		0.78	0.79	0.81	0.79

The effectiveness of BOC in 2010 have an average value of 0.78, the maximum value of 0.84 is owned by PT. Bakrie & Brothers Tbk and the minimum value of 0.74 are owned by PT Astra Otoparts Tbk and PT Bakrieland Development Tbk. The effectiveness of BOC in 2011 increased 0.01 with an average value of 0.79, the maximum value of 0.84 are owned by PT Astra Otoparts Tbk, PT. Bakrie & Brothers Tbk and PT Garuda Indonesia (Persero). While the minimum value of 0.74 owned by PT Bakrieland Development Tbk. The effectiveness of BOC in 2012 increased 0.02 with an average value of 0.81, the maximum value of 0.90 is owned by PT Garuda Indonesia (Persero) and the minimum value of 0.62 is owned by PT Bakrieland Development Tbk. The effectiveness of BOC in 2013 decreased 0.02 with an average value of 0.79, the maximum value of 0.93 is owned by PT Garuda Indonesia (Persero) and the minimum value of 0.62 is owned by PT Bakrieland Development Tbk. Based on these data, the companies choose to disclose the effectiveness of BOC that can be seen from a distance the highest and lowest value ie from 0.62 to 0.93 and close to 1.

Table 3. Effectiveness of audit committee

No	Companies	2010	2011	2012	2013
1	PT Astra Otoparts Tbk	0.79	0.79	0.83	0.79
2	PT Bakrie & Brothers Tbk	0.86	0.83	0.86	0.90
3	PT Bakrie Telecom Tbk	0.86	0.86	0.82	0.82
4	PT Bakrieland Development Tbk	0.90	0.90	0.83	0.89
5	PT Garuda Indonesia (Persero)	0.96	0.93	0.96	0.84
6	PT Jasa Marga (Persero) Tbk	0.86	0.86	0.90	0.93
7	PT Timah (Persero) Tbk	0.83	0.83	0.83	0.83
8	PT Telekomunikasi Indonesia Tbk	0.86	0.90	0.90	0.93
9	PT United Tractors Tbk	0.79	0.79	0.72	0.83
10	PT Panorama Transportasi Tbk	0.79	0.79	0.79	0.79
Maxiumun		0.96	0.93	0.96	0.93
Minimum		0.79	0.79	0.72	0.79
Average		0.85	0.85	0.84	0.86

The effectiveness of AC in 2010 have an average of 0.85, the maximum of 0.96 is owned by PT Garuda Indonesia (Persero) and a minimum of 0.79 are owned by PT Astra Otoparts, PT United Tractors Tbk and PT Panorama Transportation Tbk. The effectiveness of AC in 2011 remained at an average of 0.85, the maximum of 0.93 is owned by PT Garuda Indonesia (Persero), while the minimum of 0.79 are owned by PT Astra Otoparts, PT United Tractors Tbk and PT Panorama Transport Tbk. The effectiveness of AC in 2012 decreased 0.01 with an average of 0.84, the maximum of 0.96 is owned by PT Garuda Indonesia (Persero), while the minimum of 0.72 is owned by PT United Tractors Tbk. The effectiveness of AC in 2013 increased 0.02 with an average of 0.86, the maximum of 0.93 are owned by PT Garuda Indonesia (Persero) and PT Telekominikasi Indonesia Tbk, while the minimum of 0.79 are owned by PT Astra Otoparts Tbk and PT Panorama Transport Tbk. Based on these data, companies also choose to disclose the effectiveness of AC, which can be seen from the distance of the highest and lowest value is 0.72 to 0.96, and close to 1.

Table 4. Managerial ownership

No	Companies	2010	2011	2012	2013
1	PT Astra Otoparts Tbk	0.000%	0.000%	0.000%	0.064%
2	PT Bakrie & Brothers Tbk	0.017%	1.022%	0.001%	0.001%
3	PT Bakrie Telecom Tbk	0.000%	0.000%	0.000%	0.000%
4	PT Bakrieland Development Tbk	0.000%	0.000%	0.000%	0.000%
5	PT Garuda Indonesia (Persero)	0.000%	0.000%	0.004%	0.004%
6	PT Jasa Marga (Persero) Tbk	0.678%	0.456%	0.357%	0.274%
7	PT Timah (Persero) Tbk	0.000%	0.000%	0.000%	0.000%
8	PT Telekomunikasi Indonesia Tbk	0.067%	0.000%	0.000%	0.000%
9	PT United Tractors Tbk	0.000%	0.001%	0.001%	0.001%
10	PT Panorama Transportasi Tbk	0.767%	0.771%	0.778%	0.776%
Maximum		0.767%	1.022%	0.778%	0.776%
Minimum		0.000%	0.000%	0.000%	0.000%
Average		0.153%	0.225%	0.114%	0.112%

In 2010, managerial ownership has an average of 0.153%, a maximum of 0.767% and a minimum of 0.000%. In 2011, managerial ownership has an average of 0.225%, a maximum of 1.022% and a minimum of 0.000%. In 2012, managerial ownership has an average of 0.114%, a maximum of 0.778% and a minimum of 0.000%. In 2013, managerial ownership has an average of 0.112%, a maximum of 0.776% and a minimum of 0.000%.

