International Journal of Management and Administrative Sciences (IJMAS)
(ISSN: 2225-7225)
Vol. 3, No. 10, (83-97)
www.ijmas.org

Influence of Corporate Governance and Ownership Structure towards Capital Structure, Intellectual Capital Disclosure, Cost of Capital and Corporate Performance: A Study in Fortune Indonesia Magazine Top 100 Companies listed in Indonesian Stock Exchange

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ABSTRACT:
The background of the study is achievement of Fortune Indonesia Magazine Top 100 Companies; the researchers are interested in analyzing some variables affecting the companies' achievement namely Corporate Governance, Ownership Structure, Capital Structure, Intellectual Capital Disclosure, and Cost of Capital. The population is company listed as Fortune Indonesia Magazine Top 100 Companies between 2010 and 2012. The sampling technique is purposive sampling technique while the data analysis technique is Generalized Structured Component Analysis (GSCA). The findings described 11 hypotheses that have significant influence namely Corporate Governance towards Capital Structure (H_1), Intellectual Capital Disclosure (H_3), Cost of Capital (H_5), and towards Corporate Performance (H_7), Ownership Structure has influence towards Capital Structure (H_2), Intellectual Capital Disclosure (H_4 and towards Corporate Performance (H_8), Capital Structure has influence towards Intellectual Capital Disclosure and Corporate Performance (H_{11}), Intellectual Capital Disclosure has influence towards Cost of Capital and Corporate Performance (H_{13}). The findings also reveal 3 hypotheses that do not have significant influence namely Ownership Structure towards Cost of Capital (H_6), Capital Structure towards Cost of Capital (H_{10}) Cost of Capital towards Corporate Performance (H_{14}). Management of a company should increase Intellectual Capital that functions as company's value driver as well as low budget funding. The government should supervise implementation of Corporate Governance in Indonesia. Suggestion for further studies is to take Intellectual Capital Disclosure of company into account.

Keywords: *Corporate Governance, Ownership Structure, Capital Structure Intellectual Capital Disclosure Cost of Capital, Corporate Performance*

1. INTRODUCTION

Background of the Study

Gap of information between owner of a company and agency as the one running the company results in agency problem (Jensen and Meckling, 1976). Agency problem may increase operating cost, supervision cost and control of agency's behavior, and some loss that occurs due to optimum decision-making process by the agency (Fama and Jensen, 1983). It is possible that manager takes an action based on his or her own personal interest without taking shareholder's interest into account (Najjar, 2010). Conflict of interest and opportunistic behavior risk can increase cost of capital (La Rocca, 2007). Such condition should be prevented using the mechanism that synchronizes various interests of company's stakeholder. Efforts should be made to minimize Agency Problem as well as increase investor's trust. Corporate Governance, Ownership Structure, Capital Structure, and Intellectual Capital Disclosure mechanisms are important elements to minimize Cost of Capital and improve Corporate Performance.

Corporate Governance is a mechanism of which function is to make sure that any actions manager and employees take are in line with purpose of the company and protect stakeholder's interest in order to increase investor's trust. Ownership Structure can be used as a tool to keep the balance of various interests within company as well as control for management of the company. Capital Structure policy can prevent opportunistic behavior of the agency. Debt results in manager's commitment to pay future cash flow (Jensen, 1986). Debt plays an important role in Corporate Governance mechanism (Florackis, 2012). Companies with poor Corporate Governance have higher leverage and level of leverage as substitute for Corporate Governance in minimizing conflict of agency (Jiraporn et al., 2012). Debt can also increase company value (Modigliani Miller, 1963). Not only does debt minimize agency problem, but it also encourages company to be more transparent. Company management makes an effort to cut down fee and asimetrical information by revealing more information to meet creditor's need (Prencipe, 2004). Disclosure will eliminate uncertainty, reduce estimated risks and lower cost of equity. Besides minimizing uncertainty, investor will be willing to accept lower dividend that means lower fee once compared to company's equity (Whiting et al., 2011). One type of information to be revealed is Intellectual Capital (IC) since IC has vital role in improving higher business performance. In addition, Intellectual Capital will also encourage or promote value driver of a company (Kamukama et al., 2011). Higher disclosure of IC may affect asimetrical information, lower cost of equity capital and lower interest rate (Orens, 2009). Asimetrical information has positive influence towards cost of capital (Amstrong et al., 2011). Therefore, shareholders (or investors) demand information related to IC for decision-making process (Yi et al., 2010).

Generally speaking, studies about Corporate Governance in Indonesia show poor practice of Corporate Governance in the country (Stern Stewart & Company). The current implementation of Corporate Governance by Indonesian companies, more particularly those listed in the Indonesian Stock Exchange, is in the form of format or symbolism only as well as preliminary direction to discourse level of company compliance (Sembel, 2013). Despite of poor implementation of Corporate Governance, some companies listed in Indonesian Stock Exchange are awarded as Fortune Indonesiua Magazine top 100 companies because they are able to generate good amount of income.

Findings of empirical studies also show various types of information. Jiraporn et al., (2012) who conduct a study about the influence of Corporate Governance towards Capital Structure state reversed correlation between Leverage and Corporate Governance quality. The companies with poor Corporate Governance have high Leverage. At the opposite, the findings of studies conducted by Sheikh et al., (2012), Bokpin et al., (2009) mention positive correlation between Corporate Governance and Capital Structure. Ownership Structure has negative influence towards Capital Structure (Sheik et al., 2012) while Bokpin et al., (2009) show that managerial ownership has positive, significant influence towards long-term debt or equity.

