The 13th Malaysia-Indonesia International Conference on Economics, Management and Accounting (MIICEMA) 2012

"ASIA EMERGING ECONOMY TOWARD GLOBAL ECONOMIC INTEGRATION"

Organized by

Faculty of Economics
Sriwijaya University

Palembang, October 18-20, 2012

Co Organizer:

UKM IPB UNSYIAH UNPAD UNIB UMS

THURSDAY, 18th OCTOBER 2012

TIME: 13.00-14.30

Room 1				
Finance				
MIICEMA UnSri-1	TESTING THE VALIDITY OF CAPITAL ASSET *PRICING MODEL (CAPM) AND ARBITRAGE* PRICING THEORY (APT) IN PREDICTING THE RETURN OF STOCKS IN AN EMERGING MARKET: Evidence from Indonesia Stock Exchange (IDX) 2008-2010.	Shintabelle Restiyanita M. & Zainul Kisman	STEKPI	Indonesia
MIICEMA UnSri-72	DIVERSIFICATION, PERFORMANCE , AND FIRM VALUE	nikmah, fitrawati ilyas; mike ayuningtiyas	Bengkulu University	Indonesia
MIICEMA UnSri-16	*THE ROLE OF CASH WAQF IN PROVIDING* CAPITAL FOR SUSTAINABLE DEVELOPMENT	*Magda Ismail* Abdel Mohsin	INCEIF	Malaysia
MIICEMA UnSri-18	THE EFFECT OF CHANGES IN WORLD OIL PRICES, FOREIGN STOCK INDEX AND *FACTORS OF MONETARY TOWARD MOVEMENT* JCI, PERIOD 2005-2011	Darmawan Achmad, Ishak Ramli	Tarumanagara University	Indonesia
MIICEMA UnSri-19	The Effect of Microfinance on Entrepreneurial Quality and Small Business Growth: A Conceptual Model	Syamsuriana Sidek, M. Mohd Rosli	Universiti Malaysia Kelantan	Malaysia

Room 2				
Accounting				
MIICEMA UnSri-134	*ANALYSIS OF SOCIAL RESPONSIBILITY* DISCLOSURE IN ISLAMIC BANKS: FULL ISLAMIC BANKING SYSTEM AND DUAL BANKING SYSTEM	Widya Gustifaurina, Inten Meutia ; Emylia Yuniarti; Dewi Rina Komarawati	Sriwijaya University	Indonesia
MIICEMA UnSri-337	Role of Public Accounting Control in Public Sector Organizations in South Sumatera	Yulia Djahir, Sofendi	Sriwjaya University	Indonesia
MIICEMA UnSri-13	The Effect of Economic Value Added, Market Value Added and Corporate Social Responsibility Disclosure to the Stock Return in Companies Listed on Indonesia Stock Exchange	Kurnia Widya Oktarini, Mukhtaruddin, Aryanto	Universitas Sriwijaya	Indonesia
MIICEMA UnSri-339	BALANCED SCORECARD PERSPECTIVE PERFORMANCE ANALYSIS IN PUBLIC SERVICE ENTERPRISES OF GENERAL HOSPITALS IN PALEMBANG	Ika Sasti Ferina, Didik susteyo	Sriwjaya University	Indonesia

Room 3				
Finance				
Moderator:				
MIICEMA UnSri-184	STOCK MARKET AND THE INSTABILITY OF ECONOMY	Hendri tanjung	Universitas Ibnu Khaldun Bogor	Indonesia
MIICEMA UnSri-189	Firm Performance in the Craft Industry: Mediating Role of Entrepreneur's Competencies	M. Mohd Rosli, Mohd Rafi Yaacob and Rosman Mahmood	*Universiti* Malaysia Kelantan, Universiti Teknologi Mara	Malaysia
MIICEMA UnSri-195	Valuing Banks	Dr Jagdish Joshipura	*Som Lalit* Institute Of Management	India
MIICEMA UnSri-200	'Validity' Issues in Qualitative Research in Social Sciences: View from Two Angles, Have a Better Look	Ashfaq Ahmad Khan	University of New England	Australia
MIICEMA UnSri-301	The Effect of Iran Oil Sanction on The European Stock Market	Hanieh Sharif, Ruzita Abd Rahim	UKM, Malaysia	Malaysia

Room 4				
Economics				
MIICEMA UnSri-6	THE SINGLE CURRENCY PROPOSAL FOR ASEAN-5 COUNTRIES	Dimas Bagus Wiranata Kusuma and Muhammad Iqbal Fauzi	International *Islamic* University Malaysia	Malaysia
MIICEMA *UnSri-60*	DOES THE LOCAL ECONOMIC GOVERNANCE *IN INDONESIA PERFORM AN IMPROVEMENT?*	Haryo Kuncoro	State University of Jakarta	Indonesia
MIICEMA UnSri-137	MONEY DEMAND IN MALAYSIA: PRE- AND POST-CRISES ANALYSIS	Uma Devi Vadiveloo and Zarinah Yusof	University Malaya	Malaysia
MIICEMA UnSri-145	ECONOMIC STUDY ON THE PARTICIPANTS HOUSEHOLD OF NON REVITALISATION RUBBER DEVELOPMENT PROGRAM IN TAPIN REGENCY OF SOUTH KALIMANTAN	Yusuf Azis, Nuri Dewi Yanti; Athaillah Mursyid	Faculty of Agriculture, University of Lambung Mangkurat	Indonesia
MIICEMA UnSri-157	Survey The influences of establishing Academic centers in women's wealth	Sedighe hasani ahmadie, Rouhollah tavakolizadeh, Rouhollah cheraghpoor	Islamic Azad University - Kahnooj Branch	Iran