Based on these data, the company that has the highest managerial ownership is PT. Panorama Transoportasi Tbk of 0.767% in 2010, 0.771% in 2011, 0.114% in 2012 and 0.112% in 2013.

Table 5. Institutional ownership

No	Companies	2010	2011	2012	2013
1	PT Astra Otoparts Tbk	0.000%	0.000%	0.000%	0.064%
2	PT Bakrie & Brothers Tbk	0.017%	1.022%	0.001%	0.001%
3	PT Bakrie Telecom Tbk	0.000%	0.000%	0.000%	0.000%
4	PT Bakrieland Development Tbk	0.000%	0.000%	0.000%	0.000%
5	PT Garuda Indonesia (Persero)	0.000%	0.000%	0.004%	0.004%
6	PT Jasa Marga (Persero) Tbk	0.678%	0.456%	0.357%	0.274%
7	PT Timah (Persero) Tbk	0.000%	0.000%	0.000%	0.000%
8	PT Telekomunikasi Indonesia Tbk	0.067%	0.000%	0.000%	0.000%
9	PT United Tractors Tbk	0.000%	0.001%	0.001%	0.001%
10	PT Panorama Transportasi Tbk	0.767%	0.771%	0.778%	0.776%
Maximum		0.767%	1.022%	0.778%	0.776%
Minimum		0.000%	0.000%	0.000%	0.000%
Average		0.153%	0.225%	0.114%	0.112%

Institutional ownership of year 2010-2013 has a maximum value of 95.650%, minimum of 15.423% and average of 62.143%. Companies have the highest institutional ownership of year 2010-2012 is Astra Otoparts and in 2013 is PT Garuda Indonesia (Persero). Companies that have a low institutional ownership in 2010-2011 is PT Bakrie Telecom Tbk and in 2012-2013 is PT Bakrieland Development Tbk.

Table 6. Debt of equity ratio

No	Companies	2010	2011	2012	2013
1	PT Astra Otoparts Tbk	0.059	0.081	0.117	0.042
2	PT Bakrie & Brothers Tbk	1.042	0.093	0.495	-1.651
3	PT Bakrie Telecom Tbk	1.039	1.118	2.771	-4.889
4	PT Bakrieland Development Tbk	0.551	0.301	0.219	0.104
5	PT Garuda Indonesia (Persero)	1.433	0.608	0.359	0.763
6	PT Jasa Marga (Persero) Tbk	1.048	1.015	0.850	1.157
7	PT Timah (Persero) Tbk	0.097	0.120	0.128	0.113
8	PT Telekomunikasi Indonesia Tbk	0.418	0.326	0.302	0.285
9	PT United Tractors Tbk	0.224	0.146	0.206	0.201
10	PT Panorama Transportasi Tbk	1.096	1.116	3.188	1.839
Maximum		1.433	1.118	3.188	1.839
Minimum		0.059	0.081	0.117	-4.889
Average		0.701	0.492	0.864	-0.204

In 2010, the average DER is 0.701, a maximum is 1,433 and a minimum is 0.059. In 2011, the average DER is 0.492, a maximum is 1,118 and a minimum is 0.081. In 2012, the average DER is 0.864, a maximum is 3.188 and a minimum is 0.117. In 2013, the average DER is -0.204, maximum is 1.839 and minimum is -4.889. The higher the values of DER will the higher the risk of the company. In 2010, PT Garuda Indonesia (Persero) has a higher risk with DER value of 1.443. In 2011, PT Bakrie Telecom Tbk has a higher risk with DER value of 1.118. In 2012, PT Panorama Transport Tbk has high risk with DER value of 3.188. In 2013, PT Panorama Transport Tbk has a higher risk with DER value of 1.839.

Table 7. Corporate governance perception index

No	Companies	2010	2011	2012	2013
1	PT Astra Otoparts Tbk	78.11	79.09	80.04	79.60
2	PT Bakrie & Brothers Tbk	75.61	76.23	69.22	76.93
3	PT Bakrie Telecom Tbk	73.97	75.73	68.95	66.44
4	PT Bakrieland Development Tbk	77.36	77.37	67.40	70.23
5	PT Garuda Indonesia (Persero)	85.82	85.84	85.93	85.40
6	PT Jasa Marga (Persero) Tbk	83.41	83.65	84.52	85.16
7	PT Timah (Persero) Tbk	70.73	75.68	77.81	80.10
8	PT Telekomunikasi Indonesia Tbk	89.10	89.57	90.58	90.66
9	PT United Tractors Tbk	87.36	87.77	85.02	85.44
10	PT Panorama Transportasi Tbk	70.10	68.90	70.11	69.97
Maximum		89.10	89.57	90.58	90.66
Minimum		70.10	68.90	67.40	66.44
Average		79.16	79.98	77.96	78.99

Based on Indonesian Institute for Corporate Governance website, Corporate Governance Perception Index (CGPI) is ranked the implementation of GCG to firms in Indonesia through research design that encourages companies to improve the quality of applying the concept of corporate governance through continuous improvement by implementing an evaluation and benchmarking. There are three categories of companies that play a role in the CGPI.

