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Cost of Equity:

Disclosure, Size, and Political Connection

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***Abstract*—Every businesses are looking for high return. The cost of equity is important to determine the return on investment. This research aims to examine the relationship between disclosure and political connection towards cost of equity. Cost of equity in this research is using Capital Asset Pricing Model (CAPM) approach. The sample used is from manufacture companies listed on Indonesia Stock Exchange from 2014-2017. The regression analysis results indicate that disclosure has negative relationship toward cost of equity. Likewise, the political connection has negative relationship toward cost of equity. Moreover, the size also has negative relationship toward the cost of equity in the companies.**

Keywords: cost of equity, disclosure, political connection, capital asset pricing model, size

I. INTRODUCTION

Cost of equity capital is one of the factors in determining how a company will structure its capital to get the return on investment. According to Ross, cost of equity has relationship to the required return rate in investment [1]. This research aims to examine the relationship between cost of equity capital with disclosure and political connection. The research triggered by Cuadrado which examined the influence of cost of equity capital towards disclosure, political connection and size of company [2]. The research stated that the companies which are increase their disclosure quality reduces the cost of equity capital by improving liquidity, moreover, with connected to the political condition, the companies can reduce the cost of equity than company without political connection.

Company usually will use external financing if they carry out the new projects such as build a new factory, buildings, etc. External financing is from debt of issue the shares equity capital. When company obtains the funds, investors will expect of the returns from company's activities. Therefore, cost of capital becomes very important for the company. However, the company have dilemma in deciding new financing, whether to raise debt or equity [3]. Cost of debt is cheaper and easy, yet it must be paid back. Equity does not have to pay back, but it costs more. Furthermore, company prefers to use internal financing. When external funding has to be raised, they prefer debt to equity [4], because there are costs of adverse selection that arise from asymmetry information between well-informed and less-informed shareholders. Fazzari found the problems in asymmetric information that make the capital very costly and make difficult for investors to evaluate the quality of investments opportunities [5]. They stated that these costs are only when a company issues the securities and are lower for debt than equity. Therefore, this research is focus more in the cost of equity.

Disclosing company's information has been mentioned by agency theory. Agency theory describes one party (the principal) engage with another party (the agent) using contract to work in which involves in making some decision which can be directed at agency relationship [6]. The principal is shareholders and the agent is manager. In company internal mechanism, each organization has their own control to be the mechanism, and the external mechanism using market-based control to help align the diverse interest of managers and shareholders in the company [7].

The various market imperfections such as asymmetric in the disclosure result equally between these favoring more versus less equity capital [8]. Thus, Hossain mention from the prior studies that the disclosure is to be motivated by some factors; such as agency costs, information asymmetries, disclosure costs related, etc. [9]. Jensen and Meckling debate that agency costs may be motivated to provide information to reduce such costs [6].

With increasing of Indonesia economic growth, the corporations need to have right policies to support them to growing. The implementation of good corporate system can improve the company's performance as its reputation and competitiveness increase, these all to build shareholders' confidence and ensure all of them are treated equally [10]. However, the differences in information lead the investors to lose their confidence in company, thus they will demand a higher return for investing in companies with wide information differences [2]. The quality of disclosure is expected to reduce the level of information asymmetry. Investors will invest their capital to any shares of the company if they know and understand all the information about the shares [11].

The implementation of good system is according to company's Good Corporate Governance (GCG). One of the principles of good corporate governance is that the company

must be more transparent in disclosing all of its company information. Moreover, disclosure can help to anticipate the impact of changing conditions. According to Kanagaretnam, shows that corporate governance quality has an impact on the quality and quantity if company's disclosure information which is lowering the information asymmetry around the financial report [12].

Disclosure is instrument of understanding the economic information for evaluating the costs which are an important consideration in the setting process [13]. By increasing the quality of disclosure of the company, they can against the market crisis, provoking the optimal function of the capital market [14]. Prior evidence agrees in supporting that the quantity and quality disclosure may affect the cost of equity capital. For example, Zhao found that public disclosure – relative to selective disclosure- reduces the cost of capital [15]. Based on the model from Lambert, increasing the quality of disclosures reduces the cost of capital form each company in the economy [16].

