# REMUNERATION COMMITTEE OF THE BOARD OF DIRECTORS AND THE COST OF EQUITY

Herman Darwis *, Tatang Ary Gumanti **, Andi Harmoko Arifin ***, Maria Rio Rita ****

*\* Corresponding author,* Universitas Terbuka, South Tangerang, Indonesia; Universitas Khairun, Ternate City, Indonesia
Contact details: Universitas Terbuka, South Tangerang 15437, Indonesia
\*\* Universitas Katolik Widya Mandala, Surabaya, Indonesia
\*\*\* Universitas Terbuka, South Tangerang, Indonesia
\*\*\*\* Universitas Kristen Satya Wacana, Salatiga, Indonesia

## Abstract

This study examines the impact of the remuneration committee on the cost of equity capital, focusing on manufacturing companies listed on the Indonesia Stock Exchange (IDX) over the period 2013–2023. Data were collected using purposive sampling, selecting only companies that had established remuneration committees. A total of 144 observations were obtained from 19 companies. The analysis employed panel data and multiple linear regression. The results indicate that the frequency of remuneration committee meetings has no statistically significant effect on the cost of equity capital, implying that, within this context, corporate governance mechanisms may not have a direct influence on the cost of equity financing (Ali et al., 2019). Nevertheless, the composition of the remuneration committee shows a significant negative association with the cost of equity capital. The presence of a well-structured and effective remuneration committee seems to strengthen governance practices and contribute to a reduction in equity financing costs, irrespective of the firm's size (Klein, 2002). With respect to the control variables, firm size exhibits a negative effect on the cost of equity capital. In contrast, sales growth, leverage, and earnings quality do not demonstrate any statistically significant influence.

**Keywords:** Governance, Remuneration Committee, Cost of Equity Capital, Company Size, Sales Growth, Debt, Earnings Quality

**Authors' individual contribution:** Conceptualization — H.D., T.A.G., A.H.A., and M.R.R.; Methodology — H.D., T.A.G., and M.R.R.; Investigation — T.A.G., A.H.A., and M.R.R.; Resources — H.D.; Writing — H.D., T.A.G., A.H.A., and M.R.R.; Supervision — T.A.G.; Funding Acquisition — H.D.

**Declaration of conflicting interests:** The Authors declare that there is no conflict of interest.

## 1. INTRODUCTION

The concept of equity capital cost is very important in corporate spending (funding), which is intended to determine the amount of real costs borne by the company in obtaining funding sources. Equity capital cost is a fundamental concept in financial theory and serves a critical function in guiding firms' financial and investment strategies. The cost of equity capital serves as a foundation for securing adequate financial resources, evaluating the expense of financing, and assessing how these resources influence a firm's risk profile and potential returns (Salehi et al., 2020).

The cost of equity capital has emerged as a central topic in academic discourse, given the multitude of factors that can affect its level, especially within publicly traded companies. Prior research, for example, has indicated that the comparability of financial statements is linked to

a decrease in the cost of equity capital (Huang & Yan, 2020), the use of "X for Business" (formerly "Corporate Twitter") (Guindy, 2021). It is well-established that a firm's proactive disclosure of information that attracts the attention of external stakeholders can contribute to a lower cost of equity capital. A substantial body of literature, including studies such as those by Salehi et al. (2020), Zandi et al. (2022), and Ali et al. (2019), has emphasized the relationship between corporate governance practices and fluctuations in the cost of equity capital.

The Financial Services Authority (*Otoritas Jasa Keuangan*, OJK), in collaboration with the International Finance Corporation, introduced the Indonesia Corporate Governance Guidelines to promote effective corporate governance practices nationwide. These guidelines cover essential aspects, such as the roles and responsibilities of the board of commissioners and the board of directors, the protection of shareholder rights, corporate transactions, transparency, and the effectiveness of internal controls. This guideline can be a basis for implementing good corporate governance while creating conducive, stable, and attractive financial conditions to increase economic growth in Indonesia.

Nevertheless, instances of corporate governance failures continue to occur among manufacturing companies publicly traded on the Indonesia Stock Exchange (IDX). A prominent example is the sanction imposed by the OJK on the President Director of PT Hanson International Tbk (MYRX). With a fine of IDR 5 billion for breaching capital market regulations by prematurely recognizing revenue and failing to disclose a sales and purchase agreement in the company's 2016 MYRX financial statements.

The premature revenue recognition led to an overstatement in the December 2016 financial statements, inflating the reported figures by IDR 613 billion. The alleged corruption case has been revealed related to the work on fictitious projects at PT Waskita Karya Tbk, with the mode of working on fictitious projects that occurred in Division II of PT Waskita Karya between 2009 and 2015. According to the report issued by the Financial Audit Agency, the total financial loss resulting from the execution of fictitious projects amounted to IDR 202 billion. Former directors of PT Tiga Pilar Sejahtera Food Tbk. (AISA) were convicted of falsifying the company's 2017 financial statements with the intention of inflating its stock price. Edi Broto Suwarno, Director of Capital Market Audit at the OJK, disclosed evidence showing that the two defendants had deliberately misrepresented six affiliated entities as unrelated third parties in AISA's 2017 financial disclosures.

The initial evidence of the two defendants in Article 107 of Law 8/1995 concerning the capital market, because it meets the elements of deception and hiding information (Fahlevie et al., 2022). The aforementioned cases highlight weaknesses in corporate governance practices among publicly listed firms remain a subject of ongoing scrutiny. Furthermore, existing studies provide inconclusive evidence on the effectiveness of governance mechanisms, especially the role of remuneration committees, in influencing the cost of equity capital. Therefore, it becomes essential to further investigate how internal governance structures, especially remuneration committees, influence a firm's equity financing costs.

An effective remuneration committee is essential in formulating equitable and appropriate compensation structures packages, including salaries, honorariums, incentives, and allowances, for both directors and executives. Such efforts can contribute to improved organizational performance by minimizing agency costs and addressing information asymmetry. In line with agency theory, aligning the interests of shareholders and management is considered fundamental. Therefore, offering greater compensation is expected to drive improved firm performance. Ensure that incentive structures are aligned across all levels of management to promote a focus on the company's long-term sustainability (Barron & Waddell, 2008). Accordingly, firms should emphasize strengthening the internal governance role of the remuneration committee to ensure its effectiveness over time, which in turn can enhance investor confidence and reduce the cost of equity financing. Prior studies, such as Harymawan et al.'s (2020) research, have demonstrated that the existence of a remuneration committee is positively correlated with higher executive compensation and enhanced firm performance. Similarly, Agyemang-Mintah (2015) found that the establishment of such a committee correlates positively with its effectiveness.

