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Voluntary Disclosure, Ownership Structure, Information Asymmetry and Cost of Capital

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Abstract: *The aim of this study is at examining the influence of voluntary disclosure, information asymmetry and ownership structure towards the cost of capital method by employing WACC (Weighted Average Cost of Capital) method. The analysis method used in this research is the pathway analysis. The sample selection using purposive sampling generates 93 observations (31 companies *3 years) manufacturing company in 2011-2013. The results show that the extent of disclosures concerning the company's information will build investor confidence in the investment, so that the expected rate of return is low and as a result the company's incurred capital costs is low. The low rate of return is due to the disclosure of required information by the company's management which would establish investor confidence in the investment.*

Keywords: *Voluntary Disclosure, Information Asymmetry, Institutional Ownership, Managerial Ownership and Cost of Capital*

I. Introduction

Cost of capital is the minimum rate of return given by a company to investors as measured by the proportion of the entire equity investment in order to maintain the market price of its securities (Botosan, 2006). The cost of capital includes cost of equity and cost of debt.

The impact of voluntary disclosure, ownership structure, and information asymmetry on the cost of capital is an interesting problem to be investigated. It is based on a variety of the existing research. Botosan (1997) revealed that the cost of equity capital can be lowered by revealing information concerning the cost of capital by using the asset pricing model. Various studies on the cost of capital as the existing empirical evidence support this statement, however there are some debates among investors about the broad value of disclosure; for example, Jenkins Committee stated that the disclosure of the information would lower the cost of capital. However, the Financial Executives Institute refutes the statement of Jenkins Committee based on the reason that Financial Executives Institute is the disclosure intended only for stock traders thus increasing the risk and impact on the high cost of capital (Botosan, 1997).

This study uses the capital cost calculation by using WACC (Weighted Average Cost of Capital) in contrast to the previous studies that measure the cost of capital by using CAPM (Capital Asset Pricing Model). The calculations using the CAPM (Capital Asset Pricing Model) only considers the relationship of risk and return expectations of assets (expected return), while the use of the WACC calculation method is a method of calculating the cost of capital appropriate for all decisions because these calculations take into consideration all aspects of the company's capital. The advantage of WACC method is able to provide information analysis of long-term investment, because this method provides information of all aspects of the capital. In addition, this method serves as a good weighing risk in funding since it concerns with all aspects of the company's capital.

1.1. Problem Statement

In running its business, a company needs funds from both the creditors and investors. In addition, the management tries to conduct disclosure for reducing information asymmetry that usually occurs between the internal and external parties. Information has a very important and vital role. The existence of understandable, complete, accurate, timely, and reliable information greatly assists investors in making rational decisions aimed at obtaining corresponding result (Fahdiansyah, 2013). Information is considered informative if the information is relevant and can change stakeholders' beliefs and form a new stakeholder confidence to in making decisions.
According to Fahdiansyah (2013), capital costs are associated with voluntary disclosure and ownership structure because the disclosure conducted by the management is aimed to portray the state of the company. The disclosure of such information is a signal provided by the company so that the information about the company can be responded by the external parties in the investment activity. In addition, the disclosure of company information reduces information asymmetry, so that it will affect the cost of capital due to perceptions obtained by the investors. The cost of capital is associated with the ownership structure based on the reason that the

presence of company proprietary information will increase investor confidence in making investment decisions. Company ownership information will boost the confidence of investors or creditors of the company, due to external parties gain insight about the owner of the company. In addition, information regarding the ownership structure can determine the perception of investors on their investment. Thus, it will be able to detect the risk of investment. Various existing studies dealing with company information would at least explain the situation and prospect of the company as well as its risks. Investor confidence on their investment will lower the rate of return and subsequently lower the capital costs incurred by the company.

The concept of capital costs in manufacturing companies is very important since it can demonstrate the minimum level of investment income earned from the investment. Based on the previous description, research on capital cost is feasible to be conducted (Fahdiansyah, 2013). Issues raised in the studies of capital costs are associated with the risk of investment concerning the disclosures carried out by the company. The research findings on capital costs will provide evidence on regarding the risk and effect of the information disclosed by the company on the behaviour and decision of investors in making investment. If the investment is not able to generate investment income at a minimum of costs incurred, then the capital loan does not need to be implemented (Fahdiansyah, 2013).