Room 7				
Human Resource				
MIICEMA UnSri-14	Internet Job Search and Labor Market Outcomes	Hazrul Shahiri	University of Arizona	America
MIICEMA UnSri-36	Participatory Ergonomic: Mechanism to Improve Workers Productivity	Mohd Nasir Selamat	Universiti Kebangsaan Malaysia	Malaysia
MIICEMA UnSri-52	Role Models' Influence on Academic Career Choice	JAKARIA DASAN, MOHD NASIR SELAMAT	Universiti Malaysia Sabah	Malaysia
MIICEMA UnSri-306	People Risk and Human Capital Attributes : An Exploratory Study in Islamic Bank	Aisyah Abd Rahman, Ph.D, dkk	UKM, Malaysia	Malaysia
MIICEMA UnSri-117	PERFORMANCE ANALYSIS OF LECTURERS FACULTY ECONOMIC UNIVERSITY RIAU	jumiati sasmita	Riau University	Indonesia
MIICEMA UnSri-188	The Influence of Integrity, Competence, and Loyality Leadership to the Trust of Subordinates in the Strategic Business Unit of PT Pusri Palembang	Elvia Zahara	Universitas Sriwijaya Palembang	Indonesia

Room 8				
Accounting				
MIICEMA UnSri-4	Background of the Degree in Public Accounting	José G. Vargas.Hernández	University center for economic and Managerial sciences, University of Guadalajara	Mexico
MIICEMA UNSri-322	The Importance of Forensic Auditing to Combat Fraud in Indonesia	Lukluk Fuadah	Unsri, Indonesia	Indonesia
MIICEMA UnSri-23	GOODS AND SERVICES TAX (GST) COMPLIANCE COST AMONG SMALL AND MEDIUM ENTERPRISES	Mohd Rizal Palil,Rosiati Ramli,Ahmad Fariq Mustapha,Nurul Syuhada Abu Hassan	Universiti Kebangsaan Malaysia	Malaysia
MIICEMA UnSri-24	External auditor's reliance on the work of internal audit function, audit committee characteristics and audit report lag in Jordan	Noor Azizi Ismail, Faudziah Hanim Fadzil, Ghassan Saeed Bagulaidah	Univeristi Utara Malaysia	Malaysia
MIICEMA UnSri-33	FIRM LIFE CYCLE AND THE VALUE RELEVANCE ON INTANGIBLE ASSETS: THE CASE OF AUSTRALIAN FIRMS	Hartini Jaafar, Hazianti Abdul Halim	Universiti Pendidikan Sultan Idris	Malaysia

Room 9				
Accounting				
MIICEMA UnSri-41	The Effect of Financial Ratios, Prior Audit Opinion, and Growth on the Auditors' Going Concern Opinion	Erly Sherlita, Elok Tika Puspita	Widyatama University	Indonesia
MIICEMA UnSri-42	The Impacts of Malaysian Code of Corporate Governance on the Quality of Reported Earnings of KLCI Components	Rizwana Md Yusof	UITM Shah Alam	Malaysia
MIICEMA UnSri-61	THE PRACTICE OF EARNINGS MANAGEMENT : SHORT TERM AND LONG TERM DISCRETIONARY ACCRUAL APPROACH MODEL (Empirical Studies in LQ - 45 During The period of 2004-2010)	Wiyadi, Lina Ayu Safitri	Muhammadiyah University of Surakarta	Indonesia
MIICEMA UnSri-64	THE EFFECT OF CORPORATE GOVERNANCE ON INCOME STATEMENT DISCLOSURE COMPLIANCE IN THE STATE OWNED ENTERPRISES	Abdul Kharis	Muhammadiyah University of Surakarta	Indonesia
MIICEMA UnSri-344	Earnings Management, Underinvestment and Value Relevance of Accounting Information	Mohammat Sabri Jassan, Norman Mohd Saleh, Aulia Fuad Rahman, Zaleha Abdul Shukor	Universiti Kebangsaan Malaysia	Malysia

Room 10				
Accounting				
MIICEMA UnSri-135	The Influence of The Quality of Board of The Council on Local Finance (APBD) with Good Governance as The Moderating Variables	Rosalina Pebrica Mayasari, Prof. Syamsurijal, Drs. Burhanuddin	Tridinanty University	Indonesia
MIICEMA UnSri-138	Auditor Choice of Indonesian Listed Firms: Do Ownership Concentration and Family Control Matter?	Salim Darmadi	Indonesian Capital Market and Financial Institut	Indonesia
MIICEMA UnSri-143	The Role of professional accounting association in direct companies to regard accounting standards.	Rouhollah tavakolizadeh, Maryam Mazaheri; Mahdi sharifi; mansour alemzadeh	Islamic Azad University	iran
MIICEMA UnSri-159	THE FACTORS THAT EFFECT TO THE DISCLOSURE OF CORPORATE SOCIAL RESPONSIBILITY IN MANUFACTURING COMPANIES LISTED IN INDONESIA STOCK EXCHANGE	Verawaty, Citra Indah Merina	Bina Darma University	Indonesia
MIICEMA UnSri- 204	WESTERN CULTURAL VALUES AND ITS IMPLICATIONS ON MANAGEMENT PRACTICES	A. M. INUN JARIYA	South Eastern University of Sri Lanka	Sri Lanka

THRUSDAY, 18th OCTOBER 2012

TIME: 15.00-16.40

Room 1				
Finance				
MIICEMA UnSri-26	Strength Measurement of Bid & Ask in Individual Stocks: Intra-Day Evidence from UMA in Indonesia	Deddy P. Koesrindartoto, Felisca Oriana Surjoko	Institut Teknologi Bandung	Indonesia
MIICEMA UnSri-31	The Influence of Cash Flow Changing and Profit Accounting to Stock Return in Manufacturing compaies listed on the Indonesia Stock Exchange	Debby Novianti, Mukhtaruddin, Rina Tjandrakirana	Sriwijaya University	Indonesia
MIICEMA UnSri-34	Finding Market Leaders among Institutional Investors: Case of Indonesia Government Bond Market	Isabelle Aranditha Gusdinar, Deddy P. Koesrindartoto	Institut Teknologi Bandung	Indonesia
MIICEMA Unsri-35	LOCALIZATION OF ZAKAT DISTRIBUTION, RELIGIOSITY, QUALITY OF LIFE AND ATTITUDE CHANGE (PERCEPTIOMS OF ZAKAT RECIPIENTS IN MALAYSIA)	Hairunnizam Wahid, Radiah Abdul Kader (PdD), Sanep Ahmad (PhD)	National University of Malaysia	Malaysia
MIICEMA UnSri-38	Developing a Customers' Oriented Ar-Rahnu (Islamic Pawn Brokeing) Model for Cooperatives in Micro Financing in Malaysia- Providers' Perspectives	Mohd Rafi Yaacob, Ghazali Ahmad, Mohamed Dahlan Ibrahim	University of Malaysia Kelantan	Malaysia