According to Appiah and Chizema (2015), corporate failure is inversely related to the independence of the remuneration committee chairperson and the committee's overall effectiveness. Conversely, their findings also indicate a positive and significant relationship between corporate failure and the overall independence of remuneration committee members. Ali Ahmed (2010) argued that the presence of a remuneration committee, within the broader context of corporate governance, is crucial for improving firm performance. Nonetheless, this claim is not uniformly corroborated in the literature, with certain studies reporting contradictory results, including Jaafar et al. (2015), who did not find a statistically significant relationship between the board of directors and executive compensation, thereby challenging the presumed link between governance structures and remuneration outcomes.

Tao and Hutchinson (2013) identified a negative correlation between the existence of a remuneration committee and the amount of executive compensation. Ismail et al. (2020) concluded that the existence of a remuneration committee does not show a significant relationship with firm risk, as measured by the cost of equity capital. Puni (2015) has argued that the board of directors does not exert a significant influence on firm performance. In contrast, the nomination committee may potentially have a negative effect on the company's financial results. Given the inconsistent findings in prior studies, this research seeks to investigate the linkage between remuneration committees and equity capital costs among manufacturing companies publicly traded on the IDX. Although many studies have examined the impact of internal corporate governance on equity costs globally and in Indonesia, the role of remuneration committees remains underexplored. Moreover, to the author's knowledge, no prior Indonesian study has utilized a composite measure of equity capital costs based on four valuation models, including the residual income valuation model (Gebhardt et al., 2001), the residual income assessment model (Claus &

Thomas, 2001), the abnormal income growth assessment model (Ohlson & Juettner-Nauroth, 2005), and the price earnings growth model (Easton, 2004). Based on several problems that have been identified in previous studies, the research questions can be formulated:

*RQ1: Does the remuneration committee meeting negatively affect equity capital cost?*

*RQ2: Is there a negative relationship between the proportion of remuneration committee members and the cost of equity capital?*

This research adopts a quantitative design with a causal (associative) approach, aiming to explore relationships between variables without manipulating existing conditions. As a form of *ex-post* facto research, it investigates whether a statistically significant association is present between the independent and dependent variables, assuming that the studied phenomena are quantifiable and measurable.

This study contributes to the existing literature by deepening the understanding of internal corporate governance mechanisms, with particular emphasis on the function of remuneration committees, which are believed to influence firm valuation, particularly in terms of capital costs. Secondly, it extends the findings of Chen et al. (2009) and Zhu (2014) by placing the implementation of the remuneration committee at the center of its investigation into governance structures.

The structure of this paper is organized as follows. Section 2 introduces the pertinent literature. Section 3 outlines the research methodology used in the empirical analysis. Section 4 presents the results, while Section 5 provides a discussion of the findings. Finally, Section 6 concludes the paper with summary remarks.

## 2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

In the realm of corporate governance, the remuneration committee is intrinsically linked to shareholder theory, which posits that a corporation's primary goal is to enhance shareholder value. The committee is instrumental in developing and evaluating compensation policies to ensure alignment between managerial incentives and shareholder interests. Its responsibilities include advising and assisting the board of directors in matters related to executive and director compensation to drive optimal performance. Additionally, the committee proposes equitable remuneration packages based on individual competence and performance, serving both as recognition and a means of retaining key executives (Harymawan et al., 2020).

Effective corporate governance can help mitigate information asymmetry — typically stemming from agency conflicts — by implementing robust monitoring mechanisms. This, in turn, lowers agency costs as well as the cost of equity capital, particularly the portion of equity costs driven by agency-related issues (Javaid et al., 2021). Zhu (2014) asserted that firms demonstrating strong corporate governance practices tend to exhibit a consistent relationship with their cost of equity capital.

The remuneration committee is part of the corporate governance management structure. Through this mechanism, it is expected that the management can perform optimally. Thereby enhancing the firm's value and strengthening investor confidence (Atty et al., 2018). Executive directors' compensation is often linked to the company's annual profit, making it largely dependent on reported earnings. As a result, managers may feel compelled to boost income figures to secure higher remuneration. To reinforce sound corporate governance related to compensation practices, the OJK promulgated Regulation No. 34/POJK.04/2014 concerning the nomination and remuneration committee for issuers or public companies, which became effective on December 8, 2014. Within the governance framework, the remuneration committee is responsible for formulating policies and procedures for compensating directors, commissioners, and key executives, ensuring a fair balance between stakeholder interests and long-term business sustainability. In relation to capital costs, the remuneration committee plays a crucial role. A well-structured committee enhances investor confidence by promoting transparency and accountability, which can positively influence investor perception and potentially improve the company's valuation.

Over time, this may positively influence the cost of capital, as a strong corporate reputation enhances investor perception, making it easier for the firm to access capital markets at lower financing costs. In contrast, a poor reputation can erode investor trust, increase perceived risk, and consequently lead to higher capital costs for the company. Governance has a negative effect on the cost of capital (Salehi et al., 2020; Zandi et al., 2022). The remuneration committee holds a vital position within corporate governance frameworks and can influence the cost of equity capital by enhancing investor perception and trust. As such, firms should carefully consider the composition and responsibilities of the committee to safeguard their integrity and credibility, while also mitigating financial risks. According to Putra and Setiawan (2024), an increased frequency of remuneration committee meetings may enhance corporate stability. This suggests that holding more frequent meetings can improve the oversight and monitoring of executive compensation practices. Sun and Cahan (2009) asserted that the effectiveness of the remuneration committee, especially the proportion of independent members, significantly affects the relationship between chief executive officer (CEO) compensation and accounting performance, underscoring the committee's vital role in monitoring managerial conduct. Al Suwaiygh and Falgi (2022) identified a positive correlation between the independence of the board chairman and the overall performance of the company. Hundal et al. (2022) stated that the size of the board is positively associated with the quality of financial reporting. Asante and Sun (2024) stated that providing appropriate compensation to directors can strengthen their monitoring function, thereby helping to curb earnings management practices. Shatila et al. (2024) showed that establishing a more independent board structure can be instrumental in overseeing top management and ensuring alignment with shareholder objectives. Gupta et al. (2023) discovered a positive association between the presence of an audit committee and firm performance. Vafeas (1999) stated that remuneration committees

consisting of more independent members tend to set CEO compensation that is more related to company performance, indicating a more effective monitoring mechanism. Drawing from the preceding discussion, the following hypotheses are formulated for this study:

*H1: Remuneration committee meetings negatively affect the cost of equity capital*