Research on cost of capital in manufacturing enterprises is selected as the population of this study since the information provided by the manufacturing company is very complete. The report prepared by manufacturing company is categorized as complete, especially for the data related to financial statements analyzed in this research. The next reason is the notion stating that manufacturing company share is more appealing for the investors. In addition, manufacturing companies have a higher investment risk compared with other public companies. Manufacturing companies, as one of the companies that will face the globalization era and free competition, are required to be more effective in making company disclosures needed by the users of financial statements (Mutia, 2013).

This study develops the research conducted by Botosan (1997), Lahaya (2013), and Fahdiansyah (2013). The development is on the method of calculating the cost of capital by using WACC (Weighted Average Cost of Capital). The advantage of WACC method is able to provide information analysis of long-term investment, because this method provides information of all aspects of the capital. In addition, this method serves as a good weighing risk in funding since it concerns with all aspects of the company's capital. This study refers to Fahdiansyah (2013) which studies capital cost by employing WACC method and analyzing capital cost of company's overall capital structure derived from the average cost of debt, preferred stock, common stock and retained earnings.

1.2. Research Motifs

This study is developed from the previous studies conducted by Botosan (1997), Fahdiansyah (2013), and Lahaya (2013).The motive of this study due to the fact that the previous employed CAPM (Capital Asset Pricing Model) which merely considers relationship between asset risk and expected return while the WACC calculation is a calculation of the exact cost of capital for all decisions. WACC method is an excellent method to inform the analysis of long-term investments because this method provides information of all aspects of the capital. In addition, this method serves as a good weighing risk in funding since it involves all aspects of the company's capital.

1.3. Research Contributions

This study provides some contributions to the theory, practical perspectives, and policy. The findings of this study provide additional contributions and empirical evidence on the application of the signalling theory through the cost of capital. Basically the signalling theory appears to provide information to interested parties on the investment decisions of investors. The interest alignment is performed by applying the voluntary disclosure, ownership structure and information asymmetry in accordance with its function for reducing capital costs incurred by the company due to the belief held by investors.

II. Literature Review

2.1. Signalling Theory

Signalling theory explains that the company must disclose information about the company, due to the impact resulted from the very extensive disclosure. The information disclosed by the management is very helpful in the investment policy as investors will understand all the existing risks. Policy on information disclosure regarding the company's financial statements to investors is a good policy for the sake of both parties in the investment. Information disclosed by the company will provide an added value to the company showing that the company is better than the other competitors. Signalling theory explains that the information disclosed is a signal given by the internal parties to be responded by the external parties as the users of financial statements. Spence (1973) revealed that the information has value and within a transaction the parties involved have different information. Furthermore, Spence (1973) asserts that the more extensive disclosures would lower the cost of capital. Disclosure performed by the company is a signal given by the management to the external parties in taking investment policy. Spence (1973) argued that if the company discloses the information required by financial statement users, thus the information provided will not cause information asymmetry.

2.2. Agency Theory

Agency theory assumes that parties who have more information will tend to seek their own advantage at the expense of others, because information imbalance leads to information asymmetry. In asymmetrical condition, agent can hide important information presented in financial statement, thus the agent has responsibility to provide signal describing the company condition to the principals for avoiding information asymmetry. Jensen and Meckling (1976) argued that the agency relationship arises when management works with investors. In this case, the management will provide facilities and delegate authority and decision-making policies to investors. Agency theory discusses the relationship between management and shareholders. Shareholders provide facilities and funds to run the company, while the management has the obligation to manage what is mandated by shareholders. The agent is obliged to provide periodical report concerning the executable business to the principal. Subsequently, the financial statements submitted will be judged by the principal. Therefore, the financial statements presented are a mean of accountability of management party to its owner.

