# Good Corporate Governance, Information Asymmetry, and Carbon Emission Disclosure on Cost of Equity

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## Abstract

The Cost of Equity (COE) reflects the return expected by investors and is influenced by various factors related to corporate governance, information transparency, and sustainability practices. However, empirical studies examining the simultaneous effects of Good Corporate Governance (GCG), Information Asymmetry, and Carbon Emission Disclosure (CED) on the Cost of Equity remain limited, particularly in Consumer Non-Cyclical companies listed on the Indonesia Stock Exchange (IDX). Therefore, this study aims to examine the effects of Good Corporate Governance, Information Asymmetry, and Carbon Emission Disclosure on the Cost of Equity. This study employed a quantitative approach using secondary data obtained from annual reports, sustainability reports, and financial statements of Consumer Non-Cyclical companies listed on the IDX during 2020–2024. The sample consisted of 35 companies (175 firm-year observations) selected using purposive sampling. The data were analyzed using panel data regression with the Random Effect Model (REM). The results indicate that Good Corporate Governance, proxied by institutional ownership, has a negative and significant effect on the Cost of Equity, while Information Asymmetry has a positive and significant effect. In contrast, Carbon Emission Disclosure has no significant effect on the Cost of Equity. These findings suggest that investors place greater emphasis on corporate governance quality and information transparency than on voluntary environmental disclosure when assessing investment risk. Therefore, improving governance practices and reducing information asymmetry are important strategies for lowering the Cost of Equity.

**Keywords:** Cost of Equity, Good Corporate Governance, Information Asymmetry, Carbon Emission Disclosure

## INTRODUCTION

Cost of Equity (COE) represents the rate of return expected by investors as compensation for investment risk. As one of the company's financing costs, the Cost of Equity influences investment decisions, capital acquisition, and long-term corporate sustainability. Consequently, companies are required to provide reliable financial and non-financial information to reduce uncertainty perceived by investors. Reliable information enables investors to assess corporate performance and risk more accurately, thereby influencing the level of return they require (Yulianti & Debataraja, 2022; Riswandari, 2023).

Consumer Non-Cyclical companies are relatively resilient because they produce essential goods that remain in demand regardless of economic conditions. Nevertheless, during the 2020–2024 period, this sector experienced fluctuations in the Cost of Equity due to changes in investor risk perception triggered by economic uncertainty and corporate characteristics. Besides macroeconomic factors, internal factors such as corporate governance quality, information transparency, and

environmental disclosure are considered capable of influencing investors' required rate of return.

Previous studies have identified several determinants of the Cost of Equity. Arimbi and Indarti (2021) found that institutional ownership, as a proxy for Good Corporate Governance (GCG), reduces the Cost of Equity by strengthening monitoring over management. Riswandari (2023) also reported that institutional ownership negatively affects the Cost of Equity. Furthermore, Aliah and Irwansyah (2022), Yulianti and Debataraja (2022) and Fadila *et al*. (2025) concluded that Information Asymmetry increases the Cost of Equity because investors demand higher expected returns when information uncertainty is high. Regarding environmental disclosure, Andanrani *et al*. (2023) and Oktaviyanti *et al*. (2025) reported that Carbon Emission Disclosure (CED) reduces the Cost of Equity, while Sulaiman and Harahap (2020) found that carbon disclosure has no significant effect on investors' required returns.

Although previous studies have examined the determinants of the Cost of Equity, research simultaneously investigating Good Corporate Governance, Information Asymmetry, and Carbon Emission Disclosure remains limited. Most previous studies focused on financial variables, such as profitability, leverage, firm size, and earnings management, while relatively few integrated governance, information transparency, and environmental disclosure within a single research model. In addition, empirical evidence focusing on Consumer Non-Cyclical companies listed on the Indonesia Stock Exchange during the 2020–2024 period is still limited. This condition indicates the need for further empirical investigation.

This study contributes to the literature by simultaneously examining the effects of Good Corporate Governance, Information Asymmetry, and Carbon Emission Disclosure on the Cost of Equity while incorporating leverage and profitability as control variables.

## RESEARCH METHODOLOGY

This study employed a quantitative research approach using secondary data obtained from annual reports, sustainability reports, and financial statements of Consumer Non-Cyclical companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. The population consisted of all Consumer Non-Cyclical companies listed on the IDX. Samples were selected using purposive sampling based on predetermined criteria, resulting in 35 companies with 175 firm-year observations**.**

The dependent variable in this study is Cost of Equity (COE), measured using the Capital Asset Pricing Model (CAPM)**.** The independent variables consist of Good Corporate Governance (GCG), proxied by institutional ownership, Information Asymmetry (AIN)**,** measured using the bid–ask spread, and Carbon Emission Disclosure (CED), measured based on the GRI 305 disclosure index. In addition, Leverage (DAR) and Profitability (ROA) were included as control variables.

The data were analyzed using EViews 12. The analysis began with descriptive statistics, followed by panel data model selection using the Chow test, Hausman test, and Lagrange Multiplier (LM) test. Classical assumption tests, including normality, multicollinearity, heteroscedasticity, and autocorrelation tests, were subsequently conducted to ensure the validity of the regression model. Hypothesis testing was performed using

panel data regression analysis through the Random Effect Model (REM), followed by the coefficient of determination (Adjusted $R^2$), the F-test, and the t-test.

