THE EFFECT OF CARPORATE SOCIAL RESPONSIBILITY (CSR) TO COST OF EQUITY CAPITAL (CEC), WITH CORPORATED GOVERNANCE (CG) AS MODERATING VARIABLE
(Empirical Studies in Manufacturing Companies at Indonesia Stock Exchange during 2010 – 2013 Period)

PUBLICATION PAPER

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ABSTRACT

The purposes of this study to get evidence The Effect Of Corporate Social Responsibility (CSR) To Cost Of Equity Capital (CEC), With Corporate Governance (CG) As Moderating Variable (Empirical Studies In Manufacturing Companies At Indonesian Stock Exchange During 2010 – 2013 Period). The Proxies of Corporate Governance (CG) is institutional ownership, managerial ownership, audit committee, composition of independent commissaries board and size of board commissaries moderating to disclosure corporate social responsibility to cost of equity capital. Index CSR measured by GRI 2013 with 149 items. While, cost of equity capital measured EBO model which developed by Edwards and Bell (1961), Ohlson (1995), Feltham and Ohlson (1995) and Abarbanell and Bernard 91994) in Botosan and Plumlee (2000).

Population of this research is all manufacture company in Indonesian Stock Exchange for 2010 – 2013 period, sample is 18 companies with 72 units analysis. This research uses MRA (Moderated Regression Analysis), with SPSS for Windows version 21.00 program.

Result of this research shows, CSR disclosure is not significantly influence to cost of equity capital. Managerial ownership and the Size of board commissaries have are moderating CSR to cost of equity capital but institutional ownership, composition of independent commissaries board, and size of audit committee is not moderate CSR to cost of equity capital.

Keyword: Corporate Social Responsibility Cost of Equity Capital, Corporate Governance.

ACCEPTANCE

Signature below read script with title:

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Surakarta, March 9 2015
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UNIVERSITAS MUHAMMADIYAH
FAKULTAS EKONOMI & BISNIS
SURAKARTA

(Dr. Triyono, SE, M. Si)

INTRODUCTION

A. *Statement of Problem*

Corporate influences economic condition of country. Financial report to be primary tools of corporate gives financial information that management responsibility. The competition in business makes corporate using all way to reach profit with pressure cost. But, often corporate is not consideration responsibility of environment. Social responsibility or corporate social responsibility or CSR is social responsibility of corporate to giving organization needed and external public needed. Also CSR means corporate social commitment from operational in social dimension, economic and environment (Nugroho, 2012). CSR disclosure influences cost of equity capital, previous many researches are theoretic or empiric. Botosan, (1997) in Afat, (2011) said theoretic research support negative relation between disclosure and cost of equity capital supported by two research approach. First, disclosure increases stock market liquidity hence decrease cost of equity capital by decrease transaction costs or increase demand security of corporate. Research approach by Demsetz, (1968), Copeland and Galai ,(1983), the second approach said disclosure decrease estimation risk from investor estimation about asset's return parameter .The big uncertain about parameter is 'right' when information is not enough. When, estimation risk can't diversification, so investor requests compensation because risk element adds. Hence, it is not consensus reach estimation risk ability to diversification. Research approach is Klein and Bawa, (1976) and Clarkson et all, (1996) (Clarkson et al. 1996, in Botosan, 1997).

Concept cost of equity capital used investor to determine where they are routine investment. Cost of equity capital is stock return requirement by investor is minimum return level that wanted by investor gives investment of manufacture (Utami, 2005 in Sari, (2009)).

High CSR disclosure is not forever decrease cost of equity capital. In contrary it can happen when the real manufacture has much problems, so *disclosure is high, much information risk investor knew so investor will be request high return and it causes cost of equity capital by manufacture is high.*

Based CSR players are not divided CSR activity with corporate governance, because both is one and it is not fusion from sum parts are separated (Murwaningsari, 2009). Manufacture has good corporate governance must be CSR activity is social form of manufacture in social environment (2010) in Riswari ,(2012).