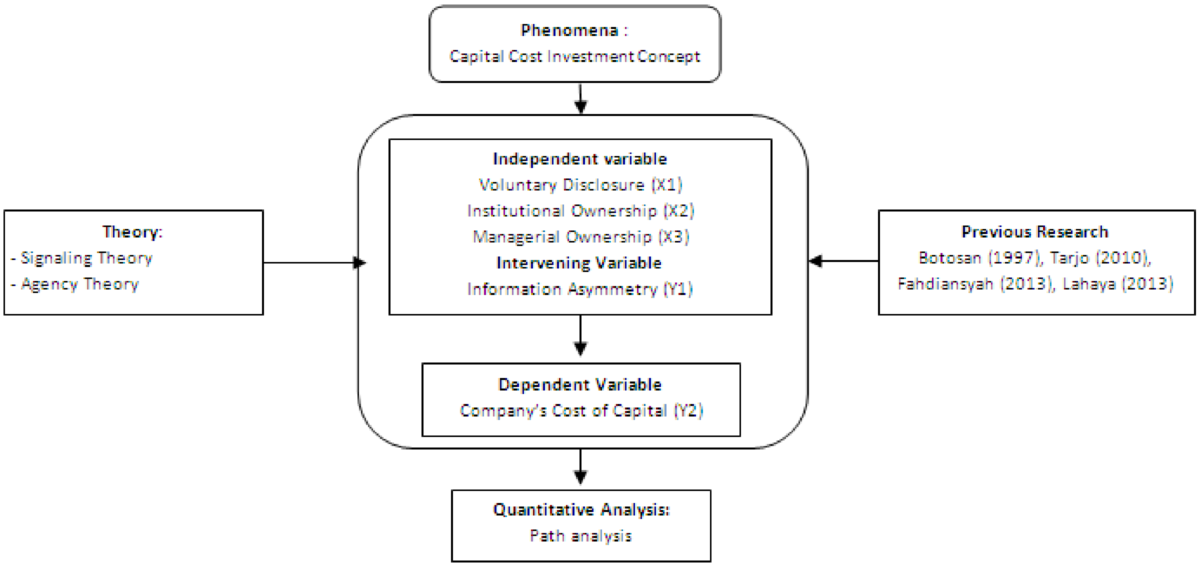
2.3. Cost of Capital

Cost of capital is a reward on investor's investment in the company to run its business activities (Mardiyah, 2002). Calculating the cost of capital which uses long-term sources of funds can be carried out by employing the (1) preferred stock, (2) ordinary shares, (3) long-term debt, (4) retained earnings. Loans can be used in the long term funding, so that the process of borrowing companies need to pay the debt. Funding in the form of shares can also be used to finance business activities, so that the issuance of these shares will lead to costs in the form of stock dividends (Utami, 2006).

III. Framework and Hypotheses

3.1. Conceptual Research Framework

Based on the research model described in Figure 1, it leads to the hypothesis of the following research model:



3.2. Conceptual Research Framework

Based on the conceptual framework described in Figure 1, it leads to the following hypothesis model as follows:

3.2.1. The Effect of Voluntary Disclosure on Information Asymmetry

Diamond and Verechia (1991) stated that information asymmetry can be reduced if the company has performed more complex and extensive disclosure which will reduce information asymmetry. Similarly, Botosan (1997), concerning the effect of voluntary disclosure on information asymmetry, asserts that the more complex and extensive disclosure will decrease information asymmetry. Voluntary disclosure of accounting information and other relevant information is required by the users of the company's annual report for decision making. Comprehensive, transparent, and complete disclosure will reduce information asymmetry. Complete disclosure is the major requirement to increase the interest of investors to invest in the company. Based on the above description, the first hypothesis is formulated as follows:

H1: Voluntary disclosure negatively affects information asymmetry

3.2.2. The Effect of Voluntary Disclosure on Cost of Capital.

Botosan (1997) argued that disclosure performed by the management provides evidence of the negative effect of voluntary disclosure on the cost of capital. Furthermore, Botosan (1997) suggested a voluntary disclosure carried out by the company which widely employ the analysis of investment has lower effect on the cost of capital. The company should provide accurate information, so as to establish confidence and investor interest in the investment. The more disclosure required by the investors will create a high toward the company, thus with the existing trust, the level of return is also low. Confidence held by the investor will make a low return rate and as a result the capital costs incurred are also lower. Based on the explanation above, the second hypothesis is formulated:

H2: Voluntary Disclosure negatively affects cost of capital.

