Factors Affecting Performance in Companies with High Agency Costs

Linda Linda[1*], Cut Afrianandra[2], Ana Fitria[3] & Aida Yulia[4]
1,2,4 Department of Accounting, Faculty of Economics and Business, Universitas Syiah Kuala, Banda Aceh, Indonesia
3 State Islamic University Ar-Raniry, Banda Aceh, Indonesia
*Corresponding author: lindarisyad@unsyiah.ac.id

Abstract

Objective – This research focuses on manufacturing companies with high growth rates, as measured by the Tobins'Q proxy. The high growth of a company is closely related to higher agency costs, compared to companies with low growth rates. We investigate the influence of the board of commissioners, directors, audit committees, bid-ask spreads on the high agency costs of manufacturing companies listed on the Indonesia Stock Exchange. The indicator of agency costs in this study are the EXPR and AUR ratios.

Design/methodology – The population of this study are manufacturing companies listed on the Indonesia Stock Exchange. Purposive random sampling resulted 111 samples of companies with high growth rates. This study uses multiple linear regression analysis. The first analysis with EXPR independent variable and the second analysis with AUR independ- ent variable, both variables could be used as agency cost indicators.

Results – The result reveals that the board of commissioners and directors have a positive effect on the agency costs, which are measured by the EXPR and AUR ratios while the audit committee has a negative significant effect on the high agency costs as measured by the EXPR ratio. Moreover, bid-ask spread as a control variable has a significant positive effect on AUR. The presence of monitoring quality, pressure, reputation of the board of commissioners and audit committee will reduce the types of management policy which may increase agency conflict.

Keywords: Agency Costs, Board of Commissioners, Directors, Audit Committees, Bid-Ask Spreads.

1. Introduction

The company should disclose all financial and non-financial information in an integration report to help investors or company owners in their decision making. Corporate financial reporting that is incomplete and less transparent will lead to the conflict between the manager and the owner of a company (agency conflict). The less transparency in the reporting will make the quality of company information be entirely on the part of the directors of the company. It makes them possible to take over other business resources, which if it is not transferred will give returns to the owners (Ang, Cole, & Lin, 2000; Miller & Breton, 2006). In addition, information asymmetry will also arise due to the lack of information which is received by investors that later makes them doubtful in calculating the expected return that will be received later. Agency conflict originates from the decisions of managers who prioritize their own interests, which is indicated by the existence of cash flow for non-essential expendi- ture and making investment decisions that are not optimal (Ade, 2007).

In the study of Ang et al., (2000); Florackis & Ozkan (2004) and (Fadah, 2010), there are two alternative ratios for agency cost indicator, namely load ratio and asset use ratio. High load ratio indicates manager inefficiency in controlling operational costs. While asset use ratio measures how much further the effectiveness of company management uses assets. When the total sales of a company are low on total assets, this shows that managers are inefficient with their investment decisions, bonus decisions for executives, and others.

The company supervision will run well if the corporate governance mechanism runs as it should be. The creation of supervision by independent parties reduces inefficiencies that arise from moral hazards and bad choices. The balance of the number from the board of commissioners, the audit committee with the executive directors can limit the manager policy on fraud and maintain their own reputation as decision making. The research results in various fields of corporate governance studies indicate the important role of non-executive councils in monitoring and providing effective advice (Eng & Mak, 2003; Fama & Jensen, 1983; Florackis & Ozkan, 2004; Gisbert & Navalla, 2013; Jensen, 1986). The research results of Agrawal & Knoeber (1996) show that non-executive directors are always characterized by less information about the company and they cannot be the men power that are needed by the company, so their role is less confrontational than more critical monitoring.

The research results of by Florackis & Ozkan (2004) show that the mechanism of corporate governance in the company internally has varied agency costs, which are closely related to the level of growth opportunities from the company. High company growth is closely related to higher agency costs, if it is compared to the companies with low growth rates. The company with high growth rates can be measured by the Tobin's Q Proxy. The Tobin's Q value from a company which is less than 1 indicates that the company has low growth rate, while the Tobin's Q value from a company which is greater than 1 indicates that the company has high growth rates (Florackis & Ozkan, 2004; McKnight & Weir, 2009).

This study takes a sample of manufacturing companies with high growth rates and it is measured by Tobin's Q values. They are above 1 successively from 2015-2017. This study analyzes the factors that influence agency costs in companies with high growth rates. The variables in this study are the board of commissioners, managers, audit committees and information asymmetry. This information asymmetry variable is measured by bid ask-spread indicator. Agency cost variable use the indicators of cost ratio and the asset use ratio.