Room 2				
Finance				
MIICEMA UnSri-89	THE COMPARATIVE OF PREDICTING BANKRUPTCY MODELS IN BANKING WHICH LISTED IN BURSA EFEK INDONESIA (BEI)	Meisita Sari, Tirta Ibat Rainbow; Rini Indriani	Bengkulu University	Indonesia
MIICEMA UnSri-90	MANAGEMENT CONTROL SYSTEM, COOPERATION AND THE PERFORMANCE OF PROFIT AND LOSS SHARING FINANCING	ATAINA HUDAYATI, SOFIAH MD AUZAIR	INDONESIAN ISLAMIC UNIVERSITY	Indonesia
MIICEMA UnSri-94	THE INFLUENCE OF COUPON BOND AND BOND MATURITY TO BOND YIELD IN INDONESIA STOCK EXCHANGE	Richard Andrew, Andi Wijaya	Tarumanagara University	Indonesia
MIICEMA UnSri-327	Corparate Demand For Islamic Insurance (Takaful) In Malaysia	Prof.Mohamad Abdul hamid	UKM	Malaysia

THURSDAY, 18th OCTOBER 2012

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Room 3				
Finance				
MIICEMA UnSri-128	ARBITRAGE PRICING THEORY MODEL TESTING ON SHARES IN INDONESIAN BANKING SECTOR	Fida Muthia, Isnurhadi Banaluddin	Sriwijaya University	Indonesia
MIICEMA UnSri-174	The Impact of Legal Origin Toward Shariah Governance	Ince Nopica, Prof. Abdul Ghafar Ismail	Universiti Kebangsaan Malaysia	Malaysia
MIICEMA UnSri-175	Risk Return Tradeoff For Jakarta Islamic Index: Does The Link Exist?	Farra Munna Harun	Universiti Kebangsaan Malaysia	Malaysia
MIICEMA UnSri-178	THE EFFECT OF INVESTMENT OPPORTUNITY SET (IOS) TO EARNINGS MANAGEMENT: REAL ACTIVITIES AND ACCRUAL MANIPULATION	Dewi Kusuma Wardani	Faculty of Economics, Universitas Sarjanawiyata Tamansiswa	Indonesia

Room 4				
Economics				
MIICEMA UnSri-335	Indonesia Discourage Worker Performance *in Agriculture-Rural and Industri-Urban* Sector	Nurlina Tarmizi, Dessy Adriani	Sriwijaya University	Indonesia
MIICEMA UnSri-162	Emissions, energy and economic growth in an environmental Kuznets curve: Pooled mean group estimations of developed, developing, and least-developed countries	Mohd Adib Ismail, Mawar Murni Yunus	Universiti Kebangsaan Malaysia	Malaysia
MIICEMA UnSri-166	The impact of globalization on the consumption pattern of households with a family case songket producers as a single parent mothers	Lisnini, Purwati, Neneng Miskiyah	Politeknik Negeri Sriwijaya	Indonesia

MIICEMA UnSri-172	THE PRODUCTION FACTORS PATTERN IN INCREASING PALEMBANG TRADITIONAL FOOD MANAGERS INCOME IN PALEMBANG	Esya Alhadi, Yusleli Herawati, Nirwan Rasyid	Politeknik Negeri Sriwijaya	Indonesia
MIICEMA UnSri-193	Economic Instability and Financial Crises in a Capitalist Financial System: Empirical Evidence from the UK	Dr Ashfaq Ahmad Khan, Mr. Waqar Ahmad	University of New England, Armidale, NSW 2351	Australia
MIICEMA UnSri-202	FOOD SECURITY AND POVERTY IN RURAL OF SOUTH SUMATERA, INDONESIA	Faharuddin, Prof. Dr. Ir. Andy Mulyana, M.Sc.	Sriwijaya University	Indonesia

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Room 5				
Accounting				
MIICEMA UnSri-67	EARNINGS MANAGEMENT PRACTICES ON COMPANIES IN THE SHARIAH INDEX (The comparative studies between STDAM and LTDAM in Indonesian stock exchange during 2004-2010 period)	Noer Sasongko, Happy Purbasari	Muhammadiyah University of Surakarta	Indonesia
MIICEMA UnSri-70	*THE UTILIZATION OF INFORMATION* TECHNOLOGY, THE USER SATISFATION OF ACCOUNTING INFORMATION SYSTEM AND TASK COMPLEXITY: Study in Banking Industry at Bengkulu city	sriwidharmanely, darman usman; hery aprizal	Universitas Bengkulu	Indonesia
MIICEMA UnSri-77	*BASIC MATH AND LANGUAGES* SKILL UPON ACCOUNTING STUDENTS ACADEMIC ACHIEVEMENT IN UNIVERSITY BENGKULU	Lisa Martiah Nila Puspita, Muhammad Firmansyah	Bengkulu University	Indonesia
MIICEMA UnSri-78	Corporate Governance Quality, Performance and Firm Value : Evidence from Selected Corporate Governance Perception Index.	Triyono	Universitas Muhammadiyah Surakarta	Indonesia
MIICEMA UnSri-87	THE INFLUENCE OF *CORPORATE* SOCIAL RESPONSIBILITY TO FIRM VALUE WITH PROFITABILITY AND LEVERAGE AS A MODERATING VARIABLE	Febi Susanti, Fenny Marietza; Rini Indriani	Bengkulu University	Indonesia