3.2.3. The Effect of Information Asymmetry on Capital Cost.

The information fully and decently disclosed will reduce the asymmetry (Botosan, 1997). Information Asymmetry usually occurs because the imbalance of information held by internal and external parties about the company's prospects. Information asymmetry that occurs will affect stock prices. The extent of disclosure made by the management will reduce information asymmetry. Asymmetry that occurs will lower investor confidence on the investment, so that it will increase the cost of capital. Information discrepancy can be overcome with adequate, quality and transparent disclosure of both investor’s and company’s interests. Information discrepancy occurs due to information inequality owned by party who has the information and the other party who needs the information.

The low information discrepancy can form higher investor confidence and expect a low rate of return. In addition, the low information discrepancy will also lower a trade off in the company. Based on the above explanation, the formulated hypothesis is:

H3: Information asymmetry positively affects cost of capital.

3.3.4. The Effect of Institutional Ownership on Cost of Capital

Tarjo (2010) stated that the increase in stock market performance actually reduce the disclosure by the company. Providing information dealing with the company's prospects will increase investor trust, which in turn will reduce the rate of return. Tarjo (2010) asserted that ownership owned by institutional sector will lower the return on investment. In addition, the price of a security will go down due to the minimum information disclosed, so that the institution as the owner of the securities will assign the internal party of the company to deliver information needed by the investors (Tarjo, 2010). Institution as the owner of the company will always control and supervise company’s performance to create a well performing company. Furthermore, institutions have regulations in company policy that will maintain investor trust. Investor confidence towards the company will lower the rate of return. Based on the above explanation, the formulated hypothesis is:

H4: Institutional ownership positively affects cost of capital.

3.3.5. The Effect of Managerial Ownership on Cost of Capital.

Company’s internal party which has the top share of a company is the managerial ownership. The internal party of the company can have the company by buying shares of the company. The existence of insider ownership which is expected to reduce the tendency of managers to do excessive investment is the basis of managerial hypotheses. Grinder and Gordon (1995) stated that there is an inverted or negative comparison between capital expenditure and insider ownership. Shareholders with management will align the interests towards the stock, because managers have to bear the consequences of all activities performed (Jansen and Meckling, 1976). Managerial ownership carried out by the management will create inventor’s trust; company disclosure is a signal that can be used by the investors in determining the investment policy. Managerial ownership as the minority owners certainly do not want the price of the stock market falls. Therefore, managerial ownership as a shareholder will provide accurate information about the condition of the company. Disclosure in the form of managerial ownership results in the confidence of investors, so that the expected return is also low and the impact is the decrease of capital costs incurred by the company. Based on the above description, the fifth hypothesis is formulated as follows:

H5: Managerial ownership negatively affects cost of capital.

3.3.6. Information Asymmetry Mediating the Relationship between Voluntary Disclosure and Cost of Capital.

Diamond and Verrecchia (1991) suggested that the information asymmetry can be reduced when company implements comprehensive disclosure policy. Similarly, Botoson (1997) revealed that the more comprehensive or complete disclosure of financial statements will reduce the information asymmetry. Easly and O'Hara (2004) suggested that the cost of equity capital of the company may be affected by affecting the precision and the amount of information available to investors. If there is investor who is not informed, it will likely to increase the rate of returns, as this may indicate that the more extensive disclosures in the annual report will minimize information asymmetry occurred and affect the low cost of capital. Extensive disclosure is widely expected to generate investor confidence, so that the expected return is also low and the impact is on the decreasing capital costs incurred by the company. Therefore, the sixth hypothesis is formulated as follows:

H6: Information asymmetry mediates the relationships between voluntary disclosure and cost of capital.

IV. Research Methods

4.1. Population, Sample and Sampling Techniques

This study is an empirical study conducted to prove the causality effect of voluntary disclosure, information asymmetry, ownership structure of cost of capital (an empirical study on manufacturing company) in 2011-2013. This study employed purposive sampling for determining the sample. By considering the appropriateness of aspects studies and the research situation, thus this research is consistent with the expectations of the researchers and can represent the state of the actual population (Sugiyono, 2012: 122). Of the 125 manufacturing companies, there are only 31 companies which fulfil the criteria to be selected as the sample.

