

THE EFFECT OF CAPITAL COST ON COMPANY VALUE WITH GOOD CORPORATE GOVERNANCE AS A MODERATION VARIABLE

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Abstract

Company value is a very important aspect and is of concern to external parties such as investors, stakeholders, government officials, partners, and so on. As the value of the company increases, the company's image will become better amidst the elements that the researcher mentioned earlier. There are a number of factors that can influence company value, including Mode Costs which researchers can influence. In contrast to previous research, this research uses the Good Corporate Governance variable as a moderating variable which researchers believe can strengthen the influence of the Cost of Capital variable on Company Value. This research is a quantitative research with an explanatory approach. The data used in this research is secondary data obtained through questionnaires from 250 employees in the fields of finance, HRD, HR and managers throughout Bank Danamon throughout Indonesia. The data obtained was analyzed with smart PLS 3.0

Keywords: *Capital Cost, Good Corporate Governance, Company Value.*

1. INTRODUCTION

According to (Andhieka, 2017) defines the meaning of value company is a certain condition that has been achieved by a company as a reflection of public trust towards the company after going through a process of activities during several years, namely from the time the company was founded until now. Meanwhile, according to (Purwitaningsari, 2020) the definition of company value is investors' perception of the level of success of managers in managing company resources entrusted to them, which is often linked to share prices. According to (Kodriyah, 2023), the definition of company value is that company value is the selling price of the goods when the item will be sold.

The value of a company is that an entity uses a group of people who work together to achieve goals. The company's main goal is to increase company value in a sustainable manner using economic, social and environmental aspects. High company value can increase shareholder wealth, so that shareholders can invest their capital in the company. A company is considered good value if its performance is good. The value of a company can be seen from the share price. The higher the share value, the higher the company value. This is because the company's main goal is to increase the value of the company by increasing the wealth of its owners or shareholders (Wahidah, 2018).

Based on several similar opinions above, it can be concluded that company costs are a very important aspect so that investors can attract company attention. As explained in the research (Wahidah, 2018) above, there are many aspects that can influence the rise or fall of a company's

value, including economic, social and environmental aspects. In relation to these 3 aspects, this research develops research ideas (Wahidah, 2018). In the economic aspect, researchers interpret that what is meant by the economic aspect is dealing with capital costs. Etymologically, Capital Cost consists of two words, namely "Cost" means the acquisition price that is sacrificed or used in order to obtain (revenues) and will be used as a reduction in income" (Supriyono, 2011). Next is "Capital", Capital is funds used to finance the procurement of assets and company operations. Capital consists of items on the right side of a balance sheet, namely: debt, ordinary shares, preferred shares and retained earnings" (Atmaja, 2022).

The cost of capital is the cost that must be incurred or paid by the company to obtain the capital used for company investment, and the cost of capital is also the weighted average sum of the cost of debt, the cost of preferred stock and the cost of own capital. Capital costs are important in company spending, because they can be used to determine the real costs that must be borne by the company to obtain capital from various sources (Munawir, 2011). Researchers have experimented with increasing the cost of capital in a company, which will make targets and achievements bigger so that the company's income will be bigger and ultimately will affect the value of the company itself.

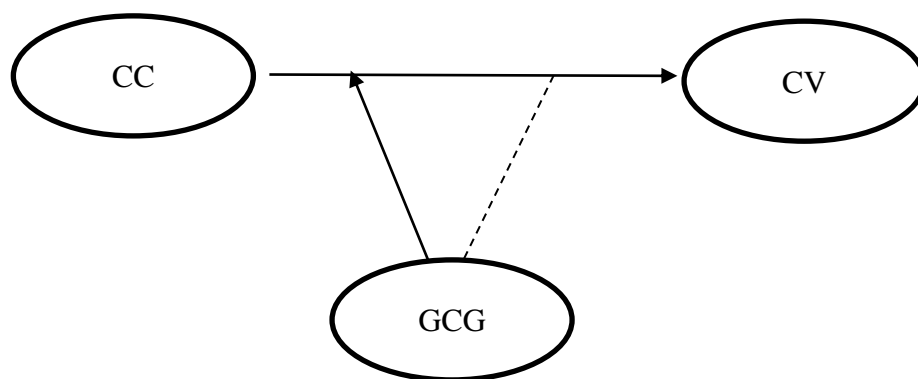
There are a number of studies which show that Capital Costs have a positive relationship and a significant influence on Company Value, namely (Abdul Malik Syadri, 2010) & (Anita, 2022) because increasing the Capital Costs of a company indicates that the targets and achievements are greater so that the profit potential also increases. getting bigger, and ultimately will increase the Company Value. Apart from economic aspects (Wahidah, 2018) also states that there are two other aspects that can influence company value, namely social aspects and environmental aspects. After reading the research, the researchers again interpreted that what was closely related to these two aspects was Good Corporate Governance.