*H2: The proportion of the remuneration committee negatively affects the cost of equity capital.*

$$P_t = bv_t + \sum_{i=1}^{12} \left( \frac{E(EPS_{t+i} - r_t * bv_{t+i-1})}{(1 + r_t)^i} \right) + \frac{\lfloor E_t(EPS_{t+12} - r_t) \rfloor * bv_{t+11}}{r_t * (1 + r_t)^{12}} \quad (1)$$

where, $P_t$ = the market price of the company's shares at time $t$; $bv_t$ = book value (net equity is the difference between the company's assets and its liabilities) per share at time $t$; $EPS_{t+i}$ = future estimates of earnings per share for the period $(t + i)$; $bv_{t+i} = bv_{t+i-1} + EPS_{t+i} - DIV_{t+1}$; $r_t$ = cost of equity capital; $DIV_{t+1}$ = estimated dividend per share is calculated as $EPS_{t+i} * DPOUT$, where $DPOUT$ is the estimated

$$P_t = bv_t + \sum_{i=1}^{5} \frac{(FEPS_{t+1} - r_{CT} * bv_{t+i-1})}{(1 + r_{CT})_i} + \frac{(FEPS_{t+5} - (r_{CT} * bv_{t+4} * (1 + glt)))}{(r_{CT} - glt)(1 + r_{CT})_5} \quad (2)$$

This model estimates the anticipated future residual income by utilizing the current book value of earnings per share alongside projected earnings per share over a five-year horizon. After the fifth year, nominal residual income is assumed to grow at a "*glt*" rate equal to the country's inflation rate used as a proxy for the long-term earnings growth rate.

The price-to-earnings growth (PEG) ratio is based on the model (Easton, 2003) and presented below.

$$rPEG = \sqrt{\frac{EPS_{t+2} - EPS_{t+1}}{P_t}} \quad (3)$$

where,

- $rPEG$ = price to earnings growth (cost of capital);
- $P_t$ = stock market price in period $i$;
- $EPS_{t+1}$ = earnings per share in the next 1-year period;
- $EPS_{t+2}$ = earnings per share in the next 2 years;
- $i$ = indicates the sample company in year;
- $t$ = year of observation.

$EPS_{t+1}$ is the realized earnings per share at $t + 1$. $EPS_{t+2}$ is the realized earnings per share at $t + 2$. $P_0$ is the price per share at $t = 0$. Theoretically, the *PEG* formula uses the estimates of $EPS_{t+1}$ and $EPS_{t+2}$. However, this study uses the realization of $EPS_{t+1}$ and $EPS_{t+2}$ following Chen et al. (2011) for the study in China, considering that data for earnings forecasts are not fully available in Indonesia; that is, $EPS_{t+2}$ is greater than $EPS_{t+1}$ ($EPS_{t+2} > EPS_{t+1}$), and both $EPS > 0$.

# 3. RESEARCH METHODOLOGY

## 3.1. Operational definition of variables

### 3.1.1. Dependent variable

The cost of equity capital is calculated as the mean value derived from four different estimation models:

The residual income valuation model (Gebhardt et al., 2001) is presented below.

dividend payout ratio; $i$ = shows sample companies in year $t$; $t$ = observation year.

Estimated earnings data is not publicly available in Indonesia, so this study uses reported earnings per share (EPS), then estimates EPS for subsequent years, using the linear trend method. The estimation procedure is consistent with Chen et al. (2011).

The residual income valuation model (Claus & Thomas, 2001) is presented further.

The abnormal profit growth (Ohlson & Juettner-Nauroth, 2005) is described below.

$$Re = A + \sqrt{A^2 + \frac{EPS_1}{P_0} * \left( \frac{EPS_2 - EPS_1}{EPS_1} - (y - 1) \right)} \quad (4)$$

$$A = \frac{1}{2} \left[ (y - 1) + \frac{DPS_1}{P_0} \right] \quad (5)$$

where,
- $Re$ = cost of equity capital;
- $DPS_1$ = dividend per share next year;
- $P_0$ = closing stock price;
- $EPS_1$ = earnings per share in the next 1-year period;
- $EPS_2$ = earnings per share in the next 2 years;
- $y - 1$ = long-term earnings per share growth rate length, or overall rate of economic growth.

### 3.1.2. Independent variables

Remuneration committee meeting (*RCM*). In this context, the remuneration committee is represented by the total number of meetings held during each year of observation, reported in absolute terms.

Proportion of the remuneration committee to the board of commissioners (*PRC*). Here, the remuneration committee is quantified as the ratio between the number of remuneration committee members and the total number of board of commissioners, as represented by the following equation.

$$Remuneration\ committee = \frac{Number\ of\ remuneration\ committee}{Number\ of\ board\ of\ commissioners} \quad (6)$$

### 3.1.3. Control variables

Company size (*CS*) is assessed using the natural logarithm of total assets. Sales growth (*SG*) serves as an indicator of the effectiveness of previous investment decisions. Leverage is measured through the debt-to-equity ratio (*Debt*), calculated by dividing total liabilities by total shareholders' equity. Earnings quality

(*EQ*) is evaluated by the ratio of cash flows from operating activities to net income.

### 3.2. Data analysis techniques

To examine and analyze the variables in this study, panel data multiple linear regression is employed using EViews version 13 software. The regression model is formulated as follows:

$$CEC_{it} = \alpha + \beta_1 RCM_{it} + \beta_2 PRC_{it} + \beta_3 CS_{it} + \beta_4 SG_{it} + \beta_5 Debt_{it} + \beta_6 EQ_{it} + \varepsilon \tag{7}$$

where,
- *CEC* = cost of equity capital;
- *RCM* = remuneration committee meeting;
- *PRC* = proportion of remuneration committee;
- *CS* = company size;
- *SG* = sales growth;
- *Debt* = debt;
- *EQ* = earnings quality;
- *i* = sample company in year *t*;
- *t* = year of observation;
- $\alpha$ = constant;
- $\beta_1$–$\beta_6$ = regression coefficients.

## 4. RESULTS

### 4.1. Correlation of research variables

Correlation is a statistical measure that shows the degree of relationship or association between two variables. Correlation is used to understand the extent to which changes in one variable are related to changes in another variable. However, correlation does not indicate a cause-and-effect relationship, only a relationship or association between variables. The results of the correlation test are presented in the following table.