4.2. Operational Definition of Research Variables

4.2.1. Independent Variables

4.2.1.1. Voluntary Disclosure

Voluntary disclosure is disclosures presented voluntarily by the company in addition to the mandatory disclosures. This disclosure is a form of company's openness for investor's analytical purposes. Voluntary disclosure index in this study is adapted from the previous research conducted by Hwa (2006). The adopted disclosure index is also matched with the rules issued by OJK (Otoritas Jasa Keuangan) or FSA (Financial Services Authority) and the latest Financial Accounting Standards (IFRSs), thus the voluntary disclosure which previously becomes mandatory disclosure will be eliminated. The measurement of voluntary disclosure was carried out by giving a score for each item of disclosure which was conducted dichotomously. The item being disclosed by the company obtains number one while the value of item that is not disclosed by the company gets zero.

4.2.1.2. Institutional ownership.

Institutional ownership is a shareholding company owned by such institutions as insurance company, bank, investment company, and other institutional ownership (Fahdiansyah, 2013). The calculation of institutional ownership can be carried out by using the following formula:

$$\text{Institutional Ownership (IO)} = \frac{\text{Total number of shares owned by the institution}}{\text{Total number of shares outstanding}}$$

4.2.1.3. Managerial Ownership.

Wahidahwati (2002) defines managerial ownership as the number of percentage of ownership by the management started from the board of commissioners to directors. Maximizing company's resources is a business decision which can be taken by the manager.

$$\text{Managerial Ownership (KM)} = \frac{\text{Total number of shares owned by the institution}}{\text{Total number of shares outstanding}}$$

4.3. Intervening Variable

4.3.1. Information Asymmetry

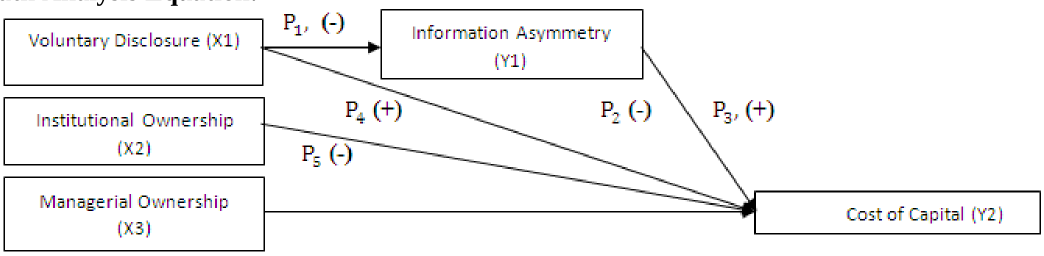
Information inequality held by the internal and external parties regarding the state of the company can be called as information asymmetry (Fahdiansyah, 2013). Agency theories underlie the occurrence of information asymmetry held by the party who has more information to the people who do not understand the information. Jensen and Meckling (1976) describes that the agent and the principal often have their own interests, so that their actions can sometimes cause the inequality of information. In addition, the management's act is sometimes not as expected by the principal.

The objective of employing relative bid-ask spread in this study is to measure information asymmetry based on the following formula (Komalasari and Baridwan, 2001; Mardiyah, 2002):

$$\text{SPREAD}_{\text{it}} = (\text{ask}_{\text{it}} - \text{bid}_{\text{it}})/\{(\text{ask}_{\text{it}} + \text{bid}_{\text{it}})/2\} \text{ x } 100$$

Description:
ask_{it} : The highest price of the stock of company i that occurs on day t
bid_{it} : Lowest bid price of the stock of company i that occurs on day t

4.3. Data Analysis Techniques
4.3.1. Path Analysis Equation:



The standardized path coefficient is used to describe the influence of the independent variable towards other variables that are treated as dependent variables, so that the equation for the path analysis can be formulated as follows:

$IA = \alpha_0 + \alpha_1\ VD + e_1$ ……………………………………………………………….(1)

$CC = \alpha_0 + \alpha_1\ CC + \alpha_2\ VD + \alpha_3\ IO + \alpha_4\ MO + e_2$ ……………………………………………………..(2)

Description :
CC : Cost of Capital
IA : Information Asymmetry
VD : Voluntary Disclosure
KI : Institutional Ownership
KM : Managerial Ownership
e_1 : Another variable affecting AI
e_2 : Another variable affecting BM
P_1, P_2, P_3, P_4, P_5, : Coefficient Line

4.3.2. Validity Model

The coefficient of determination (R^2) is useful to explain how far the dependent variable can be measured and described in a model. The coefficient value of determination is between zero and one ($0 < (R^2) < 1$).