GCG is one of the elements that plays an important role in forming and increasing the competitive level of a company (Bhatt, 2017). GCG is a system designed to optimize the company's management process. There are several mechanisms that companies consider when discussing GCG, such as independent commissioners, board of directors, audit committee, institutional ownership and managerial ownership. (Oktaviani, 2021) define "Good Corporate Governance" as effective company management that protects the interests of its shareholders as company owners and its creditors as providers of external funds which occurs when the interests of shareholders and management interests conflict." (Sutedi, 2011) emphasized that GCG is also defined as a system for managing and controlling companies that creates added value for all stakeholders. The Indonesian Stock Exchange Corporate Governance Code (2011) states that in the general guidelines of Indonesian GCG, there are five main principles of GCG, namely as follows: (1) transparency (openness of information) (2) accountability (accountability) (3) responsibility (responsibility) (4) Independence (independence) and (5) fairness (equality and fairness).

There are a number of studies that show the results of implementing GCG have a positive relationship and a significant influence on Company Value, namely (Ardianto, 2023); (Kurniyati & Khairiyani, 2020); (Fatoni, 2020); (Oktaviani, 2021) & (Sari et al., 2019) & (Pratiwi, 2017)). Based on the previous studies above, researchers believe that CGC has a close relationship with company value. Apart from the close relationship with company value, researchers also believe that the implementation of GCG also has a close relationship with the Cost of Capital. Different from previous studies, in this study GCG is used as a moderating variable which researchers believe can strengthen the relationship between Bisys Capital and Company Value. Therefore, researchers aim to analyze the influence of Capital Costs on Company Value with GCG as a moderating variable.

2. RESEARCH METHODS

In research that is closely related to matters of a numerical and numerical nature, usually the type of research used is quantitative research (Jonathan Sarwono, 2016). To find elements of novelty by using previous research as a reference, the approach usually used is an explanatory approach. Therefore, this research analyzes the influence of costs on company value using GCG as a moderating variable using a type of quantitative research with an explanatory approach (Sugiyono, 2019). The data used in this research is primary data. Primary data was obtained directly by distributing it to 250 Bank Danamon employees spread throughout Indonesia with the criteria of employees having worked for a minimum of 2 years in the fields of finance, HRD, human resources and field managers (Supriyanto, 2019). The primary data mentioned above were analyzed with smart PLS 3.0 (Abdurahman, 2016).



Noted:

CC: Capital Cost

CV: Company Values

GCG: Good Corporate Governance

Hypothesis:

H1: Cost of Capital affects Company Value?

H2: Can GCG moderate the influence of the Cost of Capital on Company Value?

3. RESULT AND DISCUSSION

3.1. Result

Validity Test

Validity Test and Reliability Test are things that must be used to find out whether the primary data used and distributed through a questionnaire is valid and reliable or not. The validity test referred to in this research is testing 20 question items for each variable in this study, consisting of 8 variable question items for the Capital Cost variable, 6 variable question items for Company Value, and 6 variable question items for GCG (Sarstedt et al., 2014)