**Table 1.** Correlation matrix of sample 2

| | Variable | RCM | PRC | CS | SG | Debt | EQ | CEC |
|---|---|---|---|---|---|---|---|---|
| RCM | Pearson correlation | 1 | | | | | | |
| | Sig. (2-tailed) | | | | | | | |
| PRC | Pearson correlation | -0.088 | 1 | | | | | |
| | Sig. (2-tailed) | 0.295 | | | | | | |
| CS | Pearson correlation | 0.084 | 0.013 | 1 | | | | |
| | Sig. (2-tailed) | 0.315 | 0.874 | | | | | |
| SG | Pearson correlation | -0.209* | -0.019 | -0.073 | 1 | | | |
| | Sig. (2-tailed) | 0.012 | 0.818 | 0.382 | | | | |
| Debt | Pearson correlation | ,054 | -0.043 | 0.221** | 0.067 | 1 | | |
| | Sig. (2-tailed) | 0.519 | 0.608 | 0.008 | 0.428 | | | |
| EQ | Pearson correlation | 0.031 | -0.021 | 0.108 | -0.201* | -0.244** | 1 | |
| | Sig. (2-tailed) | 0.716 | 0.800 | 0.197 | 0.016 | 0.003 | | |
| CEC | Pearson correlation | -0.049 | -0.212* | -0.188* | -0.047 | -0.089 | -0.118 | 1 |
| | Sig. (2-tailed) | 0.563 | 0.011 | 0.024 | 0.578 | 0.288 | 0.160 | |

*Note: N = 144. ** — significant at 1% level, *— significant at 5% level.*
*Source: Authors' elaboration.*

The correlation analysis between the cost of equity capital and the remuneration committee — measured by the number of committee meetings — indicates no significant relationship between the two. However, when measured by the proportion of remuneration committee members, the analysis reveals a weak negative correlation with the cost of equity capital. In addition, company size is negatively associated with the cost of equity capital, suggesting that larger firms tend to face slightly lower equity costs. Meanwhile, sales growth, leverage, and earnings quality show no meaningful correlation with the cost of equity capital.

### 4.2. Model selection panel data regression estimation

Selection of panel data regression estimation models. The three-panel data regression estimation models will be selected, and the chosen model is most appropriate or in accordance with the research objectives. Alamsyah et al. (2022) stated that there are three tests that can be used as tools in selecting panel data regression models, namely common effect, fixed effect, and random effect, by conducting tests, namely the Chow test and the Hausman test, and the Lagrange multiplier test. The following are the results of the panel data regression:

**Table 2.** Summary of panel data regression (N = 144)

| Information | Prediction | Common effect model | | Fixed effect model | | Random effect model | |
|---|---|---|---|---|---|---|---|
| | | Coefficient | Prob. | Coefficient | Prob. | Coefficient | Prob. |
| Constant | | 0.4414 | 0.0005 | 0.9302 | 0.0729 | 0.4611 | 0.0069 |
| RCM | Negative | -0.0038 | 0.4216 | 0.0012 | 0.7918 | -0.0015 | 0.7340 |
| PRC | Negative | -0.1218 | 0.0064* | -0.0369 | 0.4318 | -0.0783 | 0.0747*** |
| CS | Negative | -0.0071 | 0.0766*** | -0.0266 | 0.1214 | -0.0093 | 0.0956*** |
| SG | Negative | -0.0371 | 0.2401 | -0.0222 | 0.4493 | -0.0297 | 0.3060 |
| Debt | Positive | -0.0082 | 0.2928 | 0.0003 | 0.9772 | -0.0056 | 0.5377 |
| EQ | Negative | -0.0114 | 0.0901*** | -0.0010 | 0.8972 | -0.0064 | 0.3660 |
| R-squared | | 0.1090 | | 0.3622 | | 0.0567 | |
| Adjusted R-squared | | 0.0700 | | 0.2336 | | 0.0153 | |
| F-statistic | | 2.7958 | | 2.8169 | | 2.3727 | |
| Prob (F-statistic) | | 0.0134 | | 0.0001 | | 0.0298 | |

*Note: *, **, *** show successively significant at the 1%, 5%, and 10% levels.*
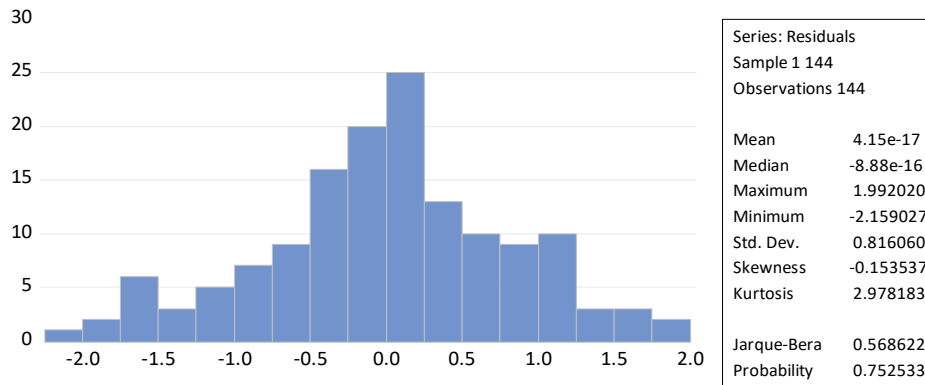*Source: Authors' elaboration.*

After conducting panel data regression using the common effect model, fixed effect model, and random effect model, the next step is to select the appropriate model, using the Chow test, Hausman test, and Lagrange multiplier test. Test results found that the random effects model is more appropriate to use.

## 4.3. Classical assumption test

### 4.3.1. Normality test

The following shows the results of the second sample regression residual normality test, which can be seen in Figure 1 below.

**Figure 1.** Normality test results



*Source: Authors' elaboration.*

The Jarque-Bera value in the regression residual normality test is 0.568. The probability value of 0.752 is higher than 0.05. This means that the regression residual is normally distributed.

### 4.3.2. Multicollinearity test

The results of the multicollinearity test can be seen in Table 3.

**Table 3.** Multicollinearity test results

| Variables | Coefficient Variance | Uncentered VIF | Centered VIF |
|---|---|---|---|
| Constant | 0.0204 | 410.619 | NA |
| RCM | 3.05E-05 | 8.622 | 1.032 |
| PRC | 0,002 | 27.392 | 1.015 |
| CS | 2.11E-05 | 389.857 | 1.066 |
| SG | 4.24E-05 | 1.044 | 1.019 |
| Debt | 7.46E-05 | 2.696 | 1.082 |
| EQ | 4.29E-05 | 2.137 | 1.031 |

*Note: VIF — variance inflation factor.*
*Source: Authors' elaboration.*

Based on the results of Table 3, all centered VIF values for independent variables are below 10. This indicates that no variables have a high correlation with each other. Thus, this regression model does not experience multicollinearity problems.

### 4.3.3. Heteroskedasticity test

The results of the heteroskedasticity test can be seen in Table 4.