Corporate governance is moderating variable of this research because inconsistent between corporate social responsibility and cost of equity capital so expected with moderating variable to strength relation CSR disclosure with cost of equity capital. Indicator corporate governance using in managerial ownership, institutional ownership, size of board commissaries, composition independent commissaries and audit committee (Kartina Natalylova, 2013).

Ashbaugh, Collins and LaFond, (2004) said firms with corporate governance is better describe agency risk is smaller that result cost of equity capital is lower.

Research about influencing disclosure CSR to cost of capital with intuitional ownership is moderating variable interest to research again because the research previous Suharsono and Rahmasari ,(2013) now this research is development from the research before by Suharsono and Rahmasari ,(2013). Now this research more specific has some different with the research previous. The first year observed research previous uses year observed is 2008-2010 all mining manufactures list in BEI, while this research uses year observed 2010-2013 all manufactures list in BEI. The second, dependent variable of this research uses cost of equity capital while the research before uses cost of capital. The third, moderating variable used corporate governance where institutional ownership is one of indicator, the other indicator used of this research, managerial ownership, size of board commissaries, composition independent commissaries board and audit *committee. The research previous (Suharsono and Rahmasari, (2013)) moderating variable uses institutional ownership. Fourth, measure tools uses disclosure CSR uses indicator performance construct in Index Global Reporting Initiative (GRI) year 2013. From some explanation, description and reasons above, the writer chooses title "**The Effect Of Corporate Social Responsibility (CSR) To Cost Of Equity Capital (CEC), With Corporate Governance (CG) As Moderating Variable (Empirical Studies In Manufacturing Companies At Indonesian Stock Exchange During 2010 – 2013 Period)"***

B. Objective of study

Appropriate with problem of study, so the objective of the study following:

1. *To get the empiric evidence influencing CSR disclosure to cost of equity capital.*
2. *To analysis what is institutional ownership, managerial ownership, audit committee, composition independent commissaries board and size of board commissaries moderating influencing CSR disclosure to cost of equity capital.*

LITERATURE REVIEW

A. Legitimating Theory

According to Ghozali and Chariri, (2007) in Djuitaningsih and Marsyah, (2012) foundation legitimating theory is social contract between firm with society where the firm operates and uses economic source. Legitimating theory is one of theory foundation of CSR disclosure. When the firm has bad performance environment and social so it causes investor so negative response by decrease stock price (Almilia and Wijayanto, (2007) in Riswari, (2012)).

B. *Stakeholder theory*

Definition stakeholder according to Freeman ,(1994) in Nahda and Harjito, (2011), is every group or individual influences or influenced reaching organization's goal CSR disclosure is important because stakeholder needs evaluation and to know the firm roles according to stakeholder wanted, so needed accountability of firm by CSR activity. The firm has good performance environment and social will be positive response from investor by high stock price.

C. *Agency theory*

Suharsono, (2012) in Sari, (2009) correlation agency is contract between principal and agent. The primary correlation and agency is dividing between ownership (principal party/stock owner and control/agency party/manager). According to Norhadi, (2007) in Nahda and Harjito, (2011), stakeholder conflict agent and owner can be reduce with control mechanism that harmony all interest in the firm with apply good corporate governance.

D. *Theory of Capital asset pricing model (CAPM)*

Ability to estimation return of individual securities is very important and needed of investor. To estimation return of securities is good and easily need estimation model. Although, capital asset pricing model CAPM uses estimation return of securities that is important in financial (Suharsono and Rahmasari, 2013).

E. *Corporate social responsibility*

1. *Comprehension Terminology with corporate social responsibility*

   Corporate is top management level/CEO in every organization profit or nonprofit; small, medium or big scale; local, national, regional or global scale. Although if corporate social responsibility, is corporate social responsibility corporate in business form (profit oriented).