Room 6				
Accounting				
MIICEMA UnSri-93	the value relevance of the altenative accounting performance measures: empirical study in Indonesia	Felicia Julita, Nikmah; Sriwidharmanely	Bengkulu University	Indonesia
MIICEMA UnSri-101	Ratio of Bank and Divestment PT Bank Mutiara, tbk post-taken over by LPS	Marieska Lupikawaty Neneng Miskiyah, Elisa, Fetty Maretha	Politeknik Sriwijaya	Indonesia
MIICEMA UnSri-125	SHARE REPURCHASE DECISION: FREE CASH FLOW HYPOTHESIS OR SIGNALING THEORY	Endah Jati Purwanti, Eddy Suranta,Pratana Puspa Midiastuty	Bengkulu University	Indonesia
MIICEMA UnSri-131	THE INFLUENCE OF ORGANIZATIONAL COMMITMENT, DECENTRALIZATION, ORGANIZATIONAL CULTURE ON THE RELATIONSHIP BETWEEN BUDGETARY PARTICIPATION AND BUDGETARY SLACK	ismacoryanata	Bengkulu University	Indonesia

Room 7				
Accounting				
MIICEMA UnSri-173	AUDIT COMMITTEE CHARACTERISTICS AND ENTERPRISE RISK MANAGEMENT OF INDONESIA PUBLIC LISTED BANKING COMPANIES	Husaini	Bengkulu University	Indonesia
MIICEMA UnSri-177	EARNINGS MANAGEMENT AND FIRM VALUE WITH INVESTMENT OPPORTUNITY SET (IOS) AS MODERATING VARIABLE: COMPARATIVE STUDY IN INDONESIA AND MALAYSIA	Dewi Kusuma Wardani, Sri Hermuningsih	Faculty of Economics, Universitas Sarjanawiyata Tamansiswa	Indonesia
MIICEMA UnSri-180	Board Structure and Earnings Quality: Malaysian Evidence	Redhwan Ahmed AL-Dhamari and Ku Nor Izah Bt Ku Ismail	uum university, malaysia	Malaysia
MIICEMA UnSri-182	Voluntary disclosure of intangibles in annual reports: An analysis of capital-raising companies in Malaysia	Hazianti Abdul Halim, Hartini Jaafar	Universiti Pendidikan Sultan Idris, 35900 Tanjung Malim, Perak	Malaysia
MIICEMA UnSri-185	AUDIT COMMITTEE AND TIMELINESS OF FINANCIAL REPORTING: Malaysian Public Listed Companies	Sharinah Puasa, Mohd Fairuz Md Salleh and Azlina Ahmad	Universiti Kebangsaan Malaysia	Malaysia

Room 8				
Human Resource				
MIICEMA UnSri-303	Performance Appraisal for Civil Servant in Department of Public Works Cipta Karya of South Sumatera	Dr. Agustina Hanafi, Afriadi Cahyadi, SE, MM	Unsri, Indonesia	Indonesia
MIICEMA UnSri-340	An Evaluating of Business Performance through Supply Chain Management Implementation	Inda Sukati, Abu Bakar Hamid, Rohaizat Baharun	Universiti Teknologi Malaysia	Malaysia
MIICEMA UnSri-194	EFFECTIVENESS OF TALENT MANAGEMENT STRATEGIES IN DEVELOPING EMPLOYEE POTENTIAL AND REDUCING TURNOVER INTENTION	FATIMAH PA'WAN, NURITA JUHDI, RAMMILAH HANSARAM,SIMRANPREET KAUR AND NORIZAN MOHD KASSIM	Universiti Teknologi Malaysia	Malaysia
MIICEMA UnSri-324	Awareness and Socialisation of Consumer Rights among UKM Students	Doris Padmini Selvratnam, Tan Kok Jing, Norlaila Abu Bakar, Wook Endut, Rika Fatimah	UKM, Malaysia	Malaysia
MIICEMA UnSri-85	Market Potential Analysis Service of Forerunner Air Transport in Pagar Alam as Feeder Line National Air Transport in South Sumatra Province	Hanifati Intan	Politeknik Negeri Sriwijaya	Indonesia
MIICEMA UnSri-170	SOCIAL CAPITAL AS CORPORATE KNOWLEDGE	Felix Ferryanto Lukman, M.M.	Prasetya Mulya Business School	Indonesia

Room 9				
Marketing				
MIICEMA UnSri-108	E-commerce adoption by Small Medium Enterprises and Firm Performance	Rita Rahayu, John Day	Huddersfield University	England
MIICEMA UnSri-110	The effects of Brand Status on Brand Attitude and Willingness to Pay a Price Premium on Generation Y in Indonesia	Arief Budiman	Lambung Mangkurat University (UNLAM)	Indonesia
MIICEMA UnSri-321	The Influence of Visual Merchandising on Impulse Buying	Efendi, Martin	Atmajaya Univerity	Indonesia
MIICEMA UnSri-320	Increasing Number of Tourists by Means of Building Tourist Values	Didin Syarifuddin	ARS International Institute of Tourism, Bandung, Indonesia	Indonesia
MIICEMA UnSri-402	SUCCESS FACTORS OF ACEHNESE ENTREPRENEURS IN MALAYSIA	Jullimursyida Ganto, Amru Usman	University of Malikussaleh	Indonesia