## RESULTS AND DISCUSSION

### Results

**Table 1. Sample Selection**

| Criteria | Total |
|---|---|
| Consumer Non-Cyclical companies listed on IDX | 132 |
| Companies without complete Annual Report/Sustainability Report | (96) |
| Final sample | 35 |
| Observation period | 5 years |
| Total observations | 175 |

*Source: Processed by the author (2026).*

**Table 2. Descriptive Statistics**

| | COE | GCG | AIN | CED | DAR | ROA |
|---|---|---|---|---|---|---|
| *Mean* | 0.03 | 0.73 | 0.55 | 0.23 | 0.52 | 0.06 |
| *Med* | 0.03 | 0.82 | 0.50 | 0.22 | 0.45 | 0.05 |
| *Max* | 0.14 | 1.00 | 1.63 | 0.38 | 2.64 | 0.59 |
| *Min* | -0.23 | 0.00 | 0.11 | 0.05 | 0.06 | -0.23 |
| *Std. Dev* | 0.04 | 0.26 | 0.28 | 0.11 | 0.36 | 0.10 |
| *Obsv* | 175 | 175 | 175 | 175 | 175 | 175 |

*Source: Processed data using EViews 12 (2026).*

Table 2 presents the descriptive statistics of the research variables. The study consists of 175 firm-year observations. The average Cost of Equity is 0.03, while the average institutional ownership is 0.73. Information Asymmetry and Carbon Emission Disclosure have average values of 0.55 and 0.23, respectively.

**Table 3. Panel Regression Results**

| | Coeff | t | Prob | Result |
|---|---|---|---|---|
| GCG | -0.21 | -4.40 | 0.00 | Supported |
| AIN | 0.21 | 4.03 | 0.00 | Supported |
| CED | -0.09 | -1.17 | 0.24 | Not Supported |
| DAR | -0.06 | -0.91 | 0.36 | Control |
| ROA | -0.24 | -5.39 | 0.00 | Control |

*Source: Processed data using EViews 12 (2026).*

Based on the Chow, Hausman, and Lagrange Multiplier tests, the Random Effect Model (REM) was selected as the most appropriate estimation model. The regression results indicate that Good Corporate Governance has a significant negative effect on the Cost of Equity, Information Asymmetry has a significant positive effect, whereas Carbon Emission Disclosure has no significant effect. These findings indicate that only Good Corporate Governance and Information Asymmetry significantly influence the Cost of Equity, whereas Carbon Emission Disclosure does not significantly affect the Cost of Equity.

### Discussion

The regression results indicate that Good Corporate Governance (GCG), proxied by institutional ownership, has a significant negative effect on the Cost of Equity. This finding suggests that greater institutional ownership strengthens monitoring of management, thereby increasing investor confidence and reducing the return required by investors. According to signaling theory, high institutional ownership serves as a positive signal of effective corporate governance, reducing information uncertainty and perceived investment risk. Consequently, companies with stronger institutional ownership tend to face lower equity financing costs. This finding is consistent with previous studies conducted by Pangestika and Widiatmoko (2021), Arimbi and Indarti (2021), Riswandari (2023), and Lestari *et al*. (2023), which also found that

institutional ownership reduces the Cost of Equity.

The results also reveal that Information Asymmetry has a significant positive effect on the Cost of Equity. This finding indicates that greater information asymmetry increases uncertainty faced by investors, leading them to require higher expected returns as compensation for higher perceived risk. From the perspective of signaling theory, limited information disclosure weakens the credibility of corporate signals and increases investors' concerns regarding firm value and future performance. As a result, companies experiencing higher information asymmetry tend to incur higher equity financing costs. This result supports the findings of Sanjaya *et al*. (2024), Yulianti and Debataraja (2022), Riswandari (2023), Fadila *et al*. (2025), and Oktaviyanti *et al*. (2025), which reported a positive relationship between information asymmetry and the Cost of Equity.

In contrast, Carbon Emission Disclosure (CED) does not have a significant effect on the Cost of Equity. This finding suggests that investors in Consumer Non-Cyclical companies still place greater emphasis on financial performance than on environmental disclosure when making investment decisions. Although carbon emission disclosure reflects a company's environmental responsibility, such information has not yet become a dominant factor in assessing investment risk and determining the expected rate of return. One possible explanation is that carbon emission disclosure in Indonesia remains voluntary, resulting in varying disclosure practices across companies and reducing its usefulness as an investment signal. This finding is consistent with the studies of Padma and Rahmawati (2025), Sulaiman and Harahap (2020) and Oktaviyanti *et al*. (2025), which found that Carbon Emission Disclosure does not significantly influence the Cost of Equity.

## CONCLUSION

This study examined the effects of Good Corporate Governance (GCG), Information Asymmetry, and Carbon Emission Disclosure (CED) on the Cost of Equity (COE) of Consumer Non-Cyclical companies listed on the Indonesia Stock Exchange during the 2020–2024 period. The results indicate that Good Corporate Governance, proxied by institutional ownership, has a significant negative effect on the Cost of Equity, suggesting that stronger institutional ownership enhances monitoring effectiveness and increases investor confidence, thereby reducing the company's equity financing costs. Conversely, Information Asymmetry has a significant positive effect on the Cost of Equity, indicating that greater information asymmetry increases investors' perceived risk and leads them to require higher expected returns.

In contrast, Carbon Emission Disclosure has no significant effect on the Cost of Equity, implying that environmental disclosure has not yet become a primary consideration for investors when making investment decisions in the Consumer Non-Cyclical sector. Overall, the findings support the role of corporate governance and information transparency in reducing the Cost of Equity, while environmental disclosure alone is insufficient to influence investors' required rate of return. These findings provide practical implications for companies seeking to strengthen investor confidence by improving governance quality and reducing information asymmetry.

## RECOMMENDATION

The findings of this study suggest that companies should strengthen corporate governance practices, improve information transparency, and enhance the quality of carbon emission disclosure to increase investor confidence and reduce the cost of equity. Future studies are expected to expand the research period, include additional industrial sectors, and incorporate other variables that may influence the cost of equity.

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