   "The commission for European Communities (1993) in Kartini, (2013: 2) formulation CSR in document Green Paper is: "Essentially a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment." The Green Paper next divide CSR of

the firm are two categories, (1) internal dimension of CSR (include human resources management, health and work safety, adaptation to change and management environment impact natural resources (2) external dimension of CSR (include empowering local community, business partner include supplier and customer, human right and global environment problem. Organization proposes holistic approach to CSR includes social responsibility integrated management, social responsibility reporting and auditing, quality in work, social ecolabel, socially responsible investment. So conclusion if corporate social responsibility is firm's commitment to give long term contribution to a problem in society or environment to create good environment. Firm's contribution is fund for fellowship children have good achievement and poverty, health, skill worker from the firm, goods and the other.

2. *Profit disclosure corporate social responsibility*

   10 profit when the firm has CSR program (Yusuf Wibisono, (2007) in Nugroho, (2012) concept and application (CSR) are

   a) *Maintenance and explore reputation and image of the firm*
   b) *Reasonable social license to operate*
   c) *Reduction business risk of the firm*
   d) *Extend resource access*
   e) *Extend access to market*
   f) *Reduction costs*
   g) *Repair relation with stakeholder*
   h) *Repair relation with regulator*
   i) *Repair spirit and worker's productivity*
   j) *Opportunity to get reward*

3. *Development concept CSR period 1980 – now*

   According to Caroll, (1979) in Kartini, (2013: 14-16), concept CSR has components following:

a. *Economic responsibilities*

Corporate social responsibility of the firm primary is economic responsibilities because business organization consists economic activity produces goods and service to society that profit.

b. *Legal responsibilities*

Society hopes business operating obedient to rule and law that made of society by legislative institution

c. *Ethical responsibilities*

Society hopes firm operates business with ethical. According to Epstein, (1989: 584-585), ethical business shows moral reflection from business player who individual or organization to value a problem where the value is chosen of the value development in society. By choose the value, individual or organization gives value what is conducting right or false, legal or not, utility or not.

d. *Discretionary responsibilities*

Society hopes the firm gives benefit to society. Expectation society fulfill of the firm by philanthropies program. The firm want to be good citizen where they are contribution to society influences to firm's reputation. Although activities of the firm is discretionary responsibilities manifestation often called corporate citizenship.

F. *Cost of equity capital*

According to Utami ,(2005) capital cost is dynamic concept influenced economic factor. Structure of cost of equity capital based some assumption relationship with risk and tax. Foundation assumption used in estimation cost of equity capital is business and financial risks are fix or relative stable. Cost of equity capital calculated according to long term fund source available of the firm. It is 4 long term fund sources are:

1) *Long term liability is cost liabilities after tax when the firm get long term fund from liabilities.*
2) *Preferred stock is annual dividend preferred stock divide with sales profit preferred stock*

3) *Common stock or cost of equity capital is rate (level value, price, development velocity) used investor to discount dividend expected receive tomorrow*
4) *Retained Profit is profit undivided but added to capital.*

From explanation above so conclusion cost of equity capital is return share requirement of investor that compensation of capital liability to the firm or investor right of investment in the firm.