By using the white test, the Obs * R-squared value is 36.766. The probability value of 0.341 is greater than 0.05. This means that the data has passed the heteroscedasticity test.

**Table 4.** Heteroscedasticity test results

| Factor | Value | Factor | Value |
|---|---|---|---|
| F-statistic | 1.099 | Prob, F (34.109) | 0.348 |
| Obs * R-squared | 36.766 | Prob, Chi-square (34) | 0.341 |
| Scaled explained SS | 43.003 | Prob, Chi-square (34) | 0.138 |

*Note: SS — scaled score.*
*Source: Authors' elaboration.*

## 4.4. Hypothesis testing

Based on the model selection process, the random effects model was identified as the most appropriate for this analysis. When measured by the number of committee meetings, the remuneration committee variable showed no significant impact on the cost of equity capital. As a result, the hypothesis *H1* under this measurement is rejected. Conversely, when the remuneration committee is assessed using the proportion of its members, the variable demonstrates a significant effect on the cost of equity capital. Therefore, the hypothesis *H2* is not rejected and is thus supported. Among the control variables, firm size exhibits a negative relationship with the cost of equity capital, whereas sales growth, leverage, and earnings quality show no significant effect.

## 4.5. Robustness test

This research uses a robustness test by dividing the company into two groups, namely large companies and small companies. Determination of large companies if the log total assets are above the median value, and small companies if the log total assets are below the median. In the first sample of large companies, as many as 18 companies and 10 companies that form a remuneration committee with a total of 179 observations, small companies have as many

as 20, and nine companies that have a remuneration committee, with a total of 192 observations. In the second sample, there were 11 large companies, with 88 observations, and eight small companies with 57 observations. The results of the robustness test can be seen in Table 5.

**Table 5.** Robustness test

| Variables | Prediction | Large companies (N = 88) | | Small company (N = 57) | |
|---|---|---|---|---|---|
| | | *Coefficient* | *Prob.* | *Coefficient* | *Prob.* |
| Constant | | 0.323008 | 0.1296 | 0.541894 | 0.3461 |
| RCM | Negative | -0.001782 | 0.7936 | -0.007911 | 0.3812 |
| PRC | Negative | -0.103131 | 0.0678** | -0.336465 | 0.0008* |
| CS | Negative | -0.004958 | 0.4493 | -0.004606 | 0.8126 |
| SG | Negative | 0.018025 | 0.3938 | -0.075408 | 0.0867** |
| Debt | Positive | -0.014220 | 0.0859** | -0.033849 | 0.1303 |
| EQ | Negative | -0.004699 | 0.5926 | -0.001321 | 0.8997 |

*Note: \*, \*\*, \*\*\* show successively significant at the 1%, 5%, and 10% levels.*
*Source: Authors' elaboration.*

The results of the robustness test in large companies, the remuneration committee variable with the size of the remuneration committee meeting, has no effect on the cost of equity capital; this result is in accordance with the results of the main model test. Furthermore, the remuneration committee variable, with the size of the remuneration committee proportion, has a negative effect on the cost of equity capital; this result is in accordance with the results of the hypothesis test. Furthermore, in small companies, the remuneration committee variable, with the measurement of the remuneration committee meeting, has no effect on the cost of equity capital; this result is in accordance with the results of the main model test. The remuneration committee variable, with the size of the remuneration committee proportion, has a negative effect on the cost of equity capital, in accordance with the results of the hypothesis test.

## 4.6. Difference test of remuneration committee variables and control variables

The difference test is conducted to determine whether there is a significant difference in certain variables based on company size. The data analysis technique used is the independent sample t-test.

**Table 6.** Results of the difference test of remuneration committee variables and control variables

| Variable | | Levene's test for equality of variances | | t-test for equality of means | | |
|---|---|---|---|---|---|---|
| | | *F* | *Sig.* | *t* | *df* | *Sig. (2-tailed)* |
| RCM | Equal variances assumed | 2.693 | 0.103 | 2.272 | 143 | 0.025 |
| | Equal variances not assumed | | | 2.167 | 100.730 | 0.033 |
| PRC | Equal variances assumed | 0.187 | 0.666 | 0.069 | 143 | 0.945 |
| | Equal variances not assumed | | | 0.069 | 117.608 | 0.945 |
| CS | Equal variances assumed | 20.084 | 0.000 | 14.649 | 143 | 0.000 |
| | Equal variances not assumed | | | 16.268 | 141.883 | 0.000 |
| SG | Equal variances assumed | 0.001 | 0.970 | 0.701 | 143 | 0.485 |
| | Equal variances not assumed | | | 0.724 | 131.837 | 0.471 |
| Debt | Equal variances assumed | 13.416 | 0.000 | 1.886 | 143 | 0.061 |
| | Equal variances not assumed | | | 2.077 | 142.745 | 0.040 |
| EQ | Equal variances assumed | 4.062 | 0.046 | 1.088 | 143 | 0.279 |
| | Equal variances not assumed | | | 0.995 | 86.308 | 0.322 |

*Source: Authors' elaboration.*

There are differences in remuneration committee meetings between large and small companies, reflecting variations in their governance. Large companies tend to have more active remuneration committees to deal with management complexity, while small companies need to improve their governance mechanisms to ensure fair, accountable, and transparent remuneration policies. There is no difference in the proportion of remuneration committees between large and small companies. These results indicate that large and small companies have relatively similar proportions of remuneration committees. This may indicate that governance standards regarding the formation of remuneration committees have been fairly evenly applied across companies of various sizes. There is a significant difference in company size between large and small companies. This difference is not only seen in terms of asset value, but also reflects how corporate governance is applied in large companies compared to small companies. There is no difference in sales growth between large and small companies. This insignificant test result may indicate that the operational strategies used by large

and small companies are not substantially different in driving sales, thus requiring more attention to other factors such as product innovation, market penetration, or operational efficiency. There is a significant difference in debt levels between large and small companies. This shows that each group of companies has a different financing strategy, which can affect their financial risk. There is no difference in earnings quality between large and small companies. This shows that company size is not always a determinant of earnings quality, as long as good governance is implemented.

## 5. DISCUSSION

### 5.1. The influence of the remuneration committee on the cost of equity capital

The hypothesis testing revealed that the remuneration committee, when measured by the frequency of its meetings, has no significant effect on the cost of equity capital. This implies that changes in how often the committee convenes — whether more or less frequently — do not influence equity financing

costs. Such a result suggests that, in this context, corporate governance mechanisms do not exert a measurable impact on the cost of equity capital (Ali et al., 2019). The robustness test further confirmed that the frequency of remuneration committee meetings does not influence the cost of equity capital, regardless of whether the firm is large or small. This suggests that meeting frequency is more reflective of internal governance processes and communication efficiency, rather than being a direct determinant of the cost of equity capital, which is primarily driven by perceived risk and expected returns. Vafeas (1999) stated that board meetings are often associated with governance and management monitoring. However, the direct effect on the cost of equity capital was not found to be significant, because risk and return factors have a greater influence on the cost of equity capital.