There are issues where the companies often do not provide well disclosure. More the company disclose their information more transparent the company. Managers frequently to manipulate the information to show good result in their company which means disclosing the information does not mean disclosing true information. For example, in the WorldCom case, the managers, finance director, and auditors published fraudulent accounting documents that overestimate the result [17]. This fraud led the WorldCom into bankruptcy.

Aside from the disclosure, the political connection in a company is also influence the cost of equity. Boubakri found that company's cost of equity which have political connection with the government lower than other companies without political connection [18]. While Fisman shows that companies which were connected to Indonesia's President Soeharto family had negative influence by the announcement of Soeharto's illness [19].

With having politic inside the company, the business has greater opportunities and higher values. The benefit of having political connection such as being able to borrow on preferential terms from state-owned banks, and to obtain import licenses more easily at more favorable terms which raise the company values or improves their performance. Not only that, company which has political connection is also help to secure favorable regulatory condition [18]. Research in Pakistan shows that company with political connection have loans by government not only 45 percent higher, but also 50 percent higher than other companies without political relations [20], even though private banks show no political bias.

However, in the first phase of Asian crisis 1997, the companies with political connection were being riskier than non-political connection by the market [21]. Moreover, the company with political connection also can lead to corruption. In Maaloul research, the ministers and CEOs of public institutions in Tunisia are link to corruption cases which were missappropriation of public funds, fraud in the result of public contracts, competition and recruitment, and bribes in public services [22].

Another variable that expect to influence the cost of equity is the size of company. Size of company frequently determined as how successful the company is, since the size often estimated as the total asset of company. Shareholders consider investing their money in big companies since the big companies usually already run their business for many years. According to Jensen and Meckling, the bigger company size then the more information will be given compared with the small company [6]. The more information given will reduce the cost of equity. This is also supported by Semper and Beltran, which is the bigger size of company will provide more information that will reduce the cost of equity [23].

Based on the whole description above, the author wants to do research on how the influence of disclosure, political connections and size to cost of equity from company listed on Indonesia Stock Exchange.

II. METHODOLOGY

This research uses quantitative research methods. The data used in this research is secondary data which are financial statements and annual reports. The data is analyzed using Eviews software version 8.0. This research is use data panel which is combine the types of data time series and cross section. Formal Statistic testing is used to choose the method. To determine if fixed affect method is appropriate, author uses Chow Test. To determine if random affect method is appropriate, author uses Hausman Test.

Sample used in this research is obtained from 144 manufacturing companies which are listed in Indonesia Stock Exchange (IDX) for the period 2014 until 2017. Sample selection uses purposive sampling method. The sample uses a purposive sampling method which is deliberately chosen based on certain considerations.

A. Hypothesis Development

1) The influence of disclosure to cost of equity: Based on previous research conducted by Botosan, the greater quality of disclosure is lowering the cost of equity capital [24]. He shows that the level of disclosure reduces investors' uncertainty. Moreover, there is negative relation between the level of disclosure and information asymmetry, which means the greater disclosure quality, the lower information asymmetry [4]. Studies show that the relative on when disclosure increases and information asymmetry decreases, hence it leads to lowering the cost of equity. Both information asymmetry and reduction in investor uncertainty have influence to lowering cost of equity [23]. Increasing in disclosure can reduce the agency problem by provide more information among shareholders and avoid the differences in information, therefore the cost of equity can reduce [14]. In conclusion, with high disclosure reduce the cost of equity or reverse.

Based on the description above, hypothesis is created as follows:

H1: Disclosure has influence towards the cost of equity capital.

2) The influence of political connection to cost equity capital: To discover the existence of the political connections, at least one of the company's majority shareholders or top director is a member of the parliament, a minister or is related to a top politician [25]. The political connections help to lower cost of equity capital than other non-connected companies. The company with political relation is being able to borrow on preferential terms from state-owned banks [18]. Company with political connection with the government have less business risk than other company without political connection, such as the company is easier to get bailouts from the government when there are financial problems that can lead into bankruptcy [26]. In addition, political connected firms have derived the benefits from their connections on the payment they make, insider may hide, obscure, or attempt to delay the company's report on the purpose to intentionally misleading investors [27]. Thus, companies which have a political connection are more often found in countries that have poor legal protection of monitory shareholder and greater level of corruption.

Therefore, based on description above is making following hypothesis:

H2: There is influence between the political connection and cost of equity capital.