4.3.3. Model Hypothesis Testing

Testing the hypothesis directly in this test was carried out by using the t test to compare the p-value of each independent variable with level $\alpha \leq 0.05$. If the p-value is ≤ 0.05, the hypothesis is supported which means that the independent variable significantly affects the dependent variable. Conversely, if the p-value is ≥ 0.05, hypothesis is not supported, which means the independent variable has no effect on the dependent variable.

Testing the hypothesis is not directly done by looking at the significant results influencing the dependent variable (X_1), towards an intervening variable (Y_1) and significant influence of intervening variables (Y_1) on the dependent variable (Y_2). If the independent variable (X_1,X_2, dan X_3) and intervening variables (Y_1) significantly affect the dependent (Y_2), it can be concluded that the mediation hypothesis is accepted.

V. Data Analysis

5.1. Based on the existing sample criteria, the sample list of manufacturing companies 2011-2013 is presented in the following table:

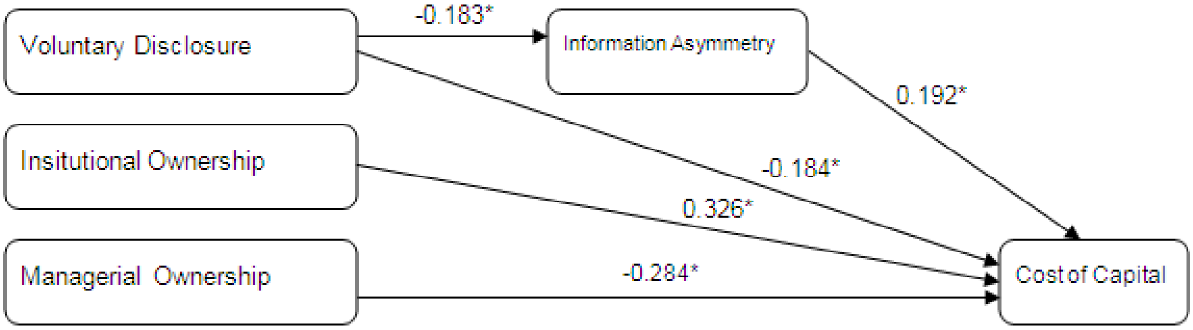
Table 5.1 Determination of Total Sample Period ended December 31, 2011 through 2013

Information	Total Company
Manufacturing companies in the period ended on December 31, 2011 to 2013	125 Companies
Manufacturing companies that do not publish annual reports data, either through the official website of the company, as well as those available on the Stock Exchange, the period ended on December 31, 2011 through 2013.	(41 Companies)
Manufacturing companies in the period ended on December 31, 2011 to 2013 which do not use rupiah currency in its financial statements.	(20 Companies)
Manufacturing companies in the period ended on December 31, 2011 to 2013 whose data are outliers based on all research variables.	(33 Companies)
The samples used in this study	31 Companies
Total Observations (31 companies x 3 Years)	93 Companies

Source: www.idx.co.id , 2011-2013.

5.2. Testing Results

Conversion of path diagram in the measurement model is intended to determine the strength of the influence between the constructs described on the effects on the model, the of direct and indirect effects.



The resulting empirical model is as follows:
Model 1: IA = -0.183 PS
Model 2: CC = -0.184 + 0.192 AI PS KP + 0.326 - 0.284 KPM
The influence directly or indirectly, as presented in the following table:

Table 5.2 Conversion Line Diagram Publicly traded company listed on the Indonesia Stock Exchange (IDX) in 2011-2013

The Relationship			Coefficient		
			Direct	Indirect	Total
Voluntary Disclosure	à	Information Asymmetry	-0.183 *	-	-0.183
Voluntary Disclosure	à	Cost of Capital	-0.184 *	-0.035 *	-0.219
Information Asymmetry	à	Cost of Capital	0.192 *	-	0.192
Institutional Ownership	à	Cost of Capital	0.326 *	-	0.326
Managerial Ownership	à	Cost of Capital	-0.284 *	-	-0.284