Furthermore, the proportion of remuneration committee members relative to the board exhibits a negative association with the cost of equity capital, suggesting that greater committee representation contributes to lower equity financing costs. This relationship is consistent across firms of different sizes, indicating that a well-structured and effective remuneration committee enhances corporate governance and supports reduced equity capital costs (Klein, 2002). A larger or more proportional remuneration committee tends to promote better governance. This, in turn, may mitigate managerial risk and enhance transparency, thereby reducing investors' perceived risk and ultimately decreasing the cost of equity capital. Anderson et al. (2004) asserted that the remuneration committee influences both risk and the cost of capital. A more active and effective committee can mitigate managerial risk, thereby reducing the cost of equity capital. Gompers et al. (2007) stated that firms with stronger governance structures — particularly those with effective remuneration committees — generally experience a lower cost of equity capital, as sound governance practices help mitigate investor risk.

## 5.2. The effect of control variables on the cost of equity capital

The study's findings indicate that firm size, as a control variable, significantly negatively impacts the cost of equity capital, implying that larger firms tend to face lower equity financing costs (Embong et al., 2012; Kling et al., 2021). Phoprachak (2018) states that small, medium, and large-sized companies have an impact on the cost of capital. Shleifer and Vishny (1997) state that large company size can lead to greater governance problems or agency conflicts. If not managed well, such conditions may contribute to a rise in the cost of equity capital. Typically, larger firms are associated with lower risk premiums, which consequently lead to reduced equity capital costs. However, very rapid growth in size without good management can increase certain risks, which can result in an increase in the cost of capital (Chen et al., 2008). Firm size is associated with expected stock returns, which are inherently linked to the cost of equity capital. Generally, larger firms are perceived as more stable and less risky, resulting in a lower cost of equity capital compared to smaller firms (Fama & French, 1992). The negative relationship between firm size and the cost of equity capital suggests that as firm size increases, the level of risk perceived by investors tends to decrease. Large size is usually associated with stability, diversification, better access to capital markets, and higher operational efficiency. These factors collectively contribute to a reduction in the cost of equity capital. Investors generally perceive large firms as more stable and, therefore, are willing to accept lower expected returns, which in turn decreases the firm's cost of equity capital.

The control variable of sales growth does not exhibit a significant effect on the cost of equity capital, indicating that increases in sales growth do not influence equity financing costs. While sales growth reflects operational performance, it is not a primary determinant of investor risk perception or the required rate of return. Gompers et al. (2007) stated that corporate governance and profitability exert a more significant influence on the cost of equity capital compared to sales growth. Sales growth does not consistently affect the cost of equity capital, particularly when a company's risk remains elevated or when growth is not accompanied by enhanced profitability and stability. Sales growth is more correlated with operational efficiency, but it is not significant enough to reduce the risk of equity capital (Iskandar, 2021). Sales growth tends to reflect short- or medium-term potential, while the cost of equity capital is closely tied to investors' long-term expectations, which are heavily influenced by risk factors such as earnings volatility and the company's financial resilience (Danilov, 2024). Good governance reduces information risk and increases transparency, thereby increasing investor confidence. This contributes to lowering the cost of equity capital through lower perceived risk, something that cannot be achieved through sales growth alone (Hmaittane et al., 2022).

The debt control variable does not affect the cost of equity capital, which means that increases and decreases in debt do not impact increases and decreases in the cost of equity capital. Bui et al. (2023) found that changes in debt levels affect the overall risk profile of a firm. This could theoretically affect the cost of equity capital, since increased debt can increase a firm's financial risk. However, this effect is not always evident or significant in all situations. Firms with higher debt levels do not experience significant changes in the cost of equity capital. This is because investors may have already factored in the additional risks associated with a firm's financial strategy, such as the use of debt. Gonçalves et al. (2022) state that investors may overlook increased debt if they believe the company has good risk management or strong environmental, social, and governance performance.

Moreover, earnings quality does not significantly affect the cost of equity capital, indicating that fluctuations in earnings quality do not correspond to changes in equity financing costs. Bhattacharya et al. (2012) stated that earnings quality does not have a direct impact on the cost of equity capital because investors often already factor in the risks associated with accounting information into their valuations. For example, firms with low earnings quality may already signal risk reflected in their stock prices, so that the cost of equity is not directly affected. In addition, information asymmetry or earnings management may be mitigated by other factors, such as growth expectations, factors such as industry risk, and investor confidence in robust corporate governance may diminish the significance of earnings quality's

impact. Leuz et al. (2003) explore the relationship between earnings management, investor protection, and financial information quality across countries, indicating that in environments where supervision is weak, earnings quality is often misleading. Beneish (1999) developed a model to detect earnings manipulation and showed that high earnings reports can mask a company's fundamental risks.

## 6. CONCLUSION

The frequency of remuneration committee meetings was found to have no significant impact on the cost of equity capital, indicating that variations in meeting frequency do not affect the firm's equity financing costs. Conversely, a significant negative relationship was identified between the proportion of remuneration committee members and the cost of equity capital. This suggests that a greater representation of committee members correlates with reduced equity capital costs. In contrast, a smaller proportion may contribute to higher costs.

Among the control variables, firm size exhibited a significant negative effect on the cost of equity capital, suggesting that larger firms generally experience lower equity costs. In contrast, smaller firms tend to encounter higher financing expenses. Sales growth, leverage, and earnings quality showed no significant impact, indicating that variations in these factors do not substantially affect the firm's cost of equity capital.

This study specifically examines manufacturing firms listed on the IDX; therefore, its findings may not be generalizable to service or financial sectors, which are also subject to OJK regulations on remuneration committees. Moreover, the scope is confined to the cost of equity capital, excluding debt components within the capital structure. Future research should expand on these limitations by including diverse sectors and considering the full spectrum of capital costs to offer a more comprehensive insight into the influence of corporate governance, particularly remuneration committees, on capital costs.

