ABSTRACT

Cost of debt is an expense which the company pays for debt from loans to financial institutions or other sources. For some companies, the cost of debt might have a larger amount than the acquisition of profit, that could increase the company risk and the negative consequences for the value of the company. Therefore, the writer will analyze the factors that are considered to have an influence on the cost of debt.

This study aims to explain how institutional ownership, managerial ownership, independent commissioners and company size influence the cost of debt in food and beverage companies listed on the Indonesia Stock Exchange for the period 2013-2017.

This study used quantitative method. The population of this study are all the food and beverage companies listed on the Indonesia Stock Exchange (IDX) period 2013-2017. The sampling technique used purposive sampling method with a total sample of 8 companies for 5 years, outlier data was omitted by 5 data so it has 35 samples to be observed. The analysis technique used in this study is panel data regression analysis using the Eviews 9 application.

The result of this study shows that institutional ownership, managerial ownership, independent commissioners and company size have a simultaneous effect on the cost of debt. Where the variables of institutional ownership, managerial ownership, independent commissioners, firm size explain the effect on debt costs as much as 54.8915% and the remaining 45.1085% are explained by other variables outside the research. Partially, independent commissioners have a positive significant effect on the cost of debt and firm size has a significant negative effect on cost of debt. Whereas institutional ownership and managerial ownership do not affect the cost of debt.

Based on the results of the study, it is expected that further researchers would add the research sample and use other variables outside of this study. It is expected to improve the company performance in order to increase the company profits to prevent the risk of having high cost of debt.

Keywords: institutional ownership, managerial ownership, independent commissioners, company size, cost of debt