G. *Corporate governance*

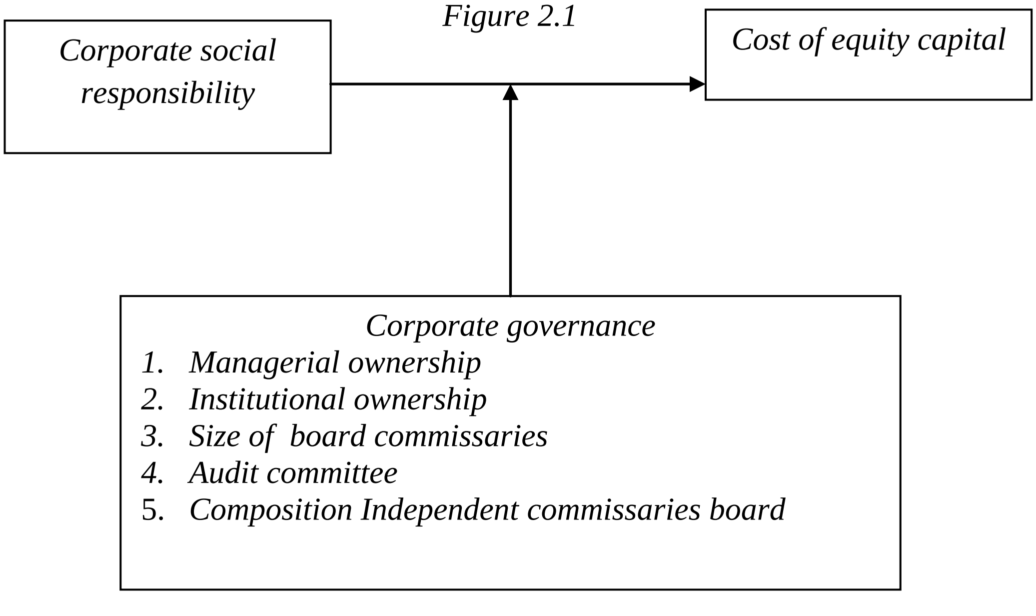
According to FCGI (Forum for corporate governance in Indonesia) is "rule manages relation between stakeholder, firm management, government, workers, debt, and stakeholder internal and external relationship with right and responsibility or the other word direction system and firm's controlling.

The primary purposes corporate governance is to alignment action/management interest with shareholder/owner (the primary minority interest). Hence, the other purpose to reach corporate governance is: (1) the firm reaches goal that determine, (2) Keep firm's activity is good (3) firm's practices business is good and (4) firm's activities transparent (Tunggal, 2008: 277 in Sari, (2009)).

H. *Theoretical Framework*

Theoretical Framework describes correlation among variables of the research showed following:

Figure 2.1



I. Previous Studies

Previous researches have correlation with this research following:

Nugroho (2012), *research about CSR disclosure influences cost of equity capital. Population and sample of this research is all manufacture list in Jakarta Exchange Stock year 2007-2010 sum 11 manufactures consist 4 years period of research. Result of this research found there is not influence between CSR with cost of equity capital. Evident with test of the research CSR variable influences cost of equity capital.*

Sari (2009), *research about corporate governance mechanism influences cost of equity capital. Corporate governance mechanism used of the research internal mechanism consists quality of financial information, managerial ownership, institutional ownership, composition of independent commissaries board, size of board commissaries and audit committee. This research population and sample uses 77 manufactures corporate list in Jakarta Exchange Stock period 2003-2007 with purposive sampling method. Base on regression linier analysis result quality financial information, managerial ownership, institutional ownership and audit committee are not significant influence to cost of equity capital.*

Botosan (1997) *research about disclosure level and the cost of equity capital. Sample consists 751 manufactures for period 1985-1989. Result of this research shows correlation disclosure level and cost of equity enough significant to manufactures almost financial analysis.*

Hypothesis

1. Corporate social responsibility and cost of equity capital

Previous research by Botosan, (1997: 323-349) showed the other evident will be negative correlation between disclosure level and cost of equity capital. The second hypothesis test, Botosan divided two groups manufacture samples are manufacture almost interest financial analysis and manufacture little interest financial analysis. With divided the sample research, Botosan research significant correlation disclosure level and cost of equity to the second sub sample. Result of the research conclusion *correlation disclosure level and cost of equity less significant to the manufactures almost interest financial analysis.*

Two steps the other theoretic research by Frankel et, al., (1995) and Welker (1995) and Healy, (1999) shows evident disclosure level influences to cost of equity: the first, high disclosure level to manufacture, so will be high manufactures value shows increasing demand securities and increasing stock price owner of manufacture (Bloomfield and Wilks, 2000: 35); (Baiman and Verrechia, 1996: 17). The second, high disclosure level decrease risk estimation emerge return level investor asset or distribution operating result of firm (Handa and Linn, 1993: 95); (Marquardt and Wiedman, 1998: 532); (Clarkson et. al., 1996: 69, 79) cause return require investor is low (Coles et. al., 1995: 362), so reduce cost of equity capital of firm. According to description above, so the first hypothesis will be test in this research:

H1 : CSR disclosure influences to cost of equity capital

2. ***Managerial ownership and cost of equity capital***

   Jansen and Meckling, (1976) in Sari (2009) said one of way to minimalize agency conflict increases managerial ownership in the firm so ownership interest or stakeholder will be same as with manager interested. While according to Widodo, (2005), giving or interesting stock ownership by manager of the firm can maximum stock price and reduce cost of equity capital. Base on explanation above, so hypothesis the second will be test in the research.

   H2a: managerial ownership influences to cost of equity capital

   H2b: managerial ownership moderating influences CSR disclosure to cost of equity capital

3. ***Institutional ownership and cost of equity capital***

   Jensen and Meckling,(1976) in Sari (2009) said if institutional ownership is one way reduce agency conflict between manager and stakeholder. Cornet et al (2006) conclusion if control action of firm by institutional ownership encourages manager focus to firm's performance so will be reducing *opportunistic behavior or individualism. Ashbaugh et. Al., (2004), found institutional ownership significant negative influences to cost of equity capital. So high control of institutional ownership to management will be effective reduce opportunistic action of manager. They reduce agency risk and also reducing cost of equity capital. According to explanation above, so the third hypothesis will be test in this research is:*

***H3a: institutional ownership influences to cost of equity capital**.*

***H3b: institutional ownership moderating influences CSR disclosure to cost of equity capital**.*

4. ***Composition independent commissaries board and cost of equity capital***

Composition independent commissaries variable of this research has negative significant influences to cost of equity capital. It means many sum commissaries board from out of organization, control function of them effective reduce cost of equity capital of firm. Result of this research agrees research of Ashbaugh, et al., (2004). Haniffa and Cooke, (2002) said if sum of independent commissaries of the firm is large or dominant, so they give power to directors board to pressure management to increase quality of information disclosure in the firm. Composition independent commissaries board more large can support directors action is objective and able to protect all stakeholder of the firm so it can CSR disclosure is depth. Independent commissaries needed to increase independency commissaries board to stakeholder and position of stakeholder of the firm in the other interested (Muntoro, 2006). According to explanation above the fifth hypothesis will be test of this research is:

H6a: composition independent commissaries board influences to cost of equity capital.

H6b: composition independent commissaries board moderating influences CSR disclosure to cost of equity capital.

5. ***Size of board commissaries and cost of equity capital***

Size of board commissaries is one of size is more important in measuring corporate governance. Jensen ,(1993), Beasley ,(1996) and Yermark ,(1996) found size of board commissaries is large so large deceitfulness opportunity in financial report. Size director board large assume is not effective in functional because difficult in controlled and difficult in communication, coordination and decision making. Size of board commissaries variable of this research has negative significant to cost of equity capital. It means many commissaries board so cost of equity capital will be low or a little commissaries board cause cost of equity capital will be high, research by Chtorurou et al., (2001), Xie, Davidson and Dadalt ,(2003) and Midiastuty and Machfoedz, (2003). Although, the fourth hypothesis will be test of this research is:

H4a: size of board commissaries influences to cost of equity capital.

H4b: size of board commissaries moderating influences CSR disclosure to cost of equity capital.

6. ***Audit committee and cost of equity capital***

Ashbaugh et al., (2004) research about independent audit committee influences to cost of equity capital. Result of this research shows independent audit committee negative influences to cost of equity capital. If audit committees more independent will be reduce information risk and also asymmetry information it will be reduce agency risk and cost of equity capital. According to explanation above, the fifth hypothesis will be test of this research is:

H5a: audit committee influences to cost of equity capital.

H5b: audit committee moderating influences CSR disclosure to cost of equity capital.