The influence of Ownership Structure towards Intellectual Capital Disclosure shows and strengthens paradigm that institutional shareholder/ investor has negative effect in voluntary disclosure while excessive ownership by institutional investor may have negative impacts for strategic disclosure/ decision-making (Hidalgo et al., (2011).

Findings of empirical studies about the influence of Corporate Governance towards company value also show various different results. Studies by Yermack (1996), Bonn et al, (2004), Yammeesri and Herath, (2010) and Ujunwa (2012) show negative influence of corporate governance towards company value. It is different from studies conducted by Tamimi (2012) and Ammanna et al., (2011), whereas a study conducted by Pham et al*.,* (2011) could not describe significant influence between one of the indicators of performance (using Economic Value Added as the proxy) and Corporate Governance*.* Empirical studies about the influence of Capital Structure towards Capital Performance also result in various different findings. Bhayani (2012) describe financial leverage does not have any influence towards company value whereas a study conducted by Nawaz et al*.,* (2011) reveal there is a correlation between capital structure and performance of a company.

The current study is a more integrated and comprehensive study that analyzes the effect of Corporate Governance and Ownership Structure towards Capital Structure, Intellectual Capital Disclosure, Cost of Capital and Corporate Performance. The study attests the theory of OECD (2004) that Corporate Governance will reduce Cost of Capital and its effect towards company growth. As an addition, based on the researchers' knowledge, influence between the variables more particularly the influence of Capital Structure towards Intellectual Capital Disclosure or Capital Structure and Intellectual Capital Disclosure towards Cost of Capital has yet been analyzed extensively within the context of companies in Indonesia so there is a need to conduct a study about the influence between the variables.

The findings of previous studies focusing on influence between the variables in the study, the bases for the current study, show different results and there are some studies of which findings are different from the existing theories, for example Bhayani (2011)'s study that described the influence Capital Structure towards Corporate Performance. It showed that Capital Structure did not have any influence towards Corporate Performance; it is different from the MM theory about capital structure and thus, there is a need to conduct further studies to attest the empirical finding or the existing theories. Recommendation from the previous studies such as one by Lee et al. (2011) that elaborated the influence of Intellectual Capital Disclosure towards Cost of Capital also becomes reference for the study.

Hypothesis

Based on the theories and previous elaboration previous, there are 14 hypotheses in the study namely:

Influence of Corporate Governance, Ownership Structure towards Capital Structure. The basis of the influence of Corporate Governance, Ownership Structure towards Capital Structure is agency theory (Jensen and Meckling, 1976) that there are agency conflicts between owner of company and agency. Corporate Governance is designed to minimize agency conflicts*.* Debt is expected to make agency more careful towards company's assets and control agency's behavior and prevent the agency to focus on his or her own personal interest. To what extent a manager can deviate from optimum leverage depends heavily upon strength of Corporate Governance in a company (Jiraporn et al*.,* 2012). Debt is company's commitment that it should pay the debt as well as the interest. As the effect, there is limited amount of free cash flow for manager to use for unnecessary expenses (Jensen, 1986). There is a strong reversed correlation between Leverage and quality of management (Jiraporn et al*.,* 2012). Managerial shareholders have positive significant influence towards long-term debt or equity (Bokpin et al*.,* 2009). Based on the elaboration, the first and second hypotheses are formulated as follow:

H1: Corporate Governance has significant influence towards Capital Structure.
H2: Ownership Structure has significant influence towards Capital Structure*.*

Influence of Corporate Governance, Ownership Structure towards Intellectual Capital Disclosure. Agency theory shows that agency has more information about company and more network than other stakeholders; these allow the agency to take advantage of the company for his or her personal interest. Corporate Governance is designed to improve company transparency for stakeholder in order to eliminate asimetrical information. Disclosure is a method to enhance company's transparency so that the implementation of Corporate Governance will cause more Disclosure by company*.*

A study conducted by Hidalgo et al*.* (2011) shows and supports the paradigm that increase in institutional shareholder or investor has negative effect towards voluntary disclosure, and supports entrenchment hypothesis while excessive ownership by institutional investor may have negative influence for strategic disclosure or decision-making. Abeysekera (2010)'s study that analyzed the Board Size in Intellectual Capital Disclosure of Company showed the company with large members of Board of Direction has more Internal Capital and Human Capital Disclosure. Based on the findings, the third hypothesis is formulated as follow:

H3: Corporate Governance has significant influence towards Intellectual Capital Disclosure

Hidalgo et al*.,* (2011)'s study shows and strengthens a paradigm stating that an increase in institutional investor or shareholder has negative effect towards voluntary disclosure, and supports entrenchment hypothesis while excessive ownership by institutional investor may have negative influence for strategic disclosure or decision-making. It also shows that increasing the commission board members to 15 people has beneficial effect for intangibles disclosure*.* However, more people as the commission board member may also cause downfall for supervision and control capacity in decision-making process about intangible asset voluntarily.

H4: Ownership Structure has significant influence towards Capital Disclosure.