Table 8. Score of corporate governance perception index

Very Trusteed	Score: 85-100
Trusteed	Score: 70-84,99
Trusteed Enough	Score: 55-69,99

Table 9. Cost of debt

No	Companies	2010	2011	2012	2013
1	PT Astra Otoparts Tbk	0.123	0.068	0.065	0.492
2	PT Bakrie & Brothers Tbk	0.203	0.015	0.058	0.082
3	PT Bakrie Telecom Tbk	0.014	1.313	0.011	0.012
4	PT Bakrieland Development Tbk	0.053	0.211	0.133	0.244
5	PT Garuda Indonesia (Persero)	0.012	0.002	0.002	0.003
6	PT Jasa Marga (Persero) Tbk	0.037	0.040	0.063	0.048
7	PT Timah (Persero) Tbk	0.028	0.027	0.088	0.021
8	PT Telekomunikasi Indonesia Tbk	0.187	0.223	0.301	0.248
9	PT United Tractors Tbk	0.062	0.116	0.075	0.059
10	PT Panorama Transportasi Tbk	0.118	0.141	0.153	0.111
Maximum		0.203	1.313	0.301	0.492
Minimum		0.012	0.002	0.002	0.002
Average		0.084	0.216	0.095	0.091

This study examined the entire category CGPI because the object of this study is all ompanies that participated in the assessment of CGPI. The average score CGPI in 2010 amounted to 79.16. CGPI maximum in 2010 of 89.10 is held by PT Telkom Indonesia Tbk and a minimum of 70.10 is held by PT Panorama Transport Tbk. The average score CGPI in 2011 amounted to 79.98. Maximum CGPI in 2011 amounted to 89.57 is held by PT Telkom Indonesia Tbk and a minimum of 68.90 is held by PT Panorama Transport Tbk. The average score CGPI

in 2012 amounted to 77.96. Maximum CGPI in 2012 amounted to 90.58 is held by PT Telkom Indonesia Tbk and a minimum of 67.40 is held by PT Bakrieland Development Tbk. The average score CGPI in 2013 amounted to 78.99. CGPI maximum in 2013 of 90.66 is owned by PT Telkom Indonesia Tbk and a minimum of 66.44 is owned by PT Bakrie Telecom Tbk. During period of 2010-2013, the score CGPI has a maximum of 90.66, a minimum of 66.44 and an average of 79.02. Based on the description of these data, it can be concluded that PT Telkom Indonesia Tbk has always scored the highest CGPI means that the company has always maintained a constant GCG to get the Most Trusted Company award. While in 2010-2011, PT Panorama Transport Tbk obtains the lowest scores, PT Bakrieland Development Tbk obtains the lowest score in 2012 and PT Bakrie Telecom Tbk obtains the lowest score in 2013, which means that these companies predicate Fairly Trusted Company.

In 2010, the average COD is 0.084. The maximum COD of 0.203 is owned by PT Bakrie & Brothers Tbk and COD minimum of 0,012 is owned by PT Garuda Indonesia (Persero). In 2011, the average COD is 0.216. The maximum COD of 1.313 is owned by PT Bakrie Telecom Tbk and COD minimum of 0.002 is owned by PT Garuda Indonesia (Persero). In 2012, the average COD is 0.095. The maximum COD of 0.301 is owned by PT Telkom Indonesia Tbk and COD minimum value of 0.002 is owned by PT Garuda Indonesia (Persero). In 2013, the average COD is 0.132. The maximum COD of 0.492 is owned by PT Astra Otoparts and COD minimum of 0,003 is owned by PT Garuda Indonesia (Persero). Based on the description of these data, it can be concluded that PT Garuda Indonesia (Persero) has the smallest constant COD value in 2010-2013, which means the lowest of cost of debt in the company.

4.2 Path Analysis

This study uses a model of path analysis to determine the relationship of direct and indirect relationships between the variables used in the study. Results of path analysis in equation 1 as follows.

Table 10. Path analysis result (Path 1)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	16.579	18.345		.904	.372
BOC	31.709	17.978	.279	1.764	.086
AC	38.349	17.783	.287	2.156	.038
MO	-5.195	3.322	-.211	-1.564	.127
IO	.088	.045	.311	1.972	.057

Based on table above, the 1 equation is:

$$CGPI = 0.279BC + 0.287AC - 0.211MO + 0.311IO + 0.725\varepsilon \quad (7)$$

The following is an analysis of numbers obtained:

- The effect BC to CGPI is 0.279 or 27.9%. Thus, the level of CGPI is influenced BC 27.9%, while the rest described other factors outside the model. But since the value of Sig > 0.05 then partially BC has not significantly affect to the CGPI.
- The effect AC to CGPI is 0,287, or 28.7%. Thus, the level of CGPI is influenced AC 28.7%, while the rest described other factors outside the model. Because the value of Sig < 0.05 then partially AC has significantly affect to the CGPI.
- The effect MO to CGPI is -0.211, or 21.1%. Thus, the level of CGPI is influenced by MO 21.1%, while the rest described other factors outside the model. But since the value of Sig > 0.05 then partially MO has not significantly affect to the CGPI.
- The effect IO to CGPI is 0,311, or 31.1%. Thus, the level of CGPI is influenced IO of 31.1%, while the rest described other factors outside the model. But since the value of Sig > 0.05 then partially IO has not significantly affect to the CGPI

Results of path analysis in equation 2 as follows.