## REFERENCES

Agyemang-Mintah, P. (2015). The nomination committee and firm performance: An empirical investigation of UK financial institutions during the pre/post financial crisis. *Corporate Board: Role, Duties and Composition, 11*(3), 176–190. https://doi.org/10.22495/cbv11i3art14

Al Suwaiygh, S. A., & Falgi, K. I. (2022). Does board composition matter? An evidence from Saudi Arabia. *Corporate Ownership and Control, 19*(2), 60–66. https://doi.org/10.22495/cocv19i2art5

Alamsyah, I. F., Esra, R., Awalia, S., & Nohe, D. A. (2022). Analisis regresi data panel untuk mengetahui faktor yang memengaruhi jumlah penduduk miskin di Kalimantan Timur [Panel data regression analysis to determine the factors that influence the number of poor people in East Kalimantan]. *Prosiding Seminar Nasional Matematika, Statistika, dan Aplikasinya, 2*, 254–266. https://jurnal.fmipa.unmul.ac.id/index.php/SNMSA/article/view/861

Ali Ahmed, H. J. (2010). Impact of independent directors and remuneration committee on firm performance? Evidence from Malaysian capital market. *Corporate Ownership and Control, 8*(1–1), 222–225. https://doi.org/10.22495/cocv8i1c1p6

Ali, S. T., Yang, Z., Sarwar, Z., & Ali, F. (2019). The impact of corporate governance on the cost of equity: Evidence from cement sector of Pakistan. *Asian Journal of Accounting Research, 4*(2), 293–314. https://doi.org/10.1108/AJAR-08-2019-0062

Anderson, R. C., Mansi, S. A., & Reeb, D. M. (2004). Board characteristics, accounting report integrity, and the cost of debt. *Journal of Accounting and Economics, 37*(3), 315–342. https://doi.org/10.1016/j.jacceco.2004.01.004

Appiah, K. O., & Chizema, A. (2015). Remuneration committee and corporate failure. *Corporate Governance, 15*(5), 623–640. https://doi.org/10.1108/CG-11-2014-0129

Asante, A., & Sun, H.-L. (2024). Audit committee compensation and earnings management around M&A. *Corporate Ownership and Control, 21*(2), 151–164. https://doi.org/10.22495/cocv21i2art12

Atty, A. M. A., Moustafasoliman, M., & Youssef, A. E. (2018). The effect of board of directors characteristics on firm's financial performance: An empirical study on the most active firms in the Egyptian Stock Exchange. *Open Access Library Journal, 5*(11), Article 4993. https://doi.org/10.4236/oalib.1104993

Barron, J. M., & Waddell, G. R. (2008). Work hard, not smart: Stock options in executive compensation. *Journal of Economic Behavior and Organization, 66*(3–4), 767–790. https://doi.org/10.1016/j.jebo.2006.07.002

Beneish, M. D. (1999). The detection of earnings manipulation. *Financial Analysts Journal, 55*(5), 24–36. https://doi.org/10.2469/faj.v55.n5.2296

Bhattacharya, N., Ecker, F., Olsson, P. M., & Schipper, K. (2012). Direct and mediated associations among earnings quality, information asymmetry, and the cost of equity. *The Accounting Review, 87*(2), 449–482. https://doi.org/10.2308/accr-10200

Bui, T. N., Nguyen, X. H., & Pham, K. T. (2023). The effect of capital structure on firm value: A study of companies listed on the Vietnamese Stock Market. *International Journal of Financial Studies, 11*(3), Article 100. https://doi.org/10.3390/ijfs11030100

Chen, H., Chen, J. Z., Lobo, G. J., & Wang, Y. (2011). Effects of audit quality on earnings management and cost of equity capital: Evidence from China. *Contemporary Accounting Research, 28*(3), 892–925. https://doi.org/10.1111/j.1911-3846.2011.01088.x

Chen, K. C. W., Chen, Z., & Wei, K. C. J. (2009). Agency costs of free cash flow and the effect of shareholder rights on the implied cost of equity capital. *Journal of Financial and Quantitative Analysis, 46*(1), 171–207. https://doi.org/10.1017/S0022109010000591

Chen, L., Petkova, R., & Zhang, L. (2008). The expected value premium. *Journal of Financial Economics, 87*(2), 269–280. https://doi.org/10.1016/j.jfineco.2007.04.001

Claus, J., & Thomas, J. (2001). Equity premia as low as three percent? Evidence from analysts' earnings forecasts for domestic and international stock markets. *Journal of Finance, 56*(5), 1629–1666. https://doi.org/10.1111/0022-1082.00384

Danilov, G. (2024). The impact of corporate governance on firm performance: Panel data evidence from S&P 500 information technology. *Future Business Journal, 10*(1), Article 86. https://doi.org/10.1186/s43093-024-00376-8

Dianova, A., & Nahumury, J. (2019). Investigating the effect of liquidity, leverage, sales growth and good corporate governance on financial distress. *Journal of Accounting and Strategic Finance, 2*(2), 143–156. https://doi.org/10.33005/jasf.v2i2.49

Easton, P. D. (2003). *PE ratios, PEG ratios, and estimating the implied expected rate of return on equity capital.* https://doi.org/10.2139/ssrn.423601

Easton, P. D. (2004). PE ratios, PEG ratios, and estimating the implied expected rate of return on equity capital. *The Accounting Review, 79*(1), 73–95. https://doi.org/10.2308/accr.2004.79.1.73

Embong, Z., Mohd-Saleh, N., & Hassan, M. S. (2012). Firm size, disclosure and cost of equity capital. *Asian Review of Accounting, 20*(2), 119–139. https://doi.org/10.1108/13217341211242178

Fahlevie, R. A., Oktasari, E., Nurmawati, B., Setiawan, P. A. H., & Dimalouw, J. A. (2022). Pump and dump criminal overview according to capital market Law No. 8 Year 1995. *Awang Long Law Review, 5*(1), 167–179. https://doi.org/10.56301/awl.v5i1.547

Fama, E. F., & French, K. R. (1992). The cross-section of expected stock returns. *The Journal of Finance, 47*(2), 427–465. https://doi.org/10.2307/2329112

Financial Services Authority (OJK). (2014). *Peraturan Otoritas Jasa Keuangan Nomor 34/POJK.04/2014 Tahun 2014 tentang Komite Nominasi dan Remunerasi Emiten atau Perusahaan Publik* [Financial Services Authority Regulation No. 34/POJK.04/2014 of 2014 concerning the Nomination and Remuneration Committee of Issuers or Public Companies]. https://peraturan.bpk.go.id/Details/129841/peraturan-ojk-no-34pojk042014-tahun-2014

Gebhardt, W. R., Lee, C. M. C., & Swaminathan, B. (2001). Toward an implied cost of capital. *Journal of Accounting Research, 39*(1), 135–176. https://doi.org/10.1111/1475-679X.00007