Source: output results eviews   Description: * (significant) = 0.05%
Based on the above table it can be seen that

5.3. Discussion
5.3.1. The Effect of Voluntary Disclosure on Information Asymmetry

The coefficient of the direct influence on the voluntary disclosure of information asymmetry is -1.183. It shows that there is a negative effect of voluntary disclosure on information asymmetry. This means that the more often performed voluntary disclosure tends to reduce the information asymmetry so that investors have yet to sense and respond to information regarding the disclosure. According Lahaya (2013), the information asymmetry can be minimized by disclosuring accounting information and other information that is deemed relevant for decision makers, thus creating the confidence of investors.

This study is in line with the research conducted by Benardi et al (2009) which states that voluntary disclosure negatively affects the information asymmetry. Management will voluntarily reveal information about the company if the benefits obtained from the disclosure performed by the company are based on obedience rather than accountability aspects towards the stakeholders. Botosan (1997) stated that the wider and the more comprehensive or completeness of the disclosure will reduce information asymmetry. Thus, the information asymmetry between companies and investors can be reduced by the extent of the information disclosed about the company.

5.3.2. The Effect of Voluntary Disclosure on Cost of Capital.

The coefficient of the direct influence of voluntary disclosure to the capital cost is -0.184. The results of this study indicate that there is a negative effect of voluntary disclosure to the capital costs based on the WACC method. It means that the more often voluntary disclosure performed, it tends to reduce the cost of capital. The increasing voluntary disclosure carried out by manufacturing companies gives an impact on the reduction of capital costs using the WACC method.

The results of this study are consistent with research conducted by Lahaya (2013) which suggested that investors have not been able to respond to the information carefully. The investor has the presumption against the company that manufacturing company which has a better future prospects will come with the assumption that investors will obtain a better return on investment so that the information given gets less attention from the investors (Lahaya, 2013). In addition, Diamond and Verrechia (1991) and Mardiyah (2000) asserted that the voluntary disclosure of reliable manufacturing companies can lower the cost of capital using the WACC method. Based on the above information, it is suggested that information about the company must be disclosed transparently and accurately, because the extent of disclosure made will reduce the information asymmetry that occurs among external parties in the market and the cost of capital using the WACC method is also lower.

5.3.3. The Effect of Information Asymmetry on Capital costs.

The coefficient of the direct influence of information asymmetry on the cost of capital is 0.192. This test result provides evidence that the positive effect of information asymmetry on the cost of capital using the WACC method. Therefore, the increasing information asymmetry tends to improve the capital costs. He et al (2013) suggested that the cost of capital is positively influenced by the information asymmetry, so that the cost of capital which uses WACC (Weighted Average Cost Of Capital) method may increase due to the information asymmetry. Information concerning the company and the company's prospects which are not generally channelled cause the information asymmetry among managers and stakeholders. The existence of information asymmetry makes investors to prefer to invest their investment in the company that they think safe and disclose the required information because investors expect a good return.

These results are consistent with research conducted by Komalasari and Baridwan (2001) which states that the cost of capital using the WACC method is influenced by information asymmetry. To reduce the information asymmetry, every company should provide better information and more disclose about the state of the company to reassure investors and the expected return is also low, so that the cost of capital using the WACC method is also lower.

5.3.4. The Effect of Institutional Ownership on Cost of Capital.

The coefficient of the direct influence of institutional ownership on the cost of capital is 0.326. The results of this study show that institutional ownership affects the cost of capital using the WACC method. Thus, the stronger the institutional ownership tends to increase the cost of capital. These findings are consistent with research carried out by Tarjo (2010) which show that institutional ownership affects the cost of capital using the WACC method. Tarjo (2010) suggested that the majority of institutional investors as the owner do not want the market price of its shares fall because of information asymmetry. Therefore, institutional owners as shareholders will put pressure on the managers to provide accurate information about the condition of the company despite the high costs. These results are also consistent with the findings of Haque (2006) and Attig et al (2012) which states that institutional ownership structure can affect corporate governance which in turn will have an impact on improving the performance of a manufacturing company in the stock market and lowering the cost of capital using the WACC method issued by the company.