Table 11. Path analysis result (Path 2)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.208	.705		.295	.770
BOC	.165	.711	.049	.232	.818
AC	-.364	.719	-.091	-.507	.616
MO	-.060	.139	-.082	-.431	.669
IO	-.003	.002	-.403	-1.899	.066
CGPI	.004	.006	.130	.604	.550
DER	.033	.032	.177	1.011	.320

Based on table above, the 2 equation is:

$$COD = 0.049BC - 0.091AC - 0.082MO - 0.403IO + 0.130CGPI + 0.177DER + 6\varepsilon \quad (8)$$

The following is an analysis of the figures obtained by:

- The effect BC to COD is 0,049, or 4.9%. Thus, the level of COD is influenced by BC 4.9%, while the rest described other factors outside the model. But since the value of Sig > 0.05 then partially BC has not significantly affect to the COD.
- The effect AC to COD is -0.091, or 9.1%. Thus, the level of COD is influenced by AC 9.1%, while the rest described other factors outside the model. But since the value of Sig > 0.05 then partially AC has not significantly affect the COD.
- The effect MO to COD is -0.082 or 8.2%. Thus, the level of COD is influenced by MO 8.2%, while the rest described other factors outside the model. But since the value of Sig > 0.05 then partially MO has not significantly affect to the COD.
- The effect IO to COD is -0.403, or 40.3%. Thus, the level of COD is influenced by IO 40.3%, while the rest described other factors outside the model. But since the value of Sig > 0.05 then partially IO has not significantly affect to the COD.
- The effect CGPI to COD is 0.130 or 13%. Thus, the level of COD is affected by the CGPI 13%, while the rest described other factors outside the model. But since the value of Sig > 0.05 then partially CGPI not significantly affect the COD.
- The effect DER to COD is 0.177 or 17.7%. Thus, the level of COD is influenced by DER 17.7%, while the rest described other factors outside the model. But since the value of Sig > 0.05 then partially DER has not significantly affect to the COD.

Path analysis is also used to investigate the effect of the dependent variable on the independent variable indirectly through intervening variables used are CGPI. Results of the analysis are as follows:

- The indirect effect of BC to COD through CGPI = ß1BC x ß5CGPI = (0.279) x (0.130) = 0.036. This indicates that the indirect influence of the BC into COD with CGPI is 3.6%.
- The indirect effect AC to COD through CGPI = ß2AC x ß5CGPI = (0.287) x (0.257) = 0.074. This indicates that the indirect influence between AC to COD through CGPI is 7.4%.
- The indirect effect of MO to COD through CGPI = ß3MO x ß5CGPI = (-0.211) x (0.257) = -0.054. This indicates that the indirect influence between MO to COD through CGPI is 5.4%.
- The indirect effect of IO to COD through CGPI = ß4IO x ß5CGPI = (0.311) x (0.257) = 0.080. This indicates that the indirect influence between IO to COD through CGPI is 8.0%.

The coefficient of determination (R2):

Analysis of determination is a measure that shows how much the independent variables are contributing to the dependent variable. Determination analysis is used to determine the percentage contribution of the independent variables collectively influence on the dependent variable. The coefficient of determination to equation 1 is 0.370 or 37%, which means that the variable BC, AC, MO, and IO together have an influence on the CGPI donations and the rest of her is influenced by other factors not examined. While the results of the coefficient of

determination for the equation 2 is -0.019 or -1.9%, which means that the variable BC, AC, MO, IO, CGPI, DER jointly have no influence on the COD

Test Statistic F:

F test is used to determine whether the independent variables together significantly influence the dependent variable. Results of statistical test F to equation 1 show the variables BC, AC, MO, and IO jointly have affect the CGPI. This is because the value of F count > F table (6.718 > 2.641) or significance < 0.05 (0.000 < 0.05). The result of the F statistic for the equation 2 shows that the variable BC, AC, MO, IO, CGPI, and DER together has no effect on COD. This is because the value of F arithmetic < F table (0.881 < 2.389) or the significance > 0.05 (0.520 > 0.05).

