THE IMPACT OF CORPORATE GOVERNANCE AND CORPORATE CHARACTERISTICS TO AGENCY COST OF COMPANIES THAT LISTED IN INDONESIA STOCK EXCHANGE

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ABSTRACT

The purpose of this research is to understand how corporate governance and corporate characteristics influence the agency cost suffer by the companies listed in Indonesia Stock Exchange since 2013 to 2017. We measure corporate governance by aggregating variable such as managerial ownership, institutional ownership, independent commissioner, board independence, board size, audit committee, remuneration structure, and corporate characteristic as measured by leverage and firm size to agency cost. The agency cost is measured by using operating expenses ratio.

The results show that higher independent commissioner and company size have significance effect in reduce agency cost. Bigger size of board independent and high level of leverage have significance impact to increase agency cost. While managerial ownership, institutional ownership, board size, audit committee and remuneration structure have no significance effect toward agency cost.

Keywords: agency cost, corporate governance, corporate characteristics.