RESEARCH METHOD

A. *Research Design*

Research approach chooses of the researcher in this research is quantitative method. Quantitative research method is research base on positive paradigm that researches determine population and sample, collecting data uses instrument research, analysis data is statistic type that purposes hypothesis test (Sugiyono, 2013: 8). The researcher uses deductive approach to analysis CSR disclosure influences to cost of equity capital and CG that proxy institutional ownership, managerial ownership, audit committee, size of board commissaries and composition independent commissaries board are moderating variable.

B. *Population, sample and sampling methods*

Population of this research is all manufacture firms list in Indonesia Stock Exchange year 2010-2013. Taking sample technique uses purposive sampling with criterion following:

1. *Manufacture firms go public in Indonesia list in Jakarta Stock Exchange and publication annual report end 31 December 2010-2013.*
2. *Sample research no provides CSR disclosure in annual report.*
3. *Available complete financial report of the firms for observe year (2010—2013) in rupiah.*
4. *Minimum total asset separated industries sector. basic and chemical industries sector (Rp 2 trillion), variance industries sector (Rp 1 trillion) and consumer goods industries sector (Rp. 4 trillion).*

C. *Data and source data*

Now this research uses secondary data to be primary data that publication from Indonesia Stock Exchange in annual report after audit.

D. *Variable Measurement*

1. *Dependent variable*

This research independent variable is cost of equity capital. Cost of equity capital is return on equity that expected with compensation time value or money and risk relationship with investment.

Conceptual, cost of equity capital is market discount level in cash flow tomorrow of the firm to determine stock price. The researcher uses EBO model because test model is more representative to test relationship with CSR disclosure and cost of equity capital (Botosan, 1997). EBO model is following (Utami, 2005 in Sari, 2009):

Formulation to calculate cost of equity capital to be:

$r = (B_t + X_{t+1} - P_t)/P_t$ ………………………(5)

Explain

P_t *: Stock price in t year*

B_t *: book value per sheet stock t year*

$$\frac{equitas\ total}{sum\ stock\ circle\ all\ size}$$

X_{t+1} *: profit per sheet in year t+1*

r *: cost of equity capital*

2. *Independent variable*

Independent variable of this research is corporate social responsibility disclosure. Base on Wyna, (2010) in Natalylova ,(2013). CSR disclosure is disclosure data of the firm relationship with social activities. Information about sum social responsibility corporate is annual report, financial report and continuing report. CSR disclosure of this research measured with proxy CSRDI (corporate social responsibility disclosure index) base on GRI (Global reporting initiative) indicator. Performance indicator total reaches 149 indicators are sources (www.gri.com) every item CSR in instrument research given score 1 if disclosure and score 0 if nothing disclosure. Next score for every firm. Formulation calculating CSRDI following:

$$CSR_j = \frac{\sum X_{ij}}{n_j}$$

Explain:

CSR_j : *Corporate Social Responsibility firm index* j

n_j : *sum item of the firm*

X_{ij} : *Dummy variable; 1= item disclosure; 0 item nothing disclosure.*

3. *Moderating variable*

   Moderating variable of this research is corporate governance proxy to be five variables are:

   1. *Managerial ownership = MO*

      Stock ownership by management party active participant in decision making in the firm, they are commissaries and directors

      Percentage managerial ownership

$$\frac{stock\ ownership\ of\ manager, director\ board\ and\ commosiaries}{total\ stock} x100$$

   2. *Institutional ownership = IO*

      Sum stock ownership in the firm is institution investor. Indicator variable is sum percentage by institution from all stock capital managed of the firm.

Percentage institutional ownership = $\frac{institutional\ investor's\ stock}{total\ stock} x100$

   3. *Composition of Board commissaries = BD*

      Sum membership independent board of commissaries out of the firm (outside directors) to all directors in the firm

Composition board of commissaries $\frac{independent\ out\ side\ commissaries}{total\ commissaries\ board}\ x\ 100$

   4. *Size of board commissaries = BS*

      Board size is all member boards in the firm. Board size calculating uses sum member board commissaries in the firm in annual report.