3) The influence size to cost equity capital: Size is determinant to use company-owned equipment [28]. The company size is defined as the company's total number of assets, sales, and market capitalization. The size of company has relationship with the shareholder capability to control the intangible factor that can influence the company to gain more profit [29]. According to Semper and Beltran, the large company tends to need more financing means they provide more information and reducing information asymmetry [23]. Other studies from Cheng found there is no relationship between the cost of equity and company size [30]. On Fama and French research, found that actual return is very related with the firm size [31]. Besides, the larger size of company the more complex the agency problem caused by the conflict interest between the manager and shareholders [32]. In conclusion, the size of company is often considered by the shareholders and it influences the required return. Therefore, based on the description above the hypothesis is created as follows:

H3: Size has decreased the cost of equity.

B. Variable and Measurement

1) Dependent variable

a) Cost of equity: Cost of equity is the minimum rate of return equity investors require for providing to the firm [25]. Cost of equity will reflect the required return needed to compensate its shareholders [33].

One of the methods to estimate cost of equity is using CAPM (Capital Asset Pricing Model) approach. The CAPM approach is based on the idea that cost of equity must reflect the additional risk that has to be borne by the investors [34].

Cost of equity is often called the required rate of return expected by the investors. The cost of equity capital can be measured as follows [35]:

$$E_{(ri)} = r_f + \beta_{mi} [E_{(rm)} - r_f]$$

Where:

$E_{(ri)}$ = cost of equity of the company i

Rf = the expected return on a default risk-free rate asset

$E_{(rm)}$= the return on the market

β_{mi} = beta coefficient for the systematic market risk (risk premium)

2) Dependent variable

a) Disclosure: This research measures disclosure by determining the level of voluntary disclosure in the company listed in Indonesia Stock Exchange. Voluntary disclosure refers to the discretionary release of the financial and non-financial information that are not obliged to be disclosed by a standard-setting body. The information obtained is from companies' annual reports. An index for the quality of disclosure is based on Scaltrito's research [36].

TABLE I. DISCLOSURE ITEMS

Category	Items
A. Performance Indicators	A.1. Return on Equity (ROE) A.2. Return on Assets (ROA) A.3. Return on Sales (ROS) A.4. Dividend per Shares (DPS) A.5. Deb sustainability (debt/equity) A.6. Price to book value (PTBV)
B. Firm Background	B.1. History B.2. Organizational Structure B.3. Business B.4. Main Products/Services B.5. Main Market B.6. Competitive Environment
C. Human Resource	C.1. Number Employees C.2. Training C.3. Recruitment Policies C.4. HR Functions C.5. HR Geographic Distribution C.6. HR Welfare Policies

Table 1. Cont.

D. Research and Development	D.1. R&D Projects D.2. R&D Resources D.3. R&D Policies D.4. R&D Activities Deployment D.5. Patents
E. Stock Exchange Information	E.1. Share Volume E.2. Share Value E.3. Share Distribution
F. Segmental Reporting	F.1. Sectorial Market Share F.2. Business Line Production F.3. Business Line Costs
G. Other	G.1. Social Impact of Economic Performance G.2. Environmental Policies G.3. ISO Certification

The disclosure score is composed mainly of 32 items from 7 categories. Author gives 1 if item is disclosed and 0 if the item was absent. After scoring the disclosure, each of score is measured by proxy from Botosan, which is use the DSCORE measuring system [24].

$$DSCORE = \Sigma \frac{SCORE}{MAX\ SCORE}$$

b) Political connection: The company is called to have political connection if at least one of the company's top directors, majority shareholders or their relatives was used to or the members of national parliaments or government [26]. This definition is more suitable to be applied for a country that adheres to a one-tier system such as companies in UK and USA [33], while for a country that adheres to a two-tier system such as Indonesia, the scope of political connection is extended at the top directors since in the two-tier system of Indonesia, the company is held by board of directors and the board of commissioners [37].