5. Discussion

5.1 Effect of BC to Cost of Debt

Testing the influence of BC as measured by the effectiveness of the COD by using path analysis shows that the significance value of 0818 is greater than 0.05 while the coefficient values obtained amounted to 0,049, which means the level of COD is influenced by variables BC 4.9%. This shows that the influence of the BC on the COD is not significant. These results are in contrast to studies conducted by Anderson et al. (2003) and Piot & Misionier (2007). This is possible because the researchers only measure variables BC based on independence alone. Independence of the BC is only to meet the requirements and a must for companies that implement GCG. Research conducted by Kusumawati et al. (2005) proves that there is no significant relationship between the BC on the COD as measured by the proportion of independent BC and the frequency of meetings. Independent understanding in the annual report the company does not guarantee the BC really not interfering with the management of other companies so it is still the possibility of fraud in the present financial lapran.

The results are consistent with the results of research Yunita (2010) and Juniarti & Sentosa (2009) which states that there is no guarantee the independence of the BOC will increase the company's overall performance. Likewise with the activity of the BC, the size and competence of the BC does not guarantee improved performance of the company. BC is effective in the company considered quite important. It's just that it is not accompanied by a serious lack of action in implementing the principles of corporate governance. In addition, the majority shareholder (controlling) still plays an important role so that the performance of the BOC is not increased and the role of the commissioners in creating transparency cannot be seen by a creditor (Juniarti & Sentosa, 2009).

Results of analysis using path analysis showed that the BC has a positive but not significant relationship. This means more effective BC within the company, the higher the cost of debt is borne by the company. BC is effectively no guarantee the company will obtain a low cost of debt from creditors. Effectiveness is not the focus of the creditor in making the decision to reduce the credit risk of the company. Results of this study are not consistent with agency theory. Agency theory emphasizes that the management of the company must be monitored and controlled to ensure that the management is done with full compliance so as to reduce the losses incurred due to non-compliance. According Yunita (2010) stated the BC is expected to reduce agency cost through effective oversight of management performance. However, surveillance is carried BC cannot provide a major influence on the creation of a quality management performance because the majority shareholders still plays an important role in controlling the performance of management. The results also contradict the results of the study of Anderson et al (2003) and Piot and Missioner (2007) which states that an independent BC will affect the low cost of debt. The existences of an independent BC only meet the formal requirements that must be met by companies that implement GCG. In addition, information on the duration of the BC served in the position also rarely set out by the company's annual report so that the independence of the BC of each company can still be in doubt. Similarly, the activities carried out by the BC where the number of meetings held also just to meet the prescribed rules. However, evaluation of the BC rarely discusses performance management in its report.

According Kusumawati el al. (2005), the proportion of BC who have a background in accounting and finance tend to be more obedient to the mandatory disclosure requirements. BC which has an educational background in accounting and finance will have the ability to manage the business and make decisions related to the company's business. However, information about the educational background is not mandatory for disclosure only disclosed as voluntary so that the disclosure of the competence of the BC does not become the main focus of the company. It is also possible because people do not realize the importance of experience BC. Lenders do not consider information about the educational background and experience of BC as information required in making lending decisions.

Other possible reasons for the limitations of this study in which one of the characteristics used to assess the activity of the BC that meetings held by the Board in the year just focus on the amount of any meeting but did not pay attention to the results of meetings held. In addition, the characteristics of the activity assessment BC others also just see if the BC provides information on evaluation done without specify the evaluation. Some of the reasons that have been described may lead the BC does not have a significant effect on the low COD.

5.2 Effect of Audit Committee against Cost of Debt

Testing the effect of the AC as measured by the effectiveness of the COD shows that the coefficient value of 0.09, in which means that the influence of the AC to COD is 9.1% while the significance value of 0.616 is greater than 0.05. This suggests that the effect of the AC on the COD is not significant. This contrasts with research Karjalainen (2010) and Anderson et al. (2003) which states that the AC has an influence on the COD. Results of this study is contrary to the agency theory, it cannot be proven AC oversees the financial reporting process and internal controls as well so it does not reduce the agency conflict that occurred in the company.

It is also in line with research Piot & Missonier (2007) which states that the audit committee is not considered creditors as a contributor effective in generating quality financial reporting and affects the decision of creditors. The existence of an effective AC within the company is important but does not guarantee the creditors will have more confidence and be better corporate image.

The AC to oversee enterprise performance management so that management performance as expected by the company. Effective AC is expected to produce effective company performance that leads to an increase in the company's reputation. However, the intervention of other parties still affects the ineffectiveness of supervision carried out by the AC. Most companies established an AC when the company would go public, as a form of obedience to regulations and the implementation of good corporate governance. This is what causes the performance of the AC lacks contribute to lowering the cost of debt because lenders already mnenyadari this phenomenon. Therefore, the size of the newly formed AC after the company went public not guarantee can protect and control the process of accounting firms, accounting transparency is high, and can reduce financing over debt into lower cost (Fidyati, 2004).

Results of analysis using path analysis showed that the AC has a negative relationship. The AC and the COD is not significant. This means more effective AC in a company, then it will affect the low COD. However, the hypothesis testing results prove that the AC does not significantly influence the COD. The AC is responsible for providing independent professional opinion to the BC regarding reports or matters submitted by the directors to the BC. The existence of the AC is considered to improve the performance of the company but most members of the AC also serve as the BC. The performance of the BC is still interfering with the majority shareholder so that when the AC also comes from the BC, it is possible that the AC not provide an independent opinion and according to the conditions.