Influence of Corporate Governance, Ownership Structure towards Cost of Capital. Jensen and Meckling (1976)'s agency theory shows conflict of interest between manager and shareholders. Important function of Corporate Governance is to protect shareholders in case there is take-over by the manager or dominant shareholders. It means Corporate Governance refers to a mechanism used to reduce cost of agency; companies with good Corporate Governance should have higher judgment. The empirical evidence seems to support the theory in terms of company judgement (Chen et al*.,* 2009). Corporate Governance mechanism is designed to make sure that the company runs smoothly and harmoniously to reduce both creditor's and shareholder's risk which eventually leads to lower cost of capital.

Regalli et al*.,* (2012)'s study revealed that financial institution with good Corporate Governance (either internally or externally) has strong Cost of Capital. Mazzotta et al*.,* (2012) gave evidence about significant correlation between the scores of Corporate Governance and Cost of Capital. Based on the theories, the fifth hypothesis of the study is formulated as follow:

H5: Corporate Governance has significant influence towards Cost of Capital

Ownership Structure as one of the internal mechanisms functions as agency behavior monitor. Ownership Structure shows shareholder composition by particular individuals or institutions. Shareholders can be categorized int two, insider blockholder and outsider blockholder*.* Ezeoha et al., (2010) mention various types of ownership structure namely institutional ownership, managerial ownership, personal ownership, private and public ownership, family ownership and concentrated ownership as well as traditional and foreign ownership.

Public Ownership refers to a condition where stock is owned by public. Public Ownership is a means for control for a company because public ownership generates stock price in stock market. Public response towards company will result in fluctuative stock price so that company administrator should be considerate in running the company effectively and get positive response from the market. Institutional Ownership as shareholders in large amount can also become a means for control and influence company administrator to run the company as the company purpose; it will result in company efficiency. Managerial Ownership may reduce agency cost and increase company performance because there is a balance among other shareholders (Jensen and Meckling, 1976). The higher portion of stock managers have, the more responsible they are to increase company value (Mustapha et al., 2011). It is expected that increasing equity by inside blockholder increases company value as insider and blockholder interest and reduces need for audit (Jensen and Meckling, 1976). Expected positive impact is in the form of reducing fee due to reducing agency conflicts between manager and shareholders (Florackis, 2008). Findings of previous studies how that managerial ownership is closely related to agency cost (O'Sullivan, 2000) and has negative correlation with amount of monitoring fee (Mustapha, 2011), as well as low cost of capital (Huang et al., 2009). Based on the elaboration, the sixth hypothesis is formulated as follow:

H6: Ownership Structure berpengaruh signifikan towards Cost of Capital

Influence of Corporate Governance, Ownership Structure towards Corporate Performance. Jensen and Meckling (1976) defines agency relationship as a contract where one or more individuals (principals) involve another individual (agency) to perform certain activities on their behalf which involve delegation of some decision-making authorities to the agency. When maximizers utility takes place between both parties, there is a strong reason to believe that agency will work his or her best for principal interest. The condition causes deviation of purpose to ensure owner's (shareholder's) welfare. There should be a mechanism that controls relationship between the two so that none of them is at disadvantageous position and all of them get optimum result from the relationship. Implementation of Corporate Governance, is for maintaining harmonious relationship between various parties within a company.

Tamimi (2012) argues there is positive, significant correlation between Corporate Governance practices and disclosure and transparency, as well as stakeholder, shareholder and board of commission interest. The findings show there is positive, significant correlation between Corporate Governance and level of performance, and there is positive, significant correlation between financial distress and Corporate Governance practice. The finding is in line with Ammanna et al*.,* (2011)'s study that there is strong and positive correlation between Corporate Governance level and company value while it is different from the findings of a study conducted by Pham et al. (2011) that could not find significant correlation between one of the indicators of performance unit (where Economic Value Added becomes the proxy) and Corporate Governance.

Ujunwa (2012) analyzes the impact of board of commission characteristics towards financial performance of the companies in Nigeria. The board of commission characteristics refer to board size, skills, nationality, sex, ethnic group and CEO duality. It reveals that board size, CEO duality and sex have negative correlation towards performance of the companies. On the other hand, nationality, ethnic group, numbers of the board members who have PhD qualification have positive effect towards performance of the companies.

Meca (2011) evaluated the effect of various dimensions of Ownership Structure towards Tobin's Q in Spain to represent conflicting interest: Centralized, Insider and Bank Ownership. The finding showed that Ownership Structure Mechanism that affects Company Value is Ownership Concentration. It shows that positive Ownership Concentration influences Company Value but on the higher level results in disadvantage; market evalution is affected negatively by high level of dominant shareholders. Based on the elaboration, the seventh and eighth hypotheses are formulated as follow:

H7: Corporate Governance has significant influence towards Corporate Performance
H8: Ownership Structure has significant influence towards Corporate Performance

Influence of Capital Structure towards Intellectual Capital Disclosure. When a company gets notification from outside parties either principal or creditor, outside blockholder has interest to supervise how the company runs. Company with higher leverage has higher cost of monitoring. The cost is paid by the company to overcome or minimize conflict of interest between manager and creditor (Jensen and Meckling, 1976). Management should have more frequent and accurate disclosure to ensure the creditor that the company is capable for paying its debts (Fathi, 2013). Stakeholder should be able to supervise his or her company whether the company is in a stable condition and able to return all debts as required. Disclosure is an applicable method to give detail information of company for stakeholders.