Gompers, P., Ishii, J., & Metrick, A. (2007). *Corporate governance and equity prices* (NBER Working Paper No. 8449). National Bureau of Economic Research (NBER). https://www.nber.org/system/files/working_papers/w8449/w8449.pdf

Gonçalves, T. C., Dias, J., & Barros, V. (2022). Sustainability performance and the cost of capital. *International Journal of Financial Studies, 10*(3), Article 63. https://doi.org/10.3390/ijfs10030063

Guindy, M. A. (2021). Corporate Twitter use and cost of equity capital. *Journal of Corporate Finance, 68*(3), Article 101926. https://doi.org/10.1016/j.jcorpfin.2021.101926

Gupta, N., Ansari, N., Dammalapati, R., Kotecha, J., Jagwani, B., & Bakhshi, P. (2023). Audit committee nominee directors and bank performance: Evidence from Indian banks. *Corporate Ownership and Control, 20*(4), 8–31. https://doi.org/10.22495/cocv20i4art1

Harymawan, I., Agustia, D., Nasih, M., Inayati, A., & Nowland, J. (2020). Remuneration committees, executive remuneration, and firm performance in Indonesia. *Heliyon, 6*(2), Article 03452. https://doi.org/10.1016/j.heliyon.2020.e03452

Hmaittane, A., Bouslah, K., M'Zali, B., & Ibariouen, I. (2022). Corporate sustainability and cost of equity capital: Do managerial abilities matter? *Sustainability, 14*(18), Article 11363. https://doi.org/10.3390/su141811363

Huang, Y., & Yan, C. (2020). Global accounting standards, financial statement comparability, and the cost of capital. *International Review of Economics and Finance, 69*, 301–318. https://doi.org/10.1016/j.iref.2020.05.019

Hundal, S., Eskola, A., & Troudi, M. (2022). Do board of directors' characteristics and executive remuneration impact financial reporting quality? A quantitative analysis of the Nordic manufacturing sector. *Corporate Ownership and Control, 20*(1), 59–67. https://doi.org/10.22495/cocv20i1art5

Iskandar, D. (2021). The effect of profitability and sales growth on company value. *International Journal of Management Studies and Social Science Research, 3*(5), 32–41. https://ijmsssr.org/paper/IJMSSSR00466.pdf

Ismail, A. M., Ismail, C. R., Sulaiman, S., & Daud, D. (2020). Corporate governance and firm risk: Evidence from Malaysian Shariah compliance companies. *Humanities and Social Sciences Letters, 8*(2), 169–193. https://doi.org/10.18488/journal.73.2020.82.169.193

Jaafar, S. B., Rahmat, M. M., & James, K. (2015). An empirical examination of the role of the remuneration committee in the relationship between board of directors and remuneration. *International Journal of Monetary Economics and Finance, 8*(2), 126–142. https://doi.org/10.1504/Ijmef.2015.070778

Javaid, A., Nazir, M. S., & Fatima, K. (2021). Impact of corporate governance on capital structure: Mediating role of cost of capital. *Journal of Economic and Administrative Sciences, 39*(4), 760–780. https://doi.org/10.1108/JEAS-09-2020-0157

Klein, A. (2002). Audit committee, board of director characteristics, and earnings management. *Journal of Accounting and Economics, 33*(3), 375–400. https://doi.org/10.1016/S0165-4101(02)00059-9

Kling, G., Volz, U., Murinde, V., & Ayas, S. (2021). The impact of climate vulnerability on firms' cost of capital and access to finance. *World Development, 137*, Article 105131. https://doi.org/10.1016/j.worlddev.2020.105131

Leuz, C., Nanda, D., & Wysocki, P. D. (2003). Earnings management and investor protection: An international comparison. *Journal of Financial Economics, 69*(3), 505–527. https://doi.org/10.1016/S0304-405X(03)00121-1

Ohlson, J. A., & Juettner-Nauroth, B. E. (2005). Expected EPS and EPS growth as determinants of value. *Review of Accounting Studies, 10*(2–3), 349–365. https://doi.org/10.1007/s11142-005-1535-3

Phoprachak, D. (2018). Influence of firm size on cost of capital through corporate social responsibility disclosure of the listed companies in the Stock Exchange of Thailand. *PSAKU International Journal of Interdisciplinary, 7*(1), 171–181. https://so05.tci-thaijo.org/index.php/psakuijir/article/view/218133

Puni, A. (2015). Do board committees affect corporate financial performance: Evidence from listed companies in Ghana. *International Journal of Business and Management Review, 3*(5), 14–25. https://www.researchgate.net/publication/280599693

Putra, F., & Setiawan, D. (2024). Nomination and remuneration committee: A review of literature. *Journal of Capital Markets Studies, 8*(1), 126–168. https://doi.org/10.1108/jcms-12-2023-0045

Salehi, M., Arianpoor, A., & Dalwai, T. (2020). Corporate governance and cost of equity: Evidence from Tehran stock exchange. *Journal of Asian Finance, Economics and Business, 7*(7), 149–158. https://doi.org/10.13106/jafeb.2020.vol7.no7.149

Shatila, K., Nigam, N., & Benetti, C. (2024). Corporate governance and board conflict solution: The case of Lebanese family healthcare businesses. *Corporate Ownership and Control, 21*(2), 198–208. https://doi.org/10.22495/cocv21i2art16

Shleifer, A., & Vishny, R. W. (1997). A survey of corporate governance. *The Journal of Finance, 52*(2), 737–783. https://doi.org/10.1111/j.1540-6261.1997.tb04820.x

Sun, J., & Cahan, S. (2009). The effect of compensation committee quality on the association between CEO cash compensation and accounting performance. *Corporate Governance: An International Review, 17*(2), 193–207. https://doi.org/10.1111/j.1467-8683.2008.00726.x

Tao, N. B., & Hutchinson, M. (2013). Corporate governance and risk management: The role of risk management and compensation committees. *Journal of Contemporary Accounting and Economics, 9*(1), 83–99. https://doi.org/10.1016/j.jcae.2013.03.003

Vafeas, N. (1999). Board meeting frequency and firm performance. *Journal of Financial Economics, 53*(1), 113–142. https://doi.org/10.1016/S0304-405X(99)00018-5

Zandi, G. R., Shahzad, I. A., Bajaber, N., Nowodziński, P., & Shahid, M. S. (2022). Relationship between corporate governance and cost of equity capital. *Polish Journal of Management Studies, 26*(1), 386–406. https://doi.org/10.17512/pjms.2022.26.1.24

Zhu, F. (2014). Corporate governance and the cost of capital: An international study. *International Review of Finance, 14*(3), 393–429. https://doi.org/10.1111/irfi.12034