Results of this study is contrary to the agency theory, it cannot be proven AC oversees the financial reporting process and internal controls as well so it does not reduce the agency conflict that occurred in the company. The results are consistent with research conducted by Piot & Missonier (2007). Creditors consider the AC does not contribute in generating quality financial reporting so as not to guarantee the creditors will have more confidence to provide low-cost loans and corporate image will look better. The AC did not help the smooth functioning of the commissioner duties because most of the AC did not select an external auditor so that a review of the information presented by the BC considered less accurate. In addition, the AC also found rarely conducted an analysis of the company's risk. Some of the statements can strengthen research results reject the hypothesis as proven AC does not contribute to the cost of debt that the creditor does not take the decision to provide low-cost loans simply because of the existence of the AC within the company.

5.3 Effect of MO to Cost of Debt

The test results showed a significance value of 0.669 is greater than 0.05. This shows that the influence of the MO on COD is not significant. The results support the results Yunita (2010) and Juniarti & Sentosa (2009) which states that MO does not have a significant effect on the COD. MO stake in the company should provide a boost for the management to improve performance. However, the proportion of ownership is likely to cause less manjerial management feels reluctant to work as closely as possible. Moreover, according Juniarti & Sentosa (2009), it is because management has no control in determining the debt policy since many are controlled by majority owner so that the creditors still regard the company is still at risk and there is the possibility of management to act less carefully in determining the debt policy it does.

The indicator used to measure MO is the percentage of shares owned by the management of the entire outstanding share capital of the company. With the desire to improve the performance of these companies make the management will try to make it happen so as to make the risk smaller companies in the eyes of lenders and creditors ultimately only a small expected return. However, because of the small number of shares held by management can lead creditors looked k management is still not able to reduce the agency problem because the management is not looking at the interests of shareholders. Fidyati (2004) states that MO does not guarantee the manager would act more cautiously, especially in terms of policy making loans to avoid financial difficulties or bankruptcy of the business. Results of this study stated that MO cannot affect the COD because there are a lot of managers in an Indonesian company which owns shares in large quantities, causing managers will be more concerned with the aim of enriching themselves than the best interests of shareholders. Role as a shareholder is ignored by management that has a stake in the company (Juniarti & Sentosa, 2009).

Results of testing the hypothesis earlier stated that the MO has a negative effect on the COD but not significant because it is above the level of significance of 5%. Low stock amounted owned by management resulted in the company's management has not felt able to participate because they do not have all the advantages that can be enjoyed by the management who are motivated to maximize utility. Lack of managerial ownership tends to make performance management becomes low. Thus, MO has not been able to be a mechanism to increase shareholder value. The results are consistent with the results of research Yunita (2010), Juniarti & Sentosa (2009) and Anderson et al. (2003) which concluded that MO does not have a significant effect on the cost of debt. In accordance with the secondary data obtained, there are several companies that have a constant MO each year, but there are also unstable. Currently MO increases, the cost of debt guaranteed by the company no effect because the MO is less than 100% or even less than 50% so that the creditors consider performance management is not optimal and have not been able to increase the value of the company. In addition, decision-making in every shareholder meeting held is still dominated by the majority owner and MO; it can also cause a conflict of interest that could reduce the value of the company. Results of this study rejects the hypothesis is possible because MO is very low, no more than 1,022%, while others are smaller than that amount and even only 0.0%, so there is a possibility that a very small MO does not cause significant to the COD. Shareholding of small managerial lead manager is more concerned with the destination as a manager rather than as a shareholder. Small MO, the value of the company decreased because the company had to bear the cost of monitoring and providing bonuses for managers. In addition, a manager with a small stake will ignore the role and capacity as a shareholder. Actions taken by management will lead to a higher risk such as the COD guaranteed by the company will be high.

5.4 Effect of IO to Cost of Debt

The test results show the magnitude of the partial effect is equal to -0.403 or 40.3%. Thus, the high and low COD influenced by IO 40.3%, while the rest is explained by other factors. The significance value is 0.066 greater than 0.05. It shows that the effect of IO on the COD is not significant. This contrasts with the results of research Yunita (2010) which states that IO has a significant positive effect on cost of debt. Juniarti research results and Sentosa (2009) and Walandouw (2013) stated that IO has a significant negative effect on the COD. Results of this study indicate that the institutional deemed not able to perform effective monitoring of the management company in accordance with the expectations of investors. In addition, there is a possibility that the parties do not institutional control measures because such measures require a considerable cost (Ashbaugh et al., 2004). Thus, the size of the proportion of IO in the company's stock structure does not affect the decision of investors when determining the COD. Walandouw (2013) found no evidence that states that the control measures undertaken by the institutional investors can not limit the behavior of management. This is because these control measures do not encourage management to focus its attention on the performance of the company so that they cannot reduce the self-interested behavior. Juniarti & Sentosa (2009) stated that institutional investors have an important role in creating a GCG system in a company. Institutional ownership is still dominated by the subsidiary caused the investors are not independent in overseeing the management measures and do not have voting rights were very influential to make changes when management has considered no longer effective in managing the company. Herman (2009) states that the control measures undertaken by the institutional parties cannot limit the opportunistic behavior of management, causing the cost of debt has no effect. Institutional parties considered not able to perform effective oversight of the management company in accordance with the expectations of investors. Furthermore, Ashbaugh et al. (2004) states that there is a possibility of institutional parties not conduct surveillance measures because such measures require considerable cost.