Room 10				
Marketing				
MIICEMA UnSri-141	The Effect Of Ability Vendor on Consumer Trust in e-commerce (Study Business Retail Online)	Seprianti Eka Putri	university of bengkulu	Indonesia
MIICEMA UnSri-22	How Social Network Media Influences University's Brand Image	Bambang Sukma Wijaya, Dianingtyas M. Putri	Bakrie University	Indonesia
MIICEMA UnSri-342	Analysis of Market Potential Preference of By Product from Traditional Food Product to Enhance Competitiveness in Globalization	Yusleii Herawati, Dewi Fadila, Nirwan Rasyid	Sriwjaya University	Indonesia
MIICEMA UnSri-343	The Dimension of Bengkulu City's Development Using Tourism Satisfaction Approach	Muhartini Salim, Anggarwati	Bengkulu University	Indonesia
MIICEMA UnSri-400	SERVICE FAILURE AND SWITCHING *BEHAVIOUR* IN THE INDONESIAN SERVICE INDUSTRY	Lizar Alfansi, Roosemarina A. Rambe, Rahmatu Chairina	Bengkulu University	indonesia
MIICEMA UnSri-401	SERVICE QUALITY, EMOTIONAL RESPONSES, ANDCUSTOMER SATISFACTIONINFAST -FOOD RESTAURANTS IN INDONESIA	FachriEkaSaputra SugengSusetyo Paulus Kananlua	Bengkulu University	Indonesia

FRIDAY, 19th OCTOBER 2012

TIME: 13.30-15.00

Room 1				
Finance				
MIICEMA UnSri-15	Early Aftermarket mispricing of Initial Public Offering Across Market Condition: Malaysian Evidence	Cheedradevi Narayanasamy	UKM	Malaysia
MIICEMA UnSri-133	THE INFLUINCING OF RISK FACTORS, MANAGEMENT ENTRENCHMENT, AND CORPORATE GOVERNANCE QUALITY ON EQUITY RISK PREMIUM	Saiful,Ph.D	Bengkulu University	Indonesia
MIICEMA UnSri-146	Survey the usual & ethic ways to decrease eBbanking fraud	kamal javanmard, Rouhollah tavakolizadeh; *Maryam* Mazaheri ; Ali Tavakolizadeh	Islamic Azad University, Kahnooj Branch.	Iran
MIICEMA UnSri-152	The Impact of Shari'ah Boards on Islamic Bank Performance	Majdi Anwar Quttainah	College of Business Administration, University of *Kuwait*	Kuwait
MIICEMA UnSri-155	Unobservable Effects and Firms' Capital Structure Determinants in Malaysia	Matemilola B.T, Bany Ariffin, A.N and Azman-Saini, W.N.W	University Putra Malaysia	Malaysia

Room 2				
Finance				
MIICEMA UnSri-308	An Analysis of Factors Influencing Underpricing in Initial Public Offering at the Indonesian Stock Exchange year 2007-2010	Ridwan Nurazi, Y Hernitha	UKM, Malaysia	Malaysia
MIICEMA UnSri-310	The Effect of Public Ownership on Financial and Operation Performances and Sustainable Competitive Advantage Based on Accounting Reputation Measure in Indonesia's States Owned Enterprises	Dr. Haryadi, Dr. Tona Aurora Lubis		Indonesia
MIICEMA UnSri-313	The Opportunity of Sukuk al-intifa'a For Financing Infrstructure Projects in Indonesia	Izzuddin Abd Manaf, Hendro Wibowo	SEBI School of Islamic Economics, Indonesia	Malaysia
MIICEMA UnSri-316	Corporate Governance Mechanisms and Privatized Companies Performance in Jordan	Ahnaf Ali Al Smadi	UKM, Malaysia	Malaysia
MIICEMA UnSri-326	Investment, Capital Structure, Dividend Policy, and Firm Performances: Evidence Indonesia Listed Companies	Darmawati Muchtar	Univ.Malikusaleh/ UKM, Malaysia	Malaysia

Room 3				
Finance				
MIICEMA UnSri-40	Global Financial Crisis, Islamic Stock Markets Integration: A Case Study of Selected Asian Countries	Zahoor Khan, Prof. Dr. Jamalludin Sulaiman	University Sains Malaysia	Malaysia
MIICEMA UnSri-43	Price Impact of Block Trades and Price Behavior Surrounding Block Trades in Indonesian Capital Market (Case Study : *Stocks in LQ45*)	Moh.Rickki Yantriolatu, Deddy P. Koesrindartoto	Institut Teknologi Bandung	Indonesia
MIICEMA UnSri-45	Financial literacy in Malaysia: A review and future research opportunities	Hawati Janor (PhD)	Universiti Kebangsaan Malaysia	Malaysia
MIICEMA UnSri-47	DETERMINANT OF CREDIT CRUNCH IN BANKING CREDIT LOAN (Case Study In Indonesia Banking 2005-2010)	Sulaeman Rahman Nidar, Noviana Puspita Sari	Padjadjaran University	Indonesia
MIICEMA UnSri-59	Does Large Price Change Have A Predictable Pattern? : Emperical Evidence LQ45 Stock Index	Yudy Putra Agung, Deddy Priatmodjo Koesrindartoto	School of Business and Management ITB	Indonesia

Room 4				
Finance				
MIICEMA UnSri-317	The Technical Analysis For Buying And Selling Decisons : A Case Study of Astra International (ASII) Stock	Iskandar Zulkarnain	UNIB	Indonesia
MIICEMA UnSri-338	Google Search Traffic And it's Influence on Bid/Ask Spread	Berto Usman, Paulus S Kananlua, Sugeng Susetyo	UNIB	Indonesia
MIICEMA UnSri-123	INDONESIA STOCK EXCHANGE'S ANOMALY: THE RAMADHAN EFFECT	Bregita Amatory, Eddy Suranta; Pratana Puspa Midiastuty	Bengkulu University	Indonesia
MIICEMA UnSri-311	Ownership Structure And Bank Performance During Economic Crisis In Indonesia	Hamdi Agustin, SE, MM	University of Islam Riau, Universiti Utara Malaysia	Indonesia