The load ratio measures the inefficiency of manager in controlling operational costs, the high load ratio means the high agency cost. While the asset use ratio measures the effectiveness of company management in using assets. High asset use ratio indicates that the assets of company significantly increase sales, which means minimizing agency costs of company. The low use ratio of these assets indicates the presence of agency costs that occur in the company, in the sense that assets are not fully used for the company's operations. The load ratio above the median indicates high agency costs that occur in the company (Ang et al., 2000; McKnight & Weir, 2009). This is in line with the opinion of Pantaliz & Park (2013) the load ratio above the median indicates high agency costs while the asset use ratio below the median indicates high agency costs.

2. Literature Review and Hypotheses Development

Agency Theory is generally accepted that agency problem occurs because of the separation of ownership from the management function in the company. This agency relationship causes two problems, namely: (a) the occurrence of asymmetric information (information asymmetry), in which management in general has more information about the actual financial position and operations of the entity than the owner; and (b) the occurrence of conflict of interest (conflict of interest) due to unequal goals, in which management does not always act in the interests of the owner.

In an effort to overcome or to to reduce this agency problem, there will be agency costs that will be borne by both the principal and agent (Jensen & Meckling, 1976). Agency costs are defined as the sum of 1) agreements, 2) monitoring costs and agreements to reduce costs incurred due to conflicts of interest and 3) residual loss incurred, because it is not generally possible to resolve the interests of agents with the principal perfectly.

Indonesia has arranged the implementation of good corporate governance in the Act No. 40 of 2007, concerning issues of accountability and responsibility, to ensure good behavior and protect the interests of shareholders.

The study results of Miller & Breton (2006) conclude that eliminating conflict or separation between principal and manager can minimize agency costs that are closely related to saving and surplus resources that will provide a large return.

Several corporate governance mechanisms can reduce agency costs. In general, there are two categories of corporate governance mechanisms, namely internal and external mechanisms. Governance mechanisms in the US, UK, Germany and Japan are divided into four categories of governance mechanisms, namely: (1) legal regulatory mechanisms; (2) internal control mechanism; (3) external control mechanisms; (4) market product competition (Jensen, 1993). The internal control mechanisms of corporate governance include board structure, executive compensation and ownership, non-executive ownership and debt (Denis, 2001; Denis & Connell, 2003).

A balance of the proportion between non-executive and executive directors in governance mechanisms can limit the policies of managers in the exploitation of supervision and protect their own reputation as independent decision makers (Florackis & Ozkan, 2004). The percentage of non-executive directors, duality and arrangement of the board sub-committee is the key to the success of the corporate governance mechanism (McKnight & Weir, 2009), both the company commissioner and the audit committee, that bridge the interests of shareholders with the company manager.

The role of independent directors promotes transparency through increased disclosure. In line with the chairman decision of Bapepam LK No Kep-643 / BL / 2012 regarding the establishment and guidelines for the work of the audit committee, that the company independent commissioners do not have affiliation with the company and are appointed because they have the ability, experience and integrity to increase the validity of financial information. The Board of Commissioners serves as the supervisor of the company manager for the implementation of company policies and strategies, the board of commissioners is the party that represents the shareholders. In assisting the performance of their duties, the board of commissioners forms an audit committee that is tasked with reviewing financial information which is conveyed by company managers and providing independent opinion in the event of differences between company management and service accountants.

The existence of an external board of directors, in this case the commissioners and the audit committee, in the composition of corporate governance can improve monitoring while also improving the value of the company (Bhagat, Brickley, & Coles, 1987; Fama, 1980; Fama & Jensen, 1983). Other study also states that reputation and threat could motivate external directors to act better in the interests of investors. Supervision by non-executives is important in limiting company managers to manage earnings (Coles & Hoi, 2003). This statement is in line with Dahya, McConnell, & Travlos (2002), that the combination of the committee structure is dominated by non- executive directors because of the importance of supervision, and a significant increase in the proportion of non-executive directors occurs in companies in the UK.

The study results of Henry (2010) show that compliance with governance mechanisms is proven to significantly reduce the level of company agency cost, both statistically and economically. The corporate governance mechanism on the Australia Stock Exchange is recommended as a best practice as a platform for lower agency costs.