Empirically, the goal of Whiting et al*.,* (2011)'s study is to analyze implementation of Intellectual Capital Disclosure (ICD and influence of company characteristics towards ICD). The finding reveals poor implementation of ICD, while ICD as external capital becomes the most frequent category for disclosure. The findings also points out that technology-based and knowledge-based industries are more intensive in IC disclosure, and companies with big four auditor show more exstensive ICD compared to other industries and ones without big four auditor. Therefore, the ninth hypothesis is formulated as follow:

H9: Capital Structure has significant influence towards Intellectual Capital Disclosure.

Influence of Capital Structure towards Cost of Capital. Based on MM'stheory (1958) with zero tax assumption, debts do not influence company value. Similar phenomenon happens for WACC level. There is a change in cost of equity since debt will increase risks so it is very logical that shareholders require higher rate of return. The second MM theory (1963) mention that use of debt will increase company value. Tax will decrease WACC menurun; bank interest will reduce tax although cost of capital will increase since shareholder risks also increasedue to the debts.

Bhayani (2012) conduct a study about empirical evidence of capital, cost of capital and market value of selected companies in Indian cement industry between 2000-01 and 2007-08. The finding shows Financial Leverage does not have any effect towards cost of capital, and there is no correlation between Financial Leverage and Company Values in Indian cement industry. It is different from the existing theories and requires further studies. Based on the previous studies, the tenth hypothesis is as follow:

H10: Capital Structure has significant influence Cost of Capital

Influence of Capital Structure towards Corporate Performance. The first Modigliani Miller theory in 1958 has strict assumptions; one of them is zero tax. The theory mentioned that structure of capital is irrelevant which means debts have no influence towards company value. In 1963, Modigliani Miller came up with new theory about structure of capital with assumption there is tax. The new theory is different from the previous theory that due to tax, company with high amount of debt will have higher company value because debt reduces tax and automatically the company and shareholders benefited from higher value of the company.

The basis for the agency theory is the idea that management and shareholders do not have exactly the same interest. Jensen and Meckling (1976) emphasize on the importance cost of agency equity that appears as the result of separated ownership and control of company where manager tends to maximize his or her own utility than company value. The conflict can happen within the situation where managers have incentive to take excessive risks as parts of risk in a shift in investation strategy. It is in line with Jensen (1986) that motivating manager to use cash rather than investation under cost of capital or spending too much cast which leads to organizational inefficiency or through some pressure to create cash flow for paying debts results in debts having positive effect towards company value.

Bhayani (2012) states that Capital Structure does not have influence towards company value in cement industry in India. It is different from the existing theories and therefore, further studies to analyze the influence of Capital Structure towards Corporate Performance are needed. Therefore, the eleventh hypothesis of the study is formulated as follow:

H11: Capital Structure has significant influence towards Corporate Performance.

Influence of Intellectual Capital Disclosure towards Cost of Capital. Signaling theory shows that company with high quality should give signal about its value driver to the market. Disclosure about accounting information is considered as important tool for organizations to carry out their accountability. Voluntary disclosure of IC is expected to reduce asymmetrical information between organization and stakeholder and as the effect improve correlation between the two. Value driver will attract authority and eventually more investors as well as reduce cost of capital (Yi et al*.,* 2010).

Legitimation theory is based on ideas about social contract and emphasizes that organication reacts towards public expectation and warry and takes actions to ensure their activities are the legitimate ones (Whiting *et al.,* 2008). Furthermore, Whiting et al., (2011) states that hidden value represents IC so that a company with high hidden value is indicated by high IC voluntary disclosure the company has. Legitimation theory is closely related to Intellectual Capital Report and Content Analytical Method as size of the report. It is more likely for company to report their IC if they have specific need to do so because they are unable to legitimize their statuses through tangible assets which are considered as the traditional symbol of company success.

Orens (2009) evaluated effect of web-based Intellectual Capital (IC) report towards financial cost. The analysis was conducted based on the websites of the companies located in Belgium, France, Germany and Netherland; it analyzes IC information. The findings show that cross-sectional difference in IC disclosure is positively related to company value. Higher IC disclosure in the European Continent is related to decreasing asymmetrical information, lower cost of capital and lower interest rate. One of the companies located in the four countries has higher company value and lower financial cost. It shows that good IC disclosure improves investor's willingness to use his or her financial resources. The finding also gives empirical evidence that the companies tend to get benefit from higher IC disclosure. It supports the theory that financial analyst and investors use company's IC disclosure as the basis for their investment. Significant correlation between IC disclosure and all proxy related to financial cost in the European Continent shows that voluntary IC disclosure is important piece of information for investor and financial analysts. Stockbrokers in the European Continent need IC-related information to increase financial report value so that they can have accurate evaluation about value and profitability of a company in the future.