Room 5				
Marketing				
MIICEMA UnSri-80	Entrepreneurial Orientation and Business Success of Malay Entrepreneurs: Religiosity as Moderator	Mohamad Zulkifli Bin Abdul Rahim	Universiti Malaysia Kelantan	Malaysia
MIICEMA UnSri-10	ETHNOCENTRISM, ANIMOSITY AND COUNTRY OF ORIGIN IMAGE TOWARD INDONESIAN PRODUCT IN MALAYSIA	ISMI RAJIANI, AZAH ABDUL AZIZ	Universiti Teknikal Malaysia Melaka	Malaysia
MIICEMA UnSri-20	CUSTOMER SATISFACTION AND THE PURCHASE DECISION IN THE FINANCIAL INDUSTRY: A CONCEPTUAL MODEL	Noormariana Mohd Din, M. Mohd Rosli	Universiti Malaysia Kelantan	Malaysia
MIICEMA UnSri-39	Entrepreneurial Characteristics Amongst Cooperatives in Malaysia – A Pilot Study (UPDATE: - Pleminary Evidence)	Ghazali Ahmad, Mohd Rafi Yaacob, Mohamed Dahlan Ibrahim	University of Malaysia Kelantan	Malaysia
MIICEMA UnSri-334	FRANCHISEE AS ENTREPRENEUR: A CHARACTERISTIC APPROACH	Mohd. Hizam Hanafiah	Universiti Kebangsaan Malaysia	Malaysia

Room 6				
Economics				
MIICEMA UnSri-5	Prospect of Iran Natural Gas Export Projects	hedayat omidvar	National Iranian Gas Company	Iran
MIICEMA UnSri-55	Fiscal Policy, External Shocks, and Macroeconomic Fluctuations: A SVAR Modeling of Indonesia	Putri Bintusy Syathi, Zulkefly Abdul Karim ; Dr Mohd Azlan Shah Bin Zaidi; Prof Madya Dr Noor Aini Khalifah	UKM and UNSYIAH	Malaysia, Indonesia
MIICEMA UnSri-7	BRIDGES ACROSS CRITICAL INTERNATIONAL SHIPPING WAYS: A STUDY OF THE PROPOSED STRAIT OF MALACCA BRIDGE	Mohd Hazmi bin Mohd Rusli	Universiti Sains Islam Malaysia	Malaysia
MIICEMA UnSri- 28	Revitalization Cooperative in the area of globalization	Karuniana Dianta A. Sebayang	State University of Jakarta	Indonesia
MIICEMA UnSri-32	MODELING THE SUCCESS FACTOR OF COOPERATIVE IN KELANTAN	RASMANI A.GHANI, M.MOHD ROSLI	Univeristi Malaysia Kelantan	Malaysia
MIICEMA UnSri-197	TRADE BARRIERS FCING BY MALAYSIAN FISHERIES SECTOR TO PENETRATE INTERNATIONAL MARKET	SITI MARIAM ALI, NOR HALAWAH AHMAD, ROS ANITA YAHYA	Universitas Teknologi MARA	Malaysia

Room 7				
Economics				
MIICEMA UnSri-309	Analysis of Determinant Factor Influencing Cinnamon Export and Prices in Indonesia	Sutarmo Iskandar, Evada Dewata, dkk		Indonesia
MIICEMA UnSri-312	The Impact of Human Capital on Economic Griwth - The Case of Selected Arab Countries	Atif Awad, dkk	National University of Malaysia	Malaysia
MIICEMA UnSri-314	Proposing Women Economic Empowerment Model to Contribute in Emerging "From Local to Global" Economy	Sari Lestari Zainal Ridho, SE, M.Ec	Politeknik Negeri Sriwijaya, Indonesia	Indonesia

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MIICEMA UnSri-332	Analysis Of Swamp Land Use Change Related To Factors That Affect Housing Growth	Reini Ilmiaty, RH.Sutanto B.Setiawan, FX Suryadi, ES.Nugraha	Universitas Sriwijaya	Indonesia
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MIICEMA UnSri-187	Convergence to IFRS and Timeliness of Financial Reporting : Investigating the Governance of Malaysian Audit Firms	Sharifah Milda Amirul, Dr. Mohd Fairuz Md. Salleh, En.Ismail Upawi	Universitas Kebangsaan Malaysia	Malaysia
MIICEMA UnSri-190	The Role of Professional Accounting Association in Direct Companies to Regard Accounting standards	rouhollah tavakolizadeh, mansour alemzade, Mahdi sharifi, Maryam Mazaheri	Islamic Azad University	Iran
MIICEMA UnSri-191	THE REAL EARNINGS MANAGEMENT PRACTICES (The comparative studies between shariah index (JII) and conventional index (LQ-45) in Indonesian stock exchange during 2004-2010 period)*	Rina Trisnawati, Suhestiningsih	Economics Faculty, Magister Management Program, Muhammadiyah University of Surakarta	Indonesia
MIICEMA UnSri-196	EFFECT OF COMPETENCE, UNDERSTANDINGS SYSTEM ACCOUNTING AND UNDERSTANDING REGIONAL FINANCE MANAGEMENT OF THE FINANCIAL MANAGEMENT PERFORMANCE EMPLOYMENT UNITS THE REGION IN THE CITY BENGKULU	Lismawati, Rena Apriyani	Bengkulu University	Indonesia

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MIICEMA UnSri-302	The Earning Management Practice among Shariah Compliant Companies in Malaysia	Zuraidah Mohd Sanusi, dkk	Universiti Teknologi MARA, Malaysia	Malaysia
MIICEMA UnSri-319	The Effect of Aplication of Good Governance to Organizational Performance with Intervening Variable Consumer Trust	*Sri Fadilah*	Unisba, Indonesia	Indonesia
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MIICEMA UnSri-142	THE OF BUDGET QUALITY ON BUDGET CONTROL : KNOWLEDGE OF BUDGET AS MODERATING VARIABLE	Robinson	Bengkulu University	Indonesia