Results of hypothesis testing concluded that IO has no significant effect due to the significant value of above 5%. High IO is considered to improve performance to reduce the COD guaranteed by the company (Ashbaugh et al., 2004). However, the results of this study prove that the lender considers the number of IO does not guarantee

that the institutional perform better control measures. Results of this study are not consistent with research conducted by Yunita (2010) and Juniarti & Sentosa (2009). Results of this study indicate the likelihood of institutional parties not doing a good control measure because it requires significant costs that do not affect the decision of creditors in determining COD.

Based on secondary data obtained, the high number of IO is derived from subsidiaries so that there is a possibility that the institutions can collaborate with the company to make a profit for the management of the resulting voting rights given in each meeting was concerned with management advantages. The possibility of earnings management can still be done by the management because they thought that the institutional is their subsidiaries, causing an imbalance asymmetry of information held by managers and lenders. Therefore, the lender does not assess corporate image will be well with high institutional ownership. This is what causes IO does not have a significant effect on the COD.

5.5 Effect of DER to Cost of Debt

The test results showed a significance value of 0.320 is greater than 0.05. This shows that the influence of DER to COD is not significant. The results support the results Juniarti & Sentosa (2009) which states that the absence of significant influence between DER and the COD. According Yunita (2010) stated that generally the company of manipulating the company's equity in order to look good in the annual report that the creditors will judge that the company is not too risky. The greater the equity of the company as compared to debt held, the DER will be smaller so that it can fool the creditors. Therefore, the company is considered likely to perform manipulation on its financial statements so that the leverage ratios such as DER are not the main focus of creditors to determine the risk of the company. Financial ratios that should help lenders in determining investment decisions are likely to be ignored. This can be possible because lenders assume that the management can take action so that creditors not only manipulation using leverage ratios in considering investment decisions are taken.

Results of testing the hypothesis states that DER has positively related to the COD but due to the significant value of above 5%, then the effect is not significant. According to the agency theory, there is conflict interesting between shareholders and creditors because the creditors receive the money in a fixed amount of interest on the debt while the company through shareholders' earnings depends on the amount of corporate profits. In this situation, lenders pay more attention to the company's ability to repay its debts and shareholders more attention to the ability of companies to make a profit that much. Generally, companies invest in projects that at risk to get a big return. If the risky project was successful, the creditor cannot enjoy such success, but if the project fails, the creditors may suffer losses as a result of the inability of shareholders to meet its obligations (Classens, 2003). To anticipate the possibility of a loss, the lender will charge high debt in the form of restrictions on the use of debt by the manager.

The results are consistent with research conducted by Yunita (2010) and Juniarti & Sentosa (2009). Creditors tend to ignore the financial ratios that should be able to facilitate creditors in invetment decision making. The company is considered likely to perform manipulation on its financial statements so that the leverage ratios such as DER are not the main focus of creditors to determine the risk of the company.

Based on secondary data, there are still some companies that have a number of negative equity while the company's long-term debt of high value. This will reduce the confidence lenders to provide low borrowing costs because the company is considered a very high risk to pay off long-term liabilities. There is a possibility the lender will conduct closer scrutiny through a contract so as to reduce management flexibility in making decisions. Therefore, the lender does not assume the leverage ratio is an important factor in determining the cost of borrowing. This has made possible the cause of DER does not have a significant effect on the COD.

5.6 Effect of CGPI Score to Cost of Debt

The test results showed a partial effect CGPI score to COD at 0.130, which means high-low COD, was influenced by CGPI score of 13% while the value of significance is equal to 0.550 or greater than 0.05. This shows that the influence of CGPI score to COD is not significant. These results contradict the results of the study of Anderson et al. (2003) which states that the CGPI score has a significant influence on the COD. In line with the results Juniarti and Natalia (2012) stated that the creditors were ignoring the value GCG in determining of COD. Creditors assume that the GCG scores are not sufficiently credible to determine company risk. GCG survey still needs to be proven as a credible indicator to be considered in assessing the risk of the company. Participation in the survey is not mandatory GCG causing companies that participate tend to decline from year to year. Piot & Missonier research results (2007) also indicated that the relationship between corporate governance and the COD is not something that is universally acceptable, although at this time there is widespread recognition that the formation GCG can substantially affect the shareholders and creditors.