The company which have the political connection obtain from available data of the directors and commissioner in the company during the year in the company annual report, articles, as well as news from online and offline resources. Referring to Boubakri's research, the existence of the political connection will be given dummy variable: 1 for company which has political connection and 0 for company that has no political connection [18].

c) Size: The big companies will disclose the information more than small companies; the more information will reduce the cost of equity capital [6]. Company size has positive relationship with disclosure and negative related to cost of equity capital. The proxy used to estimate the size company in this research is logarithm of total assets [2].

$$SIZE = Ln(Total\ Assets)$$

C. Classical Assumption Test

To acknowledge whether the regression has BLUE (Best Linear Unbiased Estimator), the classic assumption testing is needed. The test is used to ensure that the regression model in this thesis is completely free from effect of heteroscedasticity, effect of multicollinearity, and autocorrelation effect [38].

Heteroscedasticity shows that the variance error of the independent variable is inconstant. Heteroscedasticity Test could be by Arch or Harvey Heteroscedasticity. If p-value < α, means there is heteroscedasticity.

The method to detect the symptoms of multicollinearity is Variance Inflation Factor. The regression model does not have multicollinearity on independent variables if VIF < 10.

Autocorrelation describes the correlation between variance error of an observation with other observations. The method to detect the symptoms of autocorrelation is by applied the Durbin Watson (DW) or LM Test.

III. Results

The study is using sample of manufacture companies listed in Indonesia Stock Exchange on 2014 until 2017. The criteria of the companies which being the samples are the companies issued annual report from 2014 until 2017. This is because the author uses annual report as the resources almost for all variables. After selecting samples based on those specific criteria, the author gets 38 companies. Therefore, total of observations in this research are 152 observations (obtained from 38 companies times 4 years observation).

A. Descriptive Statistical Analysis

Before testing the hypothesis, descriptive analysis shows the sample of companies' characteristic. The analytical tool used are mean, median, maximum, minimum, and standard deviation on each variable used.

TABLE II. DESCRIPTIVE STATISTIC

	COE	DSCORE	PCONN	SIZE
Mean	0.025	0.382	0.197	14.11
Median	0.026	0.359	0.000	14.12
Max	0.272	0.703	1.000	18.33
Min	-0.184	0.187	0.000	10.06
Std. Dev	0.05	0.105	0.399	1.80
Observations	220	220	220	220

Based on table 2, provides obtained the mean, median, maximum, minimum, and standard deviation. For cost of equity the mean is 0.025, it means that the average of sampled companies spends 2.5% to obtain their equity financing. The value range in the COE is around 0.272 or 27.2% until -0.184 or -18.4%. The sample company which is the lowest COE is PT Prasidha Aneka Niaga Tbk on 2017, while the higher COE in the sample is PT Fajar Surya Wisewa on 2016.

Disclosure (DSCORE) variable shows the level of disclosure. The mean of DSCORE is 0.38, which means the average of companies disclose their information well is 38%. The value range in DSCORE is around 0.70 until 0.19. Based on the sample, the highest level of disclosure is PT Indocement Tunggal Prakarsa Tbk, which is disclose their report until 70% of the index on 2017. While, the lowest of the quality of disclosure is by PT Pelangi Indah Canindo Tbk. Political Connection (PCONN) variable shows political connection having in the companies. The mean value of this variable is

0.197 or 19.7%. This means almost 19.7% companies have political connection internally.

The size of this research is having average on Rp14.11 million. The size is measured of logarithm natural of total asset. The biggest size on PT Indofood Sukses Makmur Tbk on 2015 which have Rp18.33 million and the smallest size is from PT Indomobil Sukses Internasional Tbk on 2014 which have Rp10.06 million.

B. Classic Assumption Test Results

1) Normality test: Normality test is used to make sure the data have normal distribution. Normal distribution data will generate good regression model. This study used Jarque-Bera method. The result show that unstandardized residual for all models are 0.00. Based on tabel 4, the three model show are passed the normality test since the models have unstandardized residual value higher than the alpha 0.05.

TABLE III. NORMALITY TEST RESULTS

Model	Unstandardized Residual
1	0.25
2	0.35
3	0.07

2) Multicollinearity test: Multicollinearity test aims to test the relationship between independent variables in this study. Multicollinearity is a condition where between two or more independent variables in the regression model have perfect or near perfect linear relationship. This can be indicated by looking at Variance Inflation Factors, if the VIF on each variable less than 10.00, therefore there are no multicollinearity in this regression model.