      Size of board commissaries = Σ commissaries board

5. *Size Audit committee = AC*

   Size audit committee is sum member committee in the firm. Measured with calculating sum member audit committee in annual report list in management corporate report

   Audit committee = Σ audit committee

E. Data Analysis

Analysis data of this research uses MRA (Moderated regression analysis) to test CSR disclosure influences to cost of equity capital and corporate governance proxy with managerial ownership, institutional ownership, composition independent commissaries boards, size of board commissaries and audit committee moderating to CSR disclosure and cost of equity capital. Hence, to fulfillment assumption, some tests are descriptive statistic, classical assumption test is normality and heteroscedasticity and three models in regression test with moderating variable are F, t and coefficient determination tests.

RESULT AND DISCUSSION

A. Descriptive statistic analysis

Descriptive statistic analysis gives description or explanation about researched variables show from minimum value, maximum value, mean or average value and standard deviation. This table result of descriptive statistic test

Table IV.1 **Descriptive statistic test**				
Variable	**Minimum**	**Maximum**	**Mean**	**Std Deviation**
Cost Of Equity Capital	-1.30	1.74	-.3831	.68351
Corporate Social Responsibility	.26	.69	.4584	.08478
Managerial ownership	.00	.09	.0083	.02072
Institutional ownership	.41	.99	.6912	.15622
Composition Independent commissaries board	.30	.80	.4369	.13591
Board size commissaries	3.00	12.00	5.2817	2.42713
Size audit committee	3.00	5.00	3.2817	.58999
CSR_MO	.00	.05	.0035	.00890
CSR_IO	.12	.49	.3181	.09403
CSR_BI	.09	.46	.2014	.07846
CSR_BS		.79	5.96	2.4624
CSR_AC	.79	2.72	1.5125	.42229

Source: Operating Data

B. Hypothesis Analysis

Base on result analysis can explanation on below table,

Table IV.10
Result hypothesis test

Variable	Beta	T value	Probability	Explanation
(*Constant*)	4,837	1,042	0,302	
Corporate Social Responsibility	-8,100	-0,829	0,410	**H1 reject**
Managerial ownership	-78,195	-3,595	0,001	**H2a receive**
Institutional ownership	-6,542	-1,933	0,058	**H3a reject**
Composition Independent commissaries board	1,517	0,586	0,560	**H4a reject**
Board size commissaries	-0,492	-2,299	0,025	**H5a receive**
Size audit committee	0,943	0,787	0,434	**H6a reject**
CSR_MO	168,381	3,353	0.001	**H2 receive**
CSR_IO	11,367	1,541	0,129	**H3 reject**
CSR_BI	-3,991	-0,758	0,452	**H4 reject**
CSR_BS	0,966	2,097	0.040	**H5 receive**
CSR_AC	-0,2170	-0,899	0,372	**H6 reject**
***Adjusted R square* = 0,614** ***F test*= 11,133.(prob value : 0,000)**				

Source: Operating Data

Base on table above, so can made explanation

a. *CSR disclosure influences to cost of equity capital*

Result t test shows CSR has t value -0.829 and sig 0.410. sig value > 0.05 conclusion CSR disclosure is not significant to CEC. It means CSR disclosure high is not direct reduction CEC, it is available information or not hide from the firm is not transparent financial report is not influence to risk estimation of investor in the firm is low, where return level expected investor is low. This research result same as with Botosan, (1997: 323-349) shows negative correlation between

CSR disclosure and cost of equity capital. Research result conclusion correlation disclosure level and cost of equity less significant of the firm many interest financial analysis.

b. ***Interaction between managerial ownership and CSR disclosure to cost of equity capital***

Result t test shows MO has t value 3.353 and sig 0.001. sig value < 0.05 conclusion MO influences to CEC and MO is moderating CSR disclosure to CEC. It means managerial ownership of the firm is low so cost of equity capital of the firm to be low in contrary. This research result same as with Widodo, (2005) and Nasir and Abdullah, (2004). According to Widodo, (2005) gives or increase stock ownership by firm's manager or to maximum price stock and reduction cost of equity capital.