CGPI does not have an influence on the COD indicate that the lender considers the lack of information represents the value of the company, which means it is also considered to be no economic value that can be generated from CGPI ranking achievement. It is recognized creditors because the response to the rating CGPI takes a long time so that lenders cannot be taken into account in determining the COD to be borne by the company. Hypothesis testing results showed that the scores CGPI has a positive effect. However, due to the significant value of above 5%, it can be concluded that the effect was not significant. Information is an essential element for investors and creditors as a picture of company's condition in the past and further the company's survival. Positive information will be able to influence the decisions of investors and creditors. CGPI is one example of positive information, but that information does not create a trust creditor, which can be caused by asymmetry of information.

In addition, there are other possibilities that cause CGPI score had no influence on the cost of corporate debt that many other awards for companies that implement GCG. Some examples of awards were organized by the IICD, Forbes 2000, ISRA (Indonesian Sustainability Reporting Award). Different awards will have a different measurement and assessment. Stakeholders may have different views of looking at the quality of GCG through other awards more prestigious than the CGPI. It also makes the possibility that the CGPI score could not be a determining factor for the COD the company.

5.7 Effect of GCG on Cost of Debt through CGPI

Based on the results of path analysis, it showed the coefficient of direct influence between GCG (BC, AC, MO and IO) and COD is greater than the value of the coefficient indirectly between the Cost of Debt GCG through CGPI score. Coefficients obtained to see the direct influence of GCG and COD is to 0,049, -0.91, -0.082 and 0.002. The coefficient indirect effect between GCG and COD through CGPI is 0.036, 0.074, -0.054 and 0.080. Significant value obtained is less than 5%. This shows that the CGPI is not an intervening variable in this study.

CGPI organized by IICG cooperation with SWA Magazine as an annual program that has been implemented since 2001 as a tribute to the initiatives and results of the company's efforts in creating an ethical business and dignified (IICG, 2013). However, companies that participate in the rating CGPI not much and even declining in recent years during the study period.

Participation in the rating CGPI which involves active participation of all stakeholders in the company jointly meet the CGPI only phase of the program is voluntary, so that the interest holders in the company does not assume the CGPI score important to influence the perception of lenders in determining the cost of a low corporate debt. So also with the lender who thinks that companies active in the rating CGPI not guarantee the low cost of debt to be borne by the company for information on the rating CGPI not issued in the current period.

Based on the tests performed, partially BC, AC, MO and IO do not have an influence on the COD because t value smaller than t table and the significant value is above the value of 5%. F simultaneous test results also showed that the GCG (BC, AC, MO and IO) has no effect on the COD as calculated F value is smaller than F table (0.881 < 2.389) or significance value greater than 0, 05 (0.520> 0.05).

Results of path analysis indicate that the coefficients obtained to see the direct influence of GCG (BC, AC, MO and IO) for COD 0,049, -0.91, -0.082 and 0.002. The coefficient indirect effect between GCG and COD through CGPI is 0.036, 0.074, -0.054 and 0.080. Significant value indicates a value less than 5%. Therefore, CGPI not proven as an intervening variable that can mediate the relationship between GCG to the COD. This shows that GCG practices as evidenced by the high CGPI score does not guarantee the lender will provide low borrowing costs in the company. According Kaihatu (2006), shareholders and creditors are not currently considers that better corporate governance will give higher yields in exchange for them. Score CGPI believed not able to simplify and assure the investors and creditors in analyzing corporate governance practices in a company. This is why GCG has no significant effect on the COD through CGPI.

Another possible reason is due to the time of announcement of the CGPI ranking is not in the current year. For example, the assessment of CGPI 2010 will be announced in 2011 that led to such information is no longer needed as the lenders need information on the current condition of the company. Time obtained information is critical in making decisions for the company running dynamically. There is no guarantee that the company will continue to have GCG in the coming years. This leads to the possibility of information CGPI not affect the perception of lenders in determining the COD so CGPI not proven as an intervening variable in this study.

6. Conclusion and Remarks

6.1 Conclusion

Based on the results of research on the influence of good corporate governance to the cost of debt by using a sample of 10 companies listed in IICG 2010-2013, the conclusions obtained are (1) GCG (BC, AC, MO and IO) partially does not have any influence on the COD, (2) GCG (BC, AC, MO and IO) simultaneously does not have any influence on the CODt, and (3) GCG has no influence on the COD through CGPI due CGPI proved not as an intervening variable in this study.

6.2 Limitation

Limitations of this study are as follows:

- Variables that are used only GCG independent proxy through BC, AC, MO and IO) without used others factor in terms of corporate finance.
- Assessment of the effectiveness of the BC and the AC are only subjective because the assessment carried out just by looking at the information contained in the annual report of the company and gave a score of assessment.
- The period of this study is limited to four years during the 2010-2013 study period.

6.3 Suggestion

Advice can be given through the results of this study for further researchers are as follows:

- The analysis in this study through the assessment carried out just by looking at the information contained in the company's annual report and gave this assessment scores so highly influenced subjectivity of the researcher. Further research is expected to use the primary data through questionnaires in order to obtain additional variables that affect the COD.
- The object of this study was limited to companies registered in IICG so for further research are expected to compare between companies listed in IICG with unregistered in IICG and increase the range of the study period.

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