Based on the above results, a conclusion can be drawn that independent directors or non-executive directors as part of the corporate governance mechanism can be used to reduce agency costs. The quality of monitoring, the pressure and the reputation of

independent directors will reduce management policy choices that can increase costs that must be borne by shareholders.

H1: Board of commissioners influences the high agency costs.
H2: Company managers influence the high agency costs.
H3: Audit committee influences the high agency costs.

The company independent directors also play a role in increasing information transparency. The role of high-quality financial information and corporate governance provisions can reduce information asymmetry and minimize agency conflicts (Gisbert & Navalla, 2013). The quality of independence and professionalism of independent directors will always strengthen transparency and carry out their monitoring role efficiently to strengthen their reputation in the labor market.

The study results of Hunziker (2013), the characteristics of agency theory significantly influence the variability of information disclosure. Overall, agency cost theory seems to be a strong theory for explaining information disclosure strategies for Swiss companies, because information has a dual role, namely monitoring management actions (stewardship) and providing information about company values that influence market prices (Ronen & Yaari, 2008).

Jensen & Meckling (1976) state that agency costs are higher for companies with more debt in their capital structure. Thus, the company will disclose voluntary information, to reduce information asymmetry and monitoring costs (Ahmed & Courtis, 1999). There is a negative relation between disclosure of financial analysis and bid-ask spread as a component from the cost of equity capital (Welker, 1995).

Furthermore, Attig, Gadhoum, & Lang (2002) who raise the issue of corporate governance in the context of market microstructure conclude that family ownership and the choice of means that are used to increase control significantly influence the bid-ask spread. The risk of opportunistic behavior positively influences the bid-ask spread and therefore increases information asymmetry and agency costs.

Based on the above statement, the proposed hypothesis is as follows:
H4: Bid-ask spread influences the high agency costs.

3. Research Method

Sample and Data

The population in this study is manufacturing companies that are listed on Indonesia Stock Exchange in the period 2015 to 2017.

Table 1. Research Sample Criteria

No.	Sample Criteria	Number of Companies
1.	Manufacturing companies that are listed on Indonesia Stock Exchange in 2014-2016	144
2.	Manufacturing companies that have managerial ownership in 2014-2016	(67)
3.	Manufacturing companies whose Tobin's Q scores are below 1 in 2014-2016	(30)
Number of samples per year		37
Number of observations (37 x 3 years)		111

Based on table 1, it was obtained a sample of 111 manufacturing companies with high growth rates in 2015-2017.

Operational Variables

Dependent Variables (Y)

The dependent variables in this study are load ratio and asset use ratio.

1) Load ratio, is the operational cost which is divided by the total of annual sales. If this load ratio measures the inefficiency of operational cost control by mana-

gerial, high ratio is an indicator of inefficient operation which is associated with high agency costs.

The load ratio is formulated as

$$EXPR_{i,t} = \frac{OperatingSales_{i,t}}{Sales_{i,t}}$$

2) Asset use ratio is total annual sales divided by total assets. This ratio measures how much further the effectiveness of company management uses assets. When total sales on total assets of a company are low, this means managers are inefficient with their investment decisions, bonuses for executives, and others.

The asset use ratio can be formulated as

$$AUR_{i,t} = \frac{Sales_{i,t}}{TotalAsset_{i,t}}$$

Independent Variables (X)

The independent variables in this study are:

1) The number of board of commissioners is company independent commissioners/number of company executive board directors. This ratio refers to the study of Pantzalis and Park (2013).
2) The number of company managers is the number of company director/number of non executive board directors.
3) The number of audit committees is the number of audit committees/3, because the minimum of audit committee in a company is 3 people (Copy of Regulation of OJK NUMBER 55 /POJK.04/2015).
4) Bid Ask Spread is information asymmetry. It is a condition in which a party (company executive board) has better information than another party (investor) that is not involved in the management of the company (Arifin, 2007).

$$RBA_t = \frac{(HA_t - HB_t)}{\frac{1}{2}(HA_t + HB_t)} x100\%$$

RBA_t = Bid Ask Spread relatively on t day
HA_t = The highest selling bid price in t year
HB_t = The lowest selling bid price in t year

The data analysis model in this study was conducted by using multiple linear regression analysis. There are two regression equations in this study, because there are 2 dependent variables, namely:

$$\boldsymbol{Y_i = \beta_o + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e}\ldots.(1)$$

Information:

(Y_i) = EXPR
(X_1) = Number of Board of Commissioner
(X_2) = Manager
(X_3) = Audit Committee
(X_4) = Bid Ask Spread
β_o = constant
$\beta_1, \beta_2, \beta_3, \beta_4$ = regression coefficient
e = error term

$$Y_i = \beta_o + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e \ldots (2)$$

Information:

(Y_i) = AUR
(X_1) = Number of Board of Commissioner
(X_2) = Manager
(X_3) = Audit Committee
(X_4) = Bid Ask Spread
β_o = constant
$\beta_1, \beta_2, \beta_3, \beta_4$ = regression coefficient
e = error term

Data analysis method in this study uses logistic regression. Analysis of the data uses the help of the Statistical Package for the Social Science (SPSS) 25 application software. The logistic regression model used is:

$$Ln(P/(1-P))=\beta 0+\beta 1X1+\beta 2X2+\beta 3X3+\beta 4X4+\in$$

Description:
Ln = Log of Natural
P = Selection of the public accounting firm Big Four
1–P = Selection of the public accounting firm Non Big Four
β0 = Constant value
β1-β4 = Coefficient regression
X1 = Institutional ownership (KI)
X2 = Managerial ownership (KM)
X3 = Board of Commissioners' size (UDK)
X4 = Dept (LEV)
∈ = Epsilon (error term)

4. Result and Discussion

Table 2. F test results with Dependent Variables EXPR

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin Watson
					R Square Change	F Change	df1	df2	Sig. F. Change	
1	.368[a]	.135	.092	.13244	.135	3.091	4	79	.020	2.322

a.Predictors: (Constant), AskSpread, Audit_comittee, Commissioner, ManagerFirm
b.Dependent Variable: EXPR

Table 3. F test results with Dependent Variables AUR

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin Watson
					R Square Change	F Change	df1	df2	Sig. F. Change	
1	.934[a]	.873	.868	1.02737	.873	178.041	4	104	.000	2.082

a. Predictors: (Constant), Ask_Spread, Audit_Committee, Ext_commissioner, manager_firm
b. Dependent Variable: AUR_ratio

It means that 13.5% of agency costs as it is measured by EXPR indicator are explained by the number of board of commissioners, company managers, audit committees and bid ask-spread, the remaining is explained by other determinants.

In Table 3, R2 value is 0.873 which is significant at the 5% level. It means that 87.3% of agency costs as it is measured by AUR indicator are explained by the number of board of commissioners, company managers, audit committees and bid ask-spread.

The remaining is explained by other determinants which is not measured in this study. This high R2 value shows the ability of dependent variables which is very strong in explaining the dependent variables.

JAROE

VOL. 3(1)

Table 4. t test results with Dependent Variables EXPR

Coefficient[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	-5.464	5.266		-1.038	.303	-15.947	5.018					
	Commissioner	5.631	5.257	3.096	1.071	.287	-4.832	16.095	-.200	.120	.112	.001	763.122
	ManagerFirm	5.806	5.263	3.191	1.103	.273	-4.669	16.281	.204	.123	.115	.001	764.178
	Audit_comitte e	-.061	.029	-.235	-2.106	.038	-.118	-.003	-.285	-.231	-.220	.881	1.135
	AskSpread	-.057	.038	-.161	-1.502	.137	-.132	.018	-.213	-.167	-.157	.958	1.044

a. Dependent Variable: EXPR

Table 5. t test results with Dependent Ratio AUR

Coefficient[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	.141	.239		.590	.557	-.333	.615					
	Ext_commssioner	.172	.267	.038	.642	.522	-.358	.701	.770	.063	.022	.341	2.932
	Manager_firm	.773	.410	.317	1.886	.062	-.040	1.586	.923	.182	.066	.043	23.066
	Audit_comittee	-.106	.083	-.085	-1.270	.207	-.271	.059	.586	-.124	-.044	.271	3.695
	Ask_Spread	.759	.235	.650	3.230	.002	.293	1.226	.924	.302	.113	.030	33.053

a. Dependent Variable: AUR_ratio

The results of t test show that the board of commissioners has positive influence on agency costs, as it is measured by EXPR and AUR indicators. The two beta coefficients of the board of commissioners on the dependent variable, EXPR and AUR, have positive influence. This positive influence indicates the more the number of board of commissioners the higher the agency conflict in manufacturing companies. It means the board of commissioners has not been able to carry out its duties as the supervisor of company management, the board of commissioners has not been able to limit the exploitation which is carried out by company managers. There needs to be a balance between the proportion of non-executives and executive directors of the company and the firmness from the board of commissioners in carrying out their duties. Positive influence in this study has not shown significant relationship so that it cannot be generalized.