5.3.5. The Effect of Managerial Ownership on Cost of Capital.

The coefficient of the direct effect of managerial ownership on the capital cost is -0.284. That is, the stronger the managerial ownership then it tends to lower the cost of capital using the WACC method. The results of this study indicate that managerial ownership negatively affects the cost of capital using the WACC method. The results are consistent with the research of Mathiessen (2004) showing that the presence of managerial ownership will lead the managerial to disclose the condition of the company in accordance with the requirements of investors that will lead to lower capital costs incurred and vice versa. These results indicate that the presence of managerial ownership structure can affect corporate governance that has an impact on improving the performance of a manufacturing company in the stock market.

Grinder and Gordon (1995), Chakraborty, et al (1999) argued that the disclosure made by the managerial will make the capital costs incurred by the company to be reduced. Capital costs incurred decrease because investors feel that the required information has been fulfilled so that the investors' demand on compensation becomes lower as the information disclosed.

5.3.6. Information Asymmetry Mediating the Relationship of Voluntary Disclosure and Cost of Capital.

The coefficient of the indirect effect of voluntary disclosure on the cost of capital through information asymmetry is -0.035. The results of this study indicate that voluntary disclosure negatively affects the cost of capital through the information asymmetry. Thus, the higher frequency of voluntary disclosure will tend to reduce the information asymmetry so that the impact is the decreasing capital cost which uses WACC. In other words, In other words, the presence of information asymmetry will make the company to more often conduct voluntary disclosure which can lower the cost of capital using the WACC method.

The results are consistent with Botosan (1997), that the higher frequency of disclosure done will reduce the information asymmetry that occurs and will affect the cost of capital to be issued. These results are also consistent with the research of Lahaya (2013) that the extensive disclosure of information performed by the management can reduce the information asymmetry that occurs among the company and investors. The presence of information asymmetry that occurs will cause investor's uncertainty on the quality of the investment made by the investor that will make the investors to charge a higher return. According to Lahaya (2013), the more extensive disclosures made by the company will reduce information asymmetry and ultimately will lower the cost of capital using the WACC method issued by the company. The research of Diamond and Verechia (1991) indicates that the reducing information asymmetry which is as a result of the extensive disclosure carried out by the company will decrease the compensation expected by the investors and also lower the investor confidence.

VI. Conclusion

Based on the research results on voluntary disclosure, institutional ownership, managerial ownership, information asymmetry and cost of capital, it can be concluded that the company as the party that has a lot of information regarding investment should increase the disclosure of information about the investment, so that the conducted disclosure may affect investor confidence and return on investment. Due to the extensive disclosure carried out and required by the investor will lower the costs incurred by the company and will be able to meet the capital need expected by the company. In addition, the more comprehensive, transparent, complete disclosure of financial information will reduce occurrence of information asymmetry. Information issued by the company is the signal given by the company to investors, giving rise to investor confidence. The results of the study reveals that the disclosure made by the management as the parties that possess information by providing signal will also support the signalling theory underlying this study. Furthermore, the comprehensive, transparent and complete disclosure carried out by the agent (management) is very useful for the principal (investors), thus information asymmetry can be suppressed.

VII. Limitation

There are several limitations of this study. The measurement index of voluntary disclosure for measuring the extent of company's disclosure employed in this study is subjective. In addition, the list of the determination of voluntary items used is in accordance with the existing rules. This assessment differs with of capital costs is by employing the WACC (Weight Average Cost of Capital) based on suggestions obtained from the study conducted by Fahdiansyah (2013). This calculation is different from the Capital Asset Pricing Model (CAPM) because the calculation using the CAPM has such limitations as: there is controversy between the use of yields on long-term and short-term debt; it is difficult to estimate the value of beta expected by the future investors; it is difficult to estimate the premium of market risk. WACC calculates the capital costs based on the cost of debt, retained earnings, interest expense and dividends.

VIII. Suggestion

The results of this study can be used for the development of subsequent related studies which employs different place and replication and as a treasury reference for future research. The suggestions that can be delivered in this study to be developed in further research are: The extension of the study population is very possible for future studies to obtain more varied results by using heterogeneous company populations. Future studies could further consider the problem of subjectivity, by involving multiple researchers and investors in assessing the quality of voluntary disclosure presented on the company's annual report.

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