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MIICEMA UnSri-83	Is the January effect alive in IPO market?	Chan Siew Lian	Graduate School of Business UKM	Malaysia
MIICEMA UnSri-84	STOCK MARKET OVERREACTION AND GENERAL ELECTION EFFECT IN MALAYSIA	Chong Sok Fong, Rafidah Othman	Graduate School of Business, UKM	Malaysia
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MIICEMA UnSri-304	Relationship Motives, Personality, and Organizational Citizenship Behavior in Academic Staffs in Indonesia	Dorothea Wahyu Ariani	Atmajaya University, Indonesia	Indonesia
MIICEMA UnSri-9	KNOWLEDGE SHARING INTENTION ON KNOWLEDGE WORKER: EXAMINING THE ROLE PSYCHOLOGY FORCE, ORGANIZATIONAL CLIMATE AND CHANNEL RICHNESS	Rahab, Devani Laksmi Indyastuti	Jenderal Soedirman University	Indonesia
MIICEMA UnSri-341	Effect of Competence and Organizational Commitment to Customer Orientation of The Employees PT. Fertilizer Iskandar Muda Aceh	Agustina Hanafi, Likdanawati	Sriwjaya University	Indonesia

MIICEMA UnSri-345	LECTURERS EFFECTIVENESS AND STUDENT PERFORMANCE IN TWO POLYTECHNICS IN PERAK MALAYSIA	Nek Kamal Yeop Yunus, Salomawati Ishak, & Ahmad Razman Dahari	Universiti Pendidikan Sultan Idris, Sultan Azlan Shah Polytechnics, Cator Avenue Primary School	Malaysia
MIICEMA UnSri-148	RISK ASSESSMENTAND EFFECTIVE RISK MANAGEMENT: THE MEDIATING ROLE OF ORGANIZATIONAL CULTURE SUPPORT	Irzan Bin Ismail,Nik Mutasim Nik Ab Rahman,Mohamad Abdul MBA Hamid,Fazlil Idris	Universiti Teknologi MARA, Universiti Kebangsaan Malaysia	Malaysia
MIICEMA UnSri-403	FACTORS AFFECTING PERFORMANCE OF TEACHERS OF MATHEMATICSIN IMPLEMENTING COMPETENCY-BASED CURRICULUM IN SENIOR HIGH SCHOOLS IN PALEMBANG.	Dr. Agustina Hanafi, MBA Leonita Putri, SE,	Sriwijaya University	Indonesia

Room 2
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MIICEMA UnSri-66	CORPORATE GOVERNANCE IN BANKING AND FINANCE INDUSTRY: THE ROLE OF SUPERVISORY BOARD	Zaitul	University of Bung Hatta	Indonesia
MIICEMA UnSri-65	*Commissioner Board Diversity and Company Value in the Emerging Market*	Desi Ilona, Dr. Shamharir Abidin and Nurwati Ashikkin Ahmad-Zaluki	Universiti Utara Malaysia	Indonesia
MIICEMA UnSri- 346	THE INFLUENCE OF CORPORATE SOCIAL RESPONSIBILITY COST TO ASSETS TURNOVER IN COMPANIES LISTED IN INDONESIAN STOCK EXCHANGE	Hasni Yusrianti, SE, MAAC, Ak, Heri Chandra	Sriwijaya University	Indonesia

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MIICEMA UnSri-333	Boro: The Mobility of Tegalombo Community, Seragen	Tjipto Subadi	Universitas Muhammadiyah Surakarta	Indonesia
MIICEMA Unsri-161	LECTURERS EFFECTIVENESS AND STUDENT PERFORMANCE IN TWO POLYTECHNICS IN PERAK MALAYSIA	Dr.Nekamal Yusuf	Fakulti Pengurusan & Ekonomi (UPSI)	Malaysia

THE INFLUENCING OF RISK FACTORS, MANAGEMENT ENTRENCHMENT, AND CORPORATE GOVERNANCE QUALITY ON EQUITY RISK PREMIUM

By

Saiful
Trevia Aminiar
Economics Faculty of Bengkulu University

The purpose of this study is to examine the influencing of firm size, leverage, beta, management entrenchment, managerial ownership, and independent board on equity risk premium of indonesia public listed companies. The 70 companies were selected randomly as the samples of this study. This research found that beta, management entrenchment, managerial ownership, and independent board is positively and significantly impact on equity risk premium, while the firm size and leverage are negatively and significantly affect equity risk premium. These results indicate that the higher the ability of management to maintain their position (management entrenchment), the higher investment risk, so investors will tend to expect a higher return as well. The result also indicates that small firm more risky than large firms so that investors expect the equity risk premium is greater for small firms. Meanwhile an independent board to indicate that number of proportion of independent board at the company will lead to difficult decisions and unable to play the role to oversee the management, so the company's risk will be increase.

Keywords: Risk, Management Entrenchment, Corporate Governance, Equity Risk Premium.

1. INTRODUCTION

Investors would like to get a higher return for each investment option they are doing. However, the choice of investment can not rely solely on the level of expected benefits but also risks to be borne. Hanafi and Halim (2000) suggests the risk is the deviation from the expected results. While Tandelilin (2001) suggested that the risk is likely actual return that is different from the expected return. Further, Tandelilin (2001) argues that the investment risk can be clasified into systematic and unsystematic risk. Systematic risk is the risk that can not be diversified because of this risk depends on various factors such as economic and political changes that affect all companies, while non-systematic risk is the risk can be reduced by forming a well-diversified portfolio.

The relationship between risk and return can be explained through the Capital Asset Pricing Model (CAPM) which states that the greater risk of an investment, the greater return required by investors. Based on the CAPM, the return obtained by investors consist of the risk-free return (such as bonds interest) and an additional return for the willingness of investors to bear risk. Therefore, the investor would be willing to invest only in companies that are predicted to provide a higher return than the risk-free return. In other words, investors will require a premium return is greater in accordance with the size of the intensity of risk to be faced. That premium return is known as the Equity Risk Premium (ERP).

Martin and Lillo (2003) argue that ERP is the difference between the expected return of common stock and the return of government securities (government bonds interest). Meanwhile, Anin and Falaschetti (1998) define ERP as the reward that investors want to generate because of the uncertainty associated with the securities owned. ERP was measured as the excess return expected by shareholders against the return on average risk-free asset.