TABLE IV. MULTICOLLINEARITY TEST

1. Regression of COE on DSCORE

Variable	Coefficient Variance	VIF
DSCORE	0.000	1.000

2. Regression of COE on PCONN

Variable	Coefficient Variance	VIF
PCONN	4.01	1.000

3. Regression of COE on SIZE

Variable	Coefficient Variance	VIF
SIZE	1.97	1.000

Based on the table 4, the variables from all regression model values of VIF are less than 10. So, it can be described that there is no multicollinearity between independent variables.

3) Autocorrelation test: The autocorrelation test is to find out whether there are variable correlations in the regression model with changes the time. The probability Chi-Square on Breusch-Godfrey Serial Correlation LM test can be used to detect the presence or absence of the autocorrelation.

TABLE V. AUTOCORRELATION TEST

Model	Prob. Chi-Square
1	0.357
2	0.193
3	0.08

This study uses LM test to do the autocorrelation test. Based on the table above, the probability chi-square value is more than alpha which is 0.05, which means there is no autocorrelation problem in each regression model.

4) Heteroscedasticity test: Heteroscedasticity test is used to find out whether in the regression model there is an inequality of variants from residuals between one observation to another. To detect the presence of heteroscedasticity in this research by using Breusch-Pagan-Godfrey, Harvey, and White method.

TABLE VI. HETEROSCEDASTICITY TEST

Model	Prob. F	Prob. Chi-Square
1	0.14	0.14
2	0.12	0.12
3	0.72	0.73

Based on the table 6, the probability chi-square of all regression models are more than the alpha 0.05, which means that there is no heteroscedasticity problem in this study.

C. Hypothesis Testing

1) Disclosure towards cost of equity: The F statistic test was conducted to see whether the independent variable which is disclosure (DSCORE) had a significant effect on the dependent variable which is cost of equity. Based on above probability F-statistic is below the alpha 0.05, which means the disclosure is significantly influence the cost of equity. The coefficient value of DSCORE is negative means that the relationship between disclosure and cost equity is negative. It shows that the more companies disclose their information the less cost of equity will be. It compatible with Dhaliwal who found that the potential benefit of initiation of disclosure of the information enjoy reduction in the cost of equity capital [39]. With the increasing in disclosure, the possibility of changes in perceptions of investors to the company could decrease the cost of equity [2,24]. The results support the prior research which the disclosure reduces the investors (principal) who are more informed that arise from agency problems [14]. The lower of agency problem will reduces the cost of capital. In other words, the disclosure could be the instrument for the company to eliminate the information asymmetry among shareholders.

TABLE VII. DISCLOSURE TOWARDS COST OF EQUITY

Dependent Variable: COE				
Method: Panel EGLS (Cross-section random effects)				
Date: 03/10/19 Time: 22:32				
Sample: 2014 2017				
Periods included: 4				
Cross-sections included: 38				
Total panel (balanced) observations: 152				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.057046	0.011500	4.960584	0.0000
DSCORE	-0.090456	0.028894	-3.130623	0.0021
R-squared	0.060643	Mean dependent var		0.016596
Adjusted R-squared	0.054381	S.D. dependent var		0.031029
S.E. of regression	0.030173	Sum squared resid		0.136563
F-statistic	9.683732	Durbin-Watson stat		2.111204
Prob(F-statistic)	0.002226			

R-squared (Correlation Coefficient) is to measure how much the variation of the dependent variable in the research can be explained by the independent variables and controls. The R-squared value in this model shows that 6% variation of the dependent variable can be explained by the independent variable. However, it should be noted that the empirical evidence of this study only shows the low negative relationship of disclosure towards cost of equity which is only 6%. It means only 6% variation of cost of equity explained by disclosure. The remaining 94% is explained by other variable which is not in this research.

2) Political connection toward cost of equity: In the table 8, independent variable political connection (PCONN) have negative significantly relationship toward cost of equity. This explained by the value probability F-statistic is lower than significant alpha 5%. It means the hypothesis 2 is being supported, where political connection has relationship toward cost of equity capital. This result is corresponding with previous research from Boubakri [18]. As the agency theory means investors believe the companies with political connection have more value than non-connected company. The political connected company would avoid the crisis of capital happened in Indonesia. The result shows that even though the is information asymmetry in the agency theory between the agent and principle, Dig et al, in 2014 research stated that political influence in the company can be used as balance power of the conflict of interest among shareholders. Then, there is no agency conflict in company which has political connection. In other words, the agent cannot sacrifice the principal interests because the government will control to balance the interest between agent and principal. Therefore, connected manufacture companies reduce the cost of equity.