Company manager variable shows positive influence on the high agency costs as it is measured by EXPR and AUR indicators. For AUR dependent variable, the significance level is 0.773, while for AUR variable the significance level is 0.062. The positive influence of company managers on high agency costs is in line with the research of (Eng & Mak, 2003; Fama & Jensen, 1983; Florackis & Ozkan, 2004; Gisbert & Navalla, 2013; Jensen, 1986; Jensen & Meckling, 1976) in which there are managers who prioritize their own interests and maintain their own reputation as decision mak- ing, which raises high agency costs as well as residual loss.

The negative influence of audit committee on high agency costs, indicates that the more the number of audit committees will reduce high agency costs, as it is measured by EXPR and AUR indicators. This negative influence is in line with the theoretical framework and research results of (Bhagat et al., 1987; Fama, 1980; Fama & Jensen, 1983), in which audit committee that is formed by an independent board of commis-

sioners does not have affiliation with the company. It has been able to monitor company management policy choices that cause inefficiencies in the operational costs of the company. The beta coefficient value of audit committee on EXPR independent

variable is -0.061 with significant level of 0.038, while for AUR dependent variable is -0.106 with significant level of 0.207. The influence of the audit committee on EXPR dependent variable can be generalized, because the significance value is < 0.05.

The negative influence of bid ask-spread on EXPR dependent variable is not in line with the theoretical framework, but significant positive effect of bid ask-spread on AUR dependent variable is in line with the theoretical and research framework of (Attig et al., 2002; Gisbert & Navalla, 2013), in which information asymmetry can increase agency conflicts. The risk of opportunistic management behavior that positively influences bid ask-spread and hence increases information asymmetry and agency costs. The significant positive influence of bid ask-spread on AUR dependent variable can be generalized.

5. Conclusions, Limitations, and Suggestions

This study takes samples of manufacturing companies with high growth rates, whose managerial ownerships are 0. According to Jensen & Meckling (1976), high company growth is closely related to higher agency costs, if it is compared to the companies with low growth rates, and in the companies whose stock ownership structure does not have managerial ownership of the company also has risk of agency conflict. Indicators of agency costs in this study are load ratio (EXPR) and asset use ratio (AUR). The results of EXPR and AUR calculation in this study sample indicate high agency costs.

The influence in the independent variable of board of commissioners in this study is not yet significant. The company manager variable shows positive influence on high agency costs at significant level of 10% with AUR indicator. It means that managers tend to maintain their reputation that will be related to decisions that ultimately lead to high agency costs. The audit committee variable has negative influence on high agency costs with EXPR indicator, which means the more the number of audit committees the less the agency costs. The bid-ask spread variable shows significant positive influence on AUR, the higher the bid-ask spread, the greater the agency costs. This bid-ask spread can arise due to the risk of opportunistic management behavior.

The conflict of interest between management and the owner of the company often causes information asymmetry which will then cause agency costs. There needs to be compliance with the governance mechanism, so that it can run as it should be. In this study sample, the number of independent commissioners is less than the number of company managers. Perhaps, from here, it can be a discussion from the company to be able to consider the number of board of commissioners. The board of commissioners and audit committee can bridge the interests of managers and shareholders who can reduce information asymmetry and minimizing agency costs as well. The quality of monitoring, pressure, the reputation of the board of commissioners and the audit committee will reduce management policy choices that can increase the costs which must be borne by the shareholders.

The implications for further research are to analyze the influence of agency costs on company performance, and for information asymmetry variables are to be analyzed as intervening variables.

References

Ade, Y. (2007). Hubungan struktur kepemilikan dan external monitoring terhadap agency cost dan aliran kas. *Jurnal Keuangan Dan Perbankan*, *12*(3), 343–354.

Agrawal, A., & Knoeber, C. R. (1996). Firm performance and mechanisms to control agency problems between managers and shareholders. *Journal of Financial and Quantitative Analysis*, *31*, 377–397.

Ahmed, K., & Courtis, J. K. (1999). Associations between corporate characteristics and disclosure levels in annual reports: A meta-analysis. *The British Accounting*

Review, *31*(1), 35–61.