Boujelbene and Affes (2013) conducted a study that empirically evaluated the effect of Intellectual Capital (IC) disclosure towards cost of capital. The subjects were the companies listed in the France Stock Exchange Index. The findings confirmed significant and negative correlation between Intellectual Capital Disclosure (Human Capital and Structural Disclosures) and cost of equity. The findings are relevant in decision-making process and establishing a company. Thorough comprehension about the effect of IC disclosure towards cost of capital helps the authorities evaluate cost and benefit of disclosure. In addition, in the form of management of a company, the findings showed that increasing IC disclosure will reduce cost of capital. Therefore, the twelfth hypothesis is formulated as follow:

H12: Intellectual Capital Disclosure has significant influence towards Cost of Capital
Influence of Intellectual Capital Disclosure towards Corporate Performance. Signaling Theory showed that high-qualified companies should give indicators of their value driver to the matket (Yi *et al.,* 2010). The indicators allow investors and authorities to re-evaluate company value and then make decisions that benefit the companies (Whiting *et al.,* 2011). IC disclosure has positive impact towards company value (Orens, 2009). Based on the theories, the thirteenth hypothesis is formulated as follow:

H13: Intellectual Capital Disclosure has significant influence towards Corporate Performance.
Influence of Cost of Capital towards Corporate Performance. The agency theory shows that agency relationship allows managers to have more information compared to principal or creditors and enables manager to take personal advantage from the company. The asymmetrical information will increase shareholder's or creditor's risks. Increasing risk is followed by demand to return or interest in line with the shareholder's or creditor's risks. The condition will obviously increase Cost of Capital of a company and decrease Corporate Performance.

Tabari et al., (2013) conducted a study that analyzes the influence of Cost of Capital towards Corporate Performance; it showed negative, significant correlation between WACC and Price Earning Ratio and Market to Book Value. There is not any significant correlation between WACC and Tobin's Q ratio. Furthermore, it confirmed positive, significant correlation between size of a company and Tobin's Q ratio and M/B (market to book ratio). Finally, there is not any significant correlation between size of a company and Price Earning Ratio. Therefore, the fourteenth hypothesis is formulated as follow:

H14: Cost of Capital has significant influence towards Corporate Performance

2. RESEARCH METHOD

The population is the Fortune Indonesia Magazine Top 100 Companies listed in Indonesian Stock Exchange between 2010 and 2012. The samples were selected using Purposive Sampling method with particular criteria. Based on the criteria, 65 companies out of 100 companies were selected based on data pooling method; the total number of samples were 195 companies for three years.

3. FINDINGS

Result of Analysis

The result of GesCa analysis is as followed:

Table 1. GesCa Program Output

Model Fit	
FIT	0.366
AFIT	0.344
NPAR	35

The analysis showed that FIT score is 0.366 that means the developed model can explain 36.6% of all the variables AFIT score = 0.344 means the variety of the variables, Corporate Governance, Ownership Structure, Capital Structure, Intellectual Capital Disclosure, Cost of Capital and Corporate Performance that can be explained by the model after some corrections is 34.4% and while the remaining 65.6% can be explained by variables outside the model.

Hypothetical Analysis of Each Line

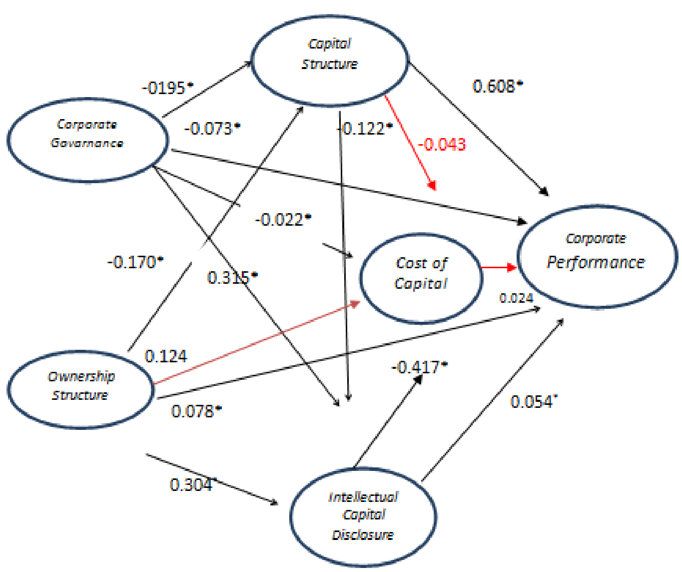
GesCa program output developed structural model and the result is presented in Table 2 as follow:

Table 2. Hypothesis Testing

Coefficient Line				
		Constant	**Standard Error**	**thitung**
Corporate Governance towards Capital Structure	**X1->Y1**	-0.195	0.029	6.71*
Corporate Governance towards Intellectual Capital Disclosure	**X1->Y2**	0.315	0.075	4.21*
Corporate Governance towards Intellectual Cost of Capital	**X1->Y3**	-0.022	0.008	2.88*
Corporate Governance towards Corporate Performance	**X1->Y4**	-0.073	0.021	3.48*
Ownership Structure towards Capital Structure	**X2->Y1**	-0.170	0.009	17.95*
Ownership Structure towards Intellectual Capital Disclosure	**X2->Y2**	0.304	0.046	6.61*
Ownership Structure towards Cost of Capital	**X2->Y3**	0.124	0.387	0.32
Ownership Structure towards Corporate Performance	**X2->Y4**	0.078	0.017	4.52*
Capital Structure towards Intellectual Capital Disclosure	**Y1->Y2**	-0.122	0.003	37.39*
Capital Structure towards Cost of Capital	**Y1->Y3**	-0.043	0.075	0.58
Capital Structure towards Corporate Performance	**Y1->Y4**	0.608	0.010	60.64*
Intellectual Capital Disclosure towards Cost of Capital	**Y2->Y3**	-0.417	0.022	18.95*
Intellectual Capital Disclosure towards Corporate Performance	**Y2->Y4**	0.054	0.007	7.28*
Cost of Capital towards Corporate Performance	**Y3->Y4**	0.024	0.122	0.2

Figure 1 describes model of hypothesis of the study based on the output of GesCa.