TABLE VIII. POLITICAL CONNECTION TOWARD COST OF EQUITY

Dependent Variable: COE
Method: Panel EGLS (Cross-section random effects)
Date: 03/10/19 Time: 22:33
Sample: 2014 2017
Periods included: 4
Cross-sections included: 38
Total panel (balanced) observations: 152
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.028864	0.003571	8.082236	0.0000
PCONN	-0.028158	0.007443	-3.783331	0.0002
R-squared	0.086902	Mean dependent var		0.017485
Adjusted R-squared	0.080815	S.D. dependent var		0.031523
S.E. of regression	0.030222	Sum squared resid		0.137008
F-statistic	14.27590	Durbin-Watson stat		2.084532
Prob(F-statistic)	0.000227			

The companies with political connection generally considered to be less risky than non-connected companies. So, it can be concluded that the political connection which is happened in Indonesia is trusted by the investors. Choy et al, in 2011 states the direct political connected involve in government in economic and financial sector, have significant impact to agency. This is because the government can use their control over companies to favor the connected parties, so the other investors believe that it will give less risk. Moreover, with the control of the government for the company it will reduce the agency conflict where the agency will not prioritize their benefits than the principal's benefits. So, the political connected company can abolish the issue that often be recognized by the investors [18].

The R-squared (correlation coefficient) analyze testing has value is 0.08 or 8%. It describes that 8% variation on cost of equity capital can be explained by independent variable which is political connection. The remaining 92% is explained by other variable which is not in this research model.

3) Political connection toward cost of equity

TABLE IX. SIZE TOWARD COST OF EQUITY

Dependent Variable: COE				
Method: Panel EGLS (Cross-section random effects)				
Date: 03/10/19 Time: 22:33				
Sample: 2014 2017				
Periods included: 4				
Cross-sections included: 38				
Total panel (balanced) observations: 152				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.076701	0.026419	2.903312	0.0043
SIZE	-0.003762	0.001819	-2.068224	0.0403
R-squared	0.027904	Mean dependent var		0.015431
Adjusted R-squared	0.021424	S.D. dependent var		0.030409
S.E. of regression	0.030082	Sum squared resid		0.135736
F-statistic	4.305805	Durbin-Watson stat		2.089694
Prob(F-statistic)	0.039690			

The probability F-statistic shows 0.008 which is lower than 0.05 significant level which means hypothesis 3 is accepted.

The size is having negative significant relationship with cost of equity since the coefficient of size has negative sign. This result is correspondent with the Semper and Beltran research that stated the bigger company will decrease the cost of equity [23]. The result also supports Jensen and Meckling research which stated the bigger company will provide more information that can reduce the cost of equity [6]. Moreover, the big size of company considered to reduce the agency problem, since the big company caused the shareholders more observe the situation on the company. On the third regression model, R-squared which shows the level of cost of equity explained by independent variable is 0.04.

IV. CONCLUSION

This research aims to examine the influence of disclosure and political connection toward cost of equity of the manufacture company in Indonesia. Based on the result of this research, it can be concluded that disclosure has negative significant influence the cost of equity of the manufacture companies in Indonesia. It is consistent with prior researches that show disclosure has influence toward the cost of equity [2,13]. The more voluntary information disclosed by companies, the lower the cost of equity of the companies. This research also shows that political connection has negative significant relationship to cost of equity capital. This is in line with Boubakri that having politic inside the company will reduce the cost of equity [18]. The companies with political connection generally considered to reduce the cost of equity. The investors tend to trust the political connected companies than non-connected. Moreover, the company size also has negative significant relationship to the cost of equity. The bigger size of company will reduce the cost of equity because the big company tends to be more observed by the shareholders. There are limitations in this research. First, the crisis in the capital market led the author have to omit some sample which is including in the data outlier. The crisis is also makes the result not as expected because the other research use the sample when the capital market is in normal. Second, The disclosure measure is scored based the author subjective which makes the contribution of the relationship of disclosure to cost of equity is low. There is no absolute score when measure the disclosure.

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