Ang, J. S., Cole, R. A., & Lin, J. W. (2000). Agency costs and ownership structure. *Journal of Finance*, *55*, 81–106.

Attig, N., Gadhoum, Y., & Lang, H. P. L. (2002). Bid-ask spread, asymmetric information and ultimate ownership. *SSRN Electronic Journal*. https://doi.org/0.2139/ssrn.332020

Bhagat, S., Brickley, J. A., & Coles, J. L. (1987). Managerial indemnification and liability insurance: The effect on shareholder wealth. *Journal of Risk and Insurance*, *54*, 721–736.

Coles, J., & Hoi, C. (2003). New evidence on the market for directors: Board membership and Pennsylvania senate bill 1310 LVIII. *Journal of Finance*, 197–230.

Dahya, J., McConnell, J., & Travlos, N. (2002). The cadbury committee, corporate performance and top-management turnover. *Journal of Finance*, *57*, 461–483.

Denis, D. (2001). Twenty–five years of corporate governance research and accounting. *Review of Financial Economics*, *10*, 191–212.

Denis, D., & Connell, J. M. (2003). International corporate governance. In *ECGI Working Paper5*. Retrieved from https://www.google.com/search?q=Denis%2C+D.%2C+and+M.Connell+J.+(2003).+International+corporate+governance.+ECGI.+Working+Paper+5&oq=Denis%2C+D.%2C+and+M.Connell+J.+(2003).+International+corporate+governance.+ECGI.+Working+Paper+5&aqs=chrome..69i57.2166j0

Eng, L. L., & Mak, Y. T. (2003). Corporate governance and voluntary dislosure. *Journal of Accounting and Public Policy*, *22*, 325–345.

Fadah, I. (2010). Faktor penentu dividen dan biaya keagenan serta pengaruhnya pada nilai perusahaan. *Jurnal Keuangan Dan Perbankan*, *14*(3), 391–406.

Fama, E. F. (1980). Agency problems and the theory of the firm. *Journal of Political Economy*, *88*, 715–732.

Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *Journal of Law and Economics*, *26*, 301–325.

Florackis, C., & Ozkan, A. (2004). Agency costs and corporate governance mechanisms: Evidence for UK firms. *European Finance Association Meetings*.

Gisbert, A., & Navalla, B. (2013). The association between voluntary disclosure and corporae governance in the presence of severe agency conflicts. *Advances in Accounting, Incorporating Advances in International Accounting*, *29*, 286–298.

Henry, D. (2010). Agency costs, ownership structure and corporate governance compliance: A private contracting perspective. *Pacific-Basin Finance Journal*, *18*, 24–46.

Hunziker, S. (2013). Internal control disclosure and agency cost-evidence from Swiss listed non financial companies. In *Working Paper. University of Applied Sciences, Grafenauweg*.

Jensen, M. (1986). Agency costs of free cash flow, corporate finance and takeovers. *American Economic Review*, *76*, 323–339.

Jensen, M. (1993). The modem industrial revolution, exit and the failure of internal control systems. *Journal of Finance*, *48*, 831–880.

Jensen, M., & Meckling, W. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, *3*, 305– 360.

Kementrian Keuangan. (2012). Keputusan ketua badan pengawas pasar modal dan lembaga keuangan nomor: KEP-643/BL/2012. *Keputusan Ketua Badan Pengawas Pasar Modal Dan Lembaga Keuangan*, 1–8.

McKnight, P. J., & Weir, C. (2009). Agency cost, corporate governance mechanisme and ownership structure in large UK publicly quoted companies: A panel data analysis. *The Quartely Review of Economics and Finance*, *49*, 139–158.

Miller, D., & Breton, L. I. (2006). Family governance and firm performance: Agency, stewardship, and capabilities. *Family Businesses Review*, *29*(1).

Pantaliz, C., & Park, C. (2013). Agency costs and equity mispricing. *Asia-Pacific Journal of Financial Studies*, *43*, 89–123.

Republik Indonesia. *Undang-undang republik indonesia nomor 40 tahun 2007 tentang perseroan terbatas*. , (2007).

Ronen, J., & Yaari, V. (2008). *Earnings management: Emerging insights in theory, practice, and research*. Springer Science & Business Media.

Welker, M. (1995). Disclosure policy, information asymmetry, and liquidity in equity markets. *Spring*, *11*(2), 801–827. Retrieved from https://doi.org/10.1111/j.1911-3846.1995.tb00467.x