Figure 1. Hypothesis



Influence of Corporate Governance towards Capital Structure

Based on Gesca analysis, the coefficient line is -0.195 that means Corporate Governance has significant influence towards Capital Structure. It also shows Corporate Governance has negative influence towards Capital Structure which means increasing Corporate Governance is followed by decreasing Capital Structure. In the context of the study, Corporate Governance shows that Board Size is dominant proxy to represent Corporate Governance. The distance of the influence of Corporate Governance towards Capital Structure is negative that means the bigger the Board Size is, the more pressure the board can give for managers; bigger pressure means managers will have to be more careful when they are about to borrow some money for the company and as the effect, company's debt will be minimized. At the opposite, smaller board size results in less pressure and increasing debt.

Good practice of Corporate Governance will solve some issues caused by manager's wrongdoing and therefore, the manager will run the company smoothly as the purpose of the company. It is in line with the Agency Theory (Jensen Meckling, 1976) that supervision mechanism eliminates agency's wrongdoings, any actions taken by agency that do not match the principal interests.

Influence of Ownership Structure towards Capital Structure

Gesca analysis shows that the coefficient line is -0.170 indicating that Ownership Structure has significant influence towards Capital Structure. It also shows Ownership Structure has negative influence towards Capital Structure so that increasing Ownership Structure will decrease Capital Structure. The study also shows Institutional Ownership is dominant proxy of Ownership Structure.

Ownership Structure as one of internal mechanisms can be used to monitor agency behavior. Blockholders ownership can help eliminating conflict of interest between managers and shareholders. In general, blockholders have more influence than shareholders in affecting decisions of the management (Sheikh et al, 2013).

Influence of Corporate Governance towards Intellectual Capital Disclosure

Gesca analysis shows that the coefficient line is 0.315 that means Corporate Governance has significant influence towards Intellectual Capital Disclosure. It also shows that Corporate Governance has positive influence towards Intellectual Capital Disclosure so increasing Corporate Governance will also increase Intellectual Capital Disclosure. Corporate Governance practice can improve quality of Modal Intellectual Disclosure.

Influence of Ownership Structure towards Intellectual Capital Disclosure

Gesca analysis shows that the coefficient line is 0.304 that means Ownership Structure has significant influence towards Intellectual Capital Disclosure. The coefficient line also shows that Ownership Structure has positive influence towards Intellectual Capital Disclosure so increasing Ownership Structure will result in increasing Intellectual Capital Disclosure.

The findings confirm the agency theory that large ownership structure means that the company will get more pressure from shareholders for higher disclosure in order to reduce sot of agency and asymmetrical information (Raffournier, 1995). Institutional Ownership as the dominant proxy of Ownership Structure seems to have huge role in giving pressure to the management to be more transparent. Such condition has positive effect towards the company because Intellectual Capital as value driver of a company is an element for to survive in market competition. Another proxy is Public Ownership where public has limited access to information and as the effect encourages higher level of disclosure.

Influence of Corporate Governance towards Cost of Capital

Gesca analysis shows that the coefficient line is -0.022 that means Corporate Governance has significant influence towards Cost of Capital. The coefficient line also shows that Corporate Governance has negative influence towards Cost of Capital so increasing Corporate Governance will reduce Cost of Capital. Low Cost of Capital results in increasing added value for a company since higher cost of capital results in lower return by creditor or investor; these will add more value for the company.

The finding is in line with that of Mazzota and Veltri (2012) who analyzed the influence of Corporate Governance scores towards Cost of Capital. The finding showed Corporate Governance level affected Cost of Capital. It also supported the findings of Bozec et al, (2007)'s study that Cost of Capital decreases due to increasing practice of Corporate Governance.

Influence of Ownership Structure towards Cost of Capital

Gesca analysis shows that the coefficient line is 0.124 that means Ownership Structure does not have significant influence towards Cost of Capital. The coefficient line also show there is positive, non significant influence between Ownership Structure and Cost of Capital so increasing Ownership Structure will increase Cost of Capital.

The findings show that Ownership Structure where Institutional Ownership becomes dominant indicator does not have significant influence towards Cost of Capital. It also indicates that Ownership Structure has positive influence towards Cost of Capital. Positive influence of Ownership Structure towards Cost of Capital may become the result of market response towards the institutional ownership that affects increasing investor risks. Hidalgo et al, (2011) mentioned that excessive ownership by institutional investor has negative effect towards strategic decision. Increasing investor risks will be reflected in beta stock that affects cost of equity; therefore, increasing risk will be followed by increasing return. The correlation is in line with the basic theory of investment that return is in line with risks.

Influence of Corporate Governance towards Corporate Performance

Gesca analysis shows that the coefficient line is -0.073 that means Corporate Governance has significant influence towards Corporate Performance. It also means that Corporate Governance has negative influence towards Corporate Performance so increasing Corporate Governance will result in a decrease in Corporate Performance.

