

ABSTRACT

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THE EFFECT OF CORPORATE GOVERNANCE ON COMPANIES' COST OF DEBT (STUDY OF LISTED COMPANIES ON INDONESIA STOCK EXCHANGE)

(xv + 77 pages : 3 figures ; 11 tables ; 2 appendixes)

The practice of good corporate governance has been common used for publicly listed company. But the problem is, do corporate governance practice really has impact especially in companies' cost of debt? This study will investigate the effect between corporate governance towards companies' cost of debt. Few studies have investigate this topic but the result is diverse. As a result, this research try to compare the result from previous study and the result from this research itself, so the company can determine whether the implementation of corporate governance can reduce its cost of debt. Cost of debt is used as the dependent variable, moreover it will be calculated by the amount of interest expense to interest bearing debt. While the corporate governance will be proxy by the proportion of board of independent commissioner, audit committee, institutional ownership, and managerial ownership. Data used in this study are companies, which are listed by IDX (Indonesia Stock Exchange) in manufacturing sections from year 2009, 2010, and 2011. Data collection is using purposive sampling method with some specific criteria, as a result, this study used 138 samples in total. Debt to equity ratio, Debt ratio, company size, sales growth, and return on asset are used as the controlling variable in this research. The results of this study indicate that Corporate Governance significantly affect the Companies' Cost of Debt.

Reference: 37 (1976– 2012)

Keywords : *Corporate Governace, Board of Independent Commissioner, Audit Committee, Institutional Ownership, Managerial Ownership, Cost of Debt.*

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