c. ***Interaction between institutional ownership and CSR disclosure to cost of equity capital***

Result t test shows IO has t value 1.541 and sig 0.129. sig value < 0.05 conclusion IO is not influences to CEC and IO is not moderating CSR to CEC. It means institutional ownership high of the firm so will be cost of equity capital of the firm low or low of institutional ownership level in the firm causes cost of equity capital of the firm is high. This research result same as with Asbaugh et. al., (2004).

d. ***Interaction composition independent commissaries board and CSR disclosure to cost of equity capital***

Composition independent commissaries board has t value -0.829 and sig 0.452. sig value > 0.05 shows composition independent commissaries board is not influences to CEC and composition independent commissaries board is not moderating CSR disclosure to CEC. It means many sum commissaries board from outside control function they are effective to reduction cost of equity capital of the firm. Result of this research versus with Haniffa and Cooke ,(2002) *said if sum commissaries of the firm so large or dominant, so giving power to commissaries board to pressure management increases quality information disclosure of the firm. Composition dependent commissaries board is large support commissaries board objective action and able to protect CSR disclosure is large.*

e. Interaction size of board commissaries and CSR disclosure to cost of equity capital

Size of board commissaries has t value is 2.097 and sig value is 0.040. sig value is smaller than 0.05 shows board size of commissaries variable can influences to CEC and board size of commissaries variable can moderating CSR disclosure to CEC.

Size of board commissaries is one of important size in corporate governance measuring. This research is same as with Sembiring, (2005) and Sulastini, (2007). Sembiring ,(2005) and Sulastini, (2007) also found significant positive correlation between commissaries board with CSR disclosure in Indonesia. It means many commissaries board in the firm, so control activity is good and CSR disclosure of the firms is large.

f. Interaction size audit committee board and CSR disclosure to cost of equity capital

Result t test shows AC has t value -0.899 and sig 0.372. sig value is more 0.05 shows size audit committee is not influences to CEC and size audit committee moderation CSR disclosure to CEC. It means the firm builds audit committee, so cost of equity capital of the firm will be low. Hence, size audit committee influences to cost of equity capital is low.

This research is same as with Ashbaugh's et. al .,(2004) researches about independent audit committee influences to cost of equity capital. Result of this research shows independent audit committee negative influences to cost of equity capital. If audit *committee more independent so reduction agency risk and cost of equity capital.*

CONCLUSION

A. Conclusion

*CSR disclosure is not significantly influence to cost of equity capital***,** *with significant level 0.410 (it is bigger than 0.05).Managerial ownership sig 0,000 and Size of board commissaries sig 0,025 have are moderating variable CSR disclosure to cost of equity capital, (less from 0.05). but Institutional ownership sig 0.058 ,Composition independent commissaries board sig 0.560* ***and*** *Size audit committee sig 0,434 is not moderate CSR disclosure to cost of equity capital, (it is bigger than 0.05)*

B. Limitation

This research uses firms sample from manufacture industries firms so it can't show from the other industries group generally. Research period of this research is smaller so it is not representative and Data found commissaries board variable is only composition and sum independent commissaries board. While audit committee variable only audit committee.

C. Research implication

Add sum sample with add the other industries. Add research period to be longer so result is representative. The next result may be uses corporate governance perception index published Indonesia Institute for corporate governance to measures corporate governance. Corporate governance variable is not only managerial ownership in measuring, institutional ownership, composition independent commissaries board, size of board commissaries and size audit committee. Commissaries board variable of this research composition and sum independent commissaries board, that can developed with sum meeting of commissaries board, remuneration commissaries board, position commissaries boar period, sum training program of commissaries board. Audit committee is only size of audit *committee while it can developed with nomination committee and remuneration, sum audit committee meeting and position audit committee period. Variable added with quality of financial information. And The next research comparison measuring cost of equity capital between Model Ohlson (EBO) with capital asset pricing model (CAPM).*

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