Corporate Governance has significant role in how the company is run, whether or not it is in line with Corporate Governance and whether or not there is agency relationship between owner and manager. Jensen and Meckling (1976) define agency relationship as a contract where one or more individuals (principals) involve another individual (agency) to carry out particular activities on their behalf such as delegating some decision-making authorities to the agency. Once these two have achieved maximizers utility, there is a strong reason to believe the agency will not always act for the sake of principal interest. Such condition may prevent owner or shareholder's welfare. As the consequence, a mechanism that manages the relationship between the two is of necessity in order to that all of them get equal benefits from the partnership. Corporate Governance is carried out to maintain harmonious relationship between all individuals involved in the company.

The study uses Board Size as the proxy to measure Corporate Governance where the pivotal role of commissary board becomes the consideration. The commissary board decides corporate strategy, mission and vision, hires and fires CEO and top management, controls, monitors and supervises the top management as well as pays attention to shareholder interest. Role of commissary board in decision-making will affect corporate performance. However, increasing board size has negative effect towards Corporate Performance. It happens due to higher cost to spend when there are large numbers of commissary board members. Large number of commissary board members will also influence how much time needed for strategic decision-making.

The findings of the study about the negative, significant influence of Corporate Governance towards Corporate Performance confirm the findings of studies conducted by Ujunwa (2012) Yermack (1996) and Bonn et al, (2004). They are different from the findings of Tamimi (2012)'s study that Corporate Governance has positive influence towards Corporate Performance and there is a positive, significant influence between financial distress and Corporate Governance practice. Dalton et al, (1999) showed board size has significant impact towards Corporate Performance where market and accounting became the proxy. They argued that large board size may have contribution for external resources linkage. Yammeesri and Herath (2010) find out that Board Size does not have significant influence towards Corporate Performance. As an addition Pham et al, (2011) also could not find significant influence between one of the indicators of Corporate Performance (where Economic Value Added became the proxy) and Corporate Governance.

The coefficient line of the influence of Corporate Governance towards Corporate Performance is -0.073 that means when Corporate Governance practice increases by one point, it will decrease Corporate Performance by 0.073 points. It is an indicator that Corporate Governance practice should take Board Size into careful consideration because large commissary board members tend to have negative influence towards Corporate Performance.

Influence of Ownership Structure towards Corporate Performance

Gesca analysis shows that the coefficient line is -0.073 that means Ownership Structure has significant influence towards Corporate Performance. The coefficient line also shows that Ownership Structure has positive influence towards Corporate Performance so increasing Ownership Structure will increase Corporate Performance.

Ownership Structure shows percentage of stocks owned by certain individual or institutions. In the study, managerial, institutional, and public ownership is the proxy for Ownership Structure, where Institutional Ownership is the most dominant proxy based on the result of GesCa analysis. Ownership structure by Institutional Ownership allows more control and supervision for management so that the company will get more benefit. The findings of the study confirms the findings of Meca (2011)'s study that evaluate the effect of various dimensions of Ownership Structure towards Tobin's Q in Spain. The study showed Ownership Structure Mechanism that influences Corporate Value is Concentrated Ownership. The findings show that positive Concentrated Ownership have positive influence towards Corporate Value but on higher level it creates some disadvantageous that high level of Ownership by Shareholders will negatively influence market evaluation.

Influence of Capital Structure towards Intellectual Capital Disclosure

Gesca analysis shows that the coefficient line is -0.122 that means Capital Structure has significant influence towards Intellectual Capital Disclosure. The coefficient line also shows that Capital Structure has negative influence towards Intellectual Capital Disclosure so increasing Capital Structure will reduce Intellectual Capital Disclosure.

The findings of the study that Capital Structure has negative influence towards Intellectual Capital Disclosure do not confirm the agency theory that debts encourage transparency from the managers. The finding is different from the agency theory that there is lack of pressure from the creditors to the management. It happens because the major source of debt is short-term loan because the type of loan is considered more flexible. Higher pressure from the creditors happen due to creditor interest toward loan he or she gives to the company. At the opposite, creditors assume the loan is flexible and the company will return it in a short time and as the effect there is lacking pressure for Intellectual Capital Disclosure. Creditors who give short-term loan tend to have short-term interest while Intelectual Capital is a type of investment that requires huge investment and the investors will get the result of their investment in a long time. The coefficient line shows that Capital Structure has -0.122 effect towards Intellectual Capital Disclosure, which means 1 point change in Capital Structure will reduce 0.122 points of the Intellectual Capital Disclosure of the Fortune Indonesia Magazine Top 100 Companies listed in Indonesian Stock Exchange. The findings show that Intellectual Capital Disclosure does not rely on creditor's ideas but Ownership Structure and implementation of Corporate Governance.

Influence of Capital Structure towards Cost of Capital

GesCa analysis shows that the coefficient line is -0.043 that means Capital Structure does not have any influence towards Cost of Capital. The coefficient line also shows there is negative, non significant influence between Capital Structure and Cost of Capital so increasing Capital Structure means decreasing Cost of Capital.