Table 1
Validity Test

Variable	Question Item	Loading Factor
Capital Cost (X1)	The greater the cost of capital, the greater the company's target	0.850
	The greater the cost of capital, the company will be motivated to generate greater return costs	0.831
	Capital costs that are managed well can ultimately increase the value of the company	0.849
	The cost of capital is one of the elements that investors pay attention to	0.838
	Capital costs are managed well so investors are flocking to get in	0.850
	The cost of capital determines the value of the company	0.885
	Well managed capital costs can stabilize a company's finances	0.875
	Capital costs that are managed well can improve employee welfare	0.829
Good Coorporate Governance (Z)	Good corporate governance can make the ratio of capital costs and return costs stable	0.905
	Good corporate governance can increase company value	0.915
	Good corporate governance can improve employee health	0.928
	Good corporate governance can strengthen the relationship between superiors and employees	0.908
	Good corporate governance can attract the attention of investors	0.905
	Corporate governance that supports the company in achieving planned targets	0.904
Company Value (Y)	Company value can be influenced by Capital Cost Management	0.862
	Company value can be	.0851

	influenced by good corporate governance	
	Company value can be influenced by investor interest	0.877
	Company value can be influenced by employee performance	0.849
	Company value can be influenced by employee health	0.853

Valid : > 0.70

Validity Test

After measuring 20 question items for the variables Capital Cost, Good Corporate Governance, and Company Value, the results show that all question items are valid, and can be continued to the next stage, namely the Validity Test. This validity test is used to determine the true value and bottom value of a construct as follows(Ghozali, 2016):

Table 2
Validity Test

Variable	Composite Realibility	Cronbach Alfa	Noted
Capital Cost	0.855	0.815	Acceptable
Good Coorporate Governance	0.925	0.885	Acceptable
Company Value	0.865	0.824	Acceptable

Valid : > 0.70

3.2 Result

Path Coefisien

After getting the results from the reliability testing of 20 question items and the validity test of the 3 variables used in this research, the results were all declared valid. Next, the final stage is to find out whether the independent variable, namely Capital Cost, has a positive relationship and a significant influence on the dependent variable Company Value, as well as the Good Corporate Governance variable, which can moderate or not the relationship between the Capital Cost variable and Company Value, as follows(Ghozali, 2016):

Table 3
Path Coefisien

	Variable	T-Table	Noted
Direct Influence	CC-)CV	0.007	Acceptable
Indirect Influence	GCG*)CC-)CV	0.000	Acceptable

Significant Level < 0.5

H1: Cost of Capital affects Company Value

In accordance with the researcher's hypothesis above, increasing the cost of capital in a company will increase the company's vision and targets, return company costs, increase profit motivation, and ultimately increase company value. In line with the statement above, the results of table 3 of the path coefficient show that the Capital Cost variable has a positive relationship and a significant influence on Company Value as the t-table value is below the 0.5 significance level, namely 0.007. These results are in line with research (Abdul Malik

Syadri, 2010) & (Anita, 2022) which states that Cost of Capital has a positive relationship and a significant influence on company value. Thus, it can be concluded that the first hypothesis in this research can be **accepted**.

H2: GCG Can Moderate The Influence Of The Cost Of Capital On Company Value

Because Good Corporate Governance has a close relationship to the Cost of Capital and Company Value. Researchers believe that Good Corporate Governance has an influence on Company Value. In line with the researcher's statement, the results of table 3 Path Coefficient have a positive relationship and a significant influence on Company Value. Thus the second hypothesis in this research can be **accepted**.

4. CONCLUSION

Berdasarkan hasil paparan di atas dapat disimpulkan variabel Capital Cost memiliki arah hubungan positif dan pengaruh yang signifikan terhadap variabel Nilai Perusahaan dikarenakan semakin besarnya Biaya Modal akan membuat perusahaan semakin termotivasi untuk meningkatkan usahanya demi mencapai target yang telah direncanakan, meningkatkan profit, dan pada akhirnya akan memiliki pengaruh terhadap Nilai Perusahaan. Selain itu, sesuai dugaan peneliti variabel Good Corporate Governance terhadap Biaya Modal dan Nilai Perusahaan maka variabel GCG dapat memoderasi hubungan kedua variabel tersebut.

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