Capital Structure will have influence towards Cost of Capital of the company because Capital Structure contains cost they companies responsible for. The amount of the Cost of Capital will depend on the source of income. The findings of the study confirm the Pecking Order theory about use of source of income priority. Based on the Pecking Order theory, Capital Structure will be more efficient when internal capital is used followed by debts and establishing stocks. The study shows that based on debt ratio, source of income is large that means the largest source of income is debt. However, the source of income relies heavily on short-term income that does not have financial cost. It can be seen from low cost of debt.

Influence of Capital Structure towards Corporate Performance

Gesca analysis shows that the coefficient line is 0.608 that means Capital Structure has significant influence towards Corporate Performance. The coefficient line also shows Capital Structure has positive influence towards Corporate Performance so increasing Capital Structure means an increase in Corporate Performance.

The findings are in line with the MM theory (Modigliani Miller, 1963) that states that debt will increase corporate value. Leverage may increase corporate value due to tax protection. Companies that use high leverage means the company has high grow (Abor and Biekpe, 2009).

Influence of Intellectual Capital Disclosure towards Cost of Capital

GesCa analysis shows that the coefficient line is -0.417 that shows Intellectual Capital Disclosure has significant influence towards Cost of Capital. The coefficient line also shows that there is reversed correlation between Intellectual Capital Disclosure and Cost of Capital so an increase in Intellectual Capital Disclosure will decrease Cost of Capital

The findings are in line with the Signaling Theory. The Signaling Theory shows that high qualified company should give information (signal) about their value driver to the market. It is an important means of the company to carry out their accountability.

Influence of Intellectual Capital Disclosure towards Corporate Performance

GesCa analysis shows that the coefficient line is 0.054 that means Intellectual Capital Disclosure has significant influence towards Corporate Performance, The coefficient line also shows that Intellectual Capital Disclosure has positive influence towards Corporate Performance so increasing Intellectual Capital Disclosure is followed by an increase in Corporate Performance. The finding also shows that from the three indicators Intellectual Capital Disclosure has, Human Capital is the most dominant indicator to develop Intellectual Capital.

Intellectual Capital Disclosure is information about quality of a company to find out future prospect of the company because the key success of a company in the future depends upon intellectual capital as value driver more particularly for knowledge-based companies. The findings also confirm that human resource is valuable asset for a company. The market has positive response towards Human Capital.

Influence of Cost of Capital towards Corporate Performance

GesCa analysis shows that the coefficient line is 0.024 that means Cost of Capital does not have significant influence towards Corporate Performance. The coefficient line also shows that Cost of Capital has positive influence towards Corporate Performance so increasing Cost of Capital will be followed by an increase in Corporate Performance.

In the study, the proxy for Cost of Capital are Cost of Equity, Cost of Debt and Weight Average Cost of Capital (WACC); GesCa analysis reveals that WACC is the most dominant proxy. Weight Average Cost of Capital (WACC) is the most relevant cost to evaluate return of investment. WACC is influenced by Capital Structure, Cost of Equity and Cost of Debt. The amount of Cost of Equity is affected by risk factors; an aspect of risk factor that determines the amount of cost of equity is beta stock/ systematic risks. Beta stock itself is influenced by characteristics of a company. Companies with high risks tend to have high beta score. Risk usually has positive correlation with company income which means when a company has high risk level, the return will be increased as well. High beta stock will result in increasing Cost of Equity, Therefore, companies with high risk level have high corporate value. The findings of the study are in line with those of Tabari, et al (2013) that WACC and Tobin's Q ratio are not significant.

4. CONCLUSION AND SUGGESTIONS

The findings of the study describe there are 11 significant hypotheses namely Corporate Governance towards Capital Structure (H_1), Intellectual Capital Disclosure (H_3), Cost of Capital (H_5), and towards Corporate Performance (H_7), Ownership Structure has significant influence towards Capital Structure (H_2), Intellectual Capital Disclosure (H_4) towards Corporate Performance (H_8), Capital Structure has significant influence towards Intellectual Capital Disclosure and Corporate Performance (H_{11}), Intellectual Capital Disclosure has significant influence towards Cost of Capital and Corporate Performance (H_{13}). In addition, there are three non significant hypotheses namely Ownership Structure towards Cost of Capital (H_6), Capital Structure towards Cost of Capital (H_{10}) and Cost of Capital towards Corporate Performance (H_{14}).

The findings support the Agency Theory*;* Supervision mechanism will give limitation for any wrongdoing that is not in line with the principal interest agency may commit (Jensen and Meckling, 1976). The findings also support Jensen (1986)'s free cash flow theory that debt may have role to control how management runs a company. The findings also support the MM Theory (Modigliani Miller, 1963) that debt will increase corporate value. Company with high leverage means the company has high growth (Abor and Biekpe, 2009). The findings also support the Signaling Theories that asymmetrical information should be eliminated to reduce agency risks and individuals with relevant information should share the information to the public in order that the public recognizes the signal.

The findings of the study give practical contributions in terms that management of a company should increase Intellectual Capital Disclosure as value driver of the company and as the source of low-budget loan. As an addition, the government should conduct supervision for the implementation of Corporate Governance in Indonesia.

The limitation of the study is that IC Disclosure is limited to an analysis whether a company applies IC Disclosure or not. The study has yet analyzed quality of IC Disclosure. Therefore, further studies should consider using Intellectual Capital Disclosure quality of a company as an element for analysis.

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