Some researchers found that the level of ERP is influenced by several factors, including: risk factors, management entrenchment, and the quality of corporate governance. Collins and Huang (2010) conclude that risk factors that influence ERP consist of firm size, leverage, and beta. Meanwhile, Gebhardt, Lee, and Swaminathan (2001) suggest that the risks of investing in a company increases when information about the company itself is difficult to obtain. As more information is available for large companies than small companies, the company's size can be used as a proxy for information availability . The more information available about the company, the more precise the prediction made by the investor, so the investment risk will be low. Because of the low-risk investment, then the investor will demand a lower return premium, so ERP will be low. This statement is also supported by Boone, Khurana, and Raman (2008) who found that firm size negatively affect ERP.

Besides the risk of information, investors also face risks associated with the company's inability to pay debts. Companies that have relatively high debt (leverage ratio) will have the risk of loan defaults are higher than companies that have debt small. Boone, et al (2008), stated that leverage has a positive effect on ERP. Companies that are unable to pay the debt then the risk will be greater in the company and led to increased ERP. Bhandari (1988) found that the leverage ratio is positively related to the level of expected stock returns. Because the increase in debt is usually followed by increases in working capital in the company, it will lead to increased capital costs and ultimately increase the ERP.

Other risk factors that influence the ERP is a beta. Beta is a measurement of systematic risk of a security or portfolio relative to the market. Fama and French (1992), found that beta has a weak influence on the average rate of return. But Baker, and Thuneibat (2009) found that beta positively correlated with the ERP. The higher of the beta, the higher of the systematic risk, and the higher the ERP. Boone, et al (2008) which says that in the context of the Capital Asset Pricing Model (CAPM), beta is the systematic risk that positively affect on ERP.

High and low ERP is influenced also by management entrenchment. Collins and Huang (2010) found that management entrenchment can be measured by six factors, those are staggered boards, supermajority requirements for Mergers, limits on amending bylaws, limits on amending charters, poison pills, and Golden Parachutes. They found that management entrenchment positively affect on the cost of capital. This means that with the increasing in the management entrenchment will be followed by increasing of firm risk, so that the expected return required by investors is also increasing. It also has implications for the increasing cost of capital and also causes increased ERP. Hail and Leuz (2006) found that high quality accounting system and a strong shareholder structure can reduce the amount of misuse of company cash flow by the manager of the company, thus lowering the cost of capital so that the ERP to be low. While Asbaugh, Collins and Lafonds (2004), found that there was no relationship between the entrenchment index and the cost of capital.

The quality of corporate governance can be proxied with managerial ownership and board of independent commissioners (Collins and Huang, 2010). Corporate governance is a concept proposed in order to improve corporate performance through supervision or monitoring of management performance and ensuring management accountability to shareholders by basing on the regulatory framework. Asbaugh, et al (2004), found that weak corporate governance can make a greater agency risk to shareholders so that the high cost of capital which led to increased ERP.

Ghosh (2007) found that managerial ownership has a positive effect on firm value. Sundaramurthy, Rhoades, and Rechner (2005) found that there is a positive relationship between ownership managerial and value of the company because ownership can reduce managerial agency problems. While Siallagan and Machfeodez (2006) find that managerial ownership negatively affect the value of the company. The results of those studies have identified that the managers who have share capital in the company would work better, so the company will have a high value and low risk. It also implies that increasing/decreasing companies risk align with low/high proportion of managerial ownership. Thus the investor who will invest in the company with high manager ownership will not demand a high return or in other words the expected ERP investors in these firms will be low.

Another proxy for the quality of corporate governance is an independent board. Board of director is part of an important corporate governance mechanism. Asbaugh, et al (2004), found negative relationship between cost capital and independent board. This is also supported by Coliins and Huang (2010) who found that independent board negatively affect on the cost of capital. It means that the greater proportion of independent board, the lower the investment risk. Thus the investor who will invest in the company with high proportion of independent board will not demand a high return or in other words the expected ERP in these firms will be low. While Hermalin and Weisbach (2003) found that board size negatively influence to performance of the company. Cheng (2006) stated that the large size of the board of director will be more difficult for company to set council meeting. As a result, the greater independent board less inefficient and slow in decision making. Lefort and Urzua (2007) argued that the composition of the board not affect the performance company.

This study aims to examine the effect of firm size, leverage, beta, management entrenchment, managerial ownership, and independent board of the equity risk premium.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1 Equity Risk Premium (ERP)

According to Martin and Lillo (2003), ERP is the difference between the expected return on common stock and the return on government securities. Meanwhile, Anin and Falaschetti (1998) define ERP as the reward that investors want to deal with the uncertainty associated with the securities owned. ERP was measured as the excess return expected by shareholders against the return on average risk-free asset.

ERP reflects the price of risk taken and is a major component of the expected return from risky investments. The expected return is an important determinant of the cost of capital and an important key in financial analysis and corporate valuation (Damodaran, 2009). ERP is often described as the most important value in finance and investments, for example in asset allocation decisions of portfolio managers, financial investment decision how to divide up between stocks and fixed income securities is affected ERP and their different risk characteristics. Meanwhile. Phillips, Baczynski, and Teale (2009) conclude that ERP is an important figure in the financial economy, determine asset allocation, retirement projections and lasting wealth, as well as the cost of capital.

Anin and Falaschetti (1998) highlight two common ways to estimate the ERP, that is historical data and market forecasts or projections. Historical data approach assumes that what has happened in the past is representative of what might be expected in the future. Meanwhile, the projection assumed that the market for ERP project can be done through a survey or some other projections. Most studies on ERP use historical data and assume that some of the past period to give the best indication of what will happen in the future.

Anin and Falaschetti (1998) using the CAPM to calculate ERP. They stated that the expected return consists of two main components, namely the risk-free rate of return and risk premiums that can be formulated as follows:

R_i = risk-free asset return rate + risk premium

$R_i = R_f + \beta i\,[E\,(R_{M)} - R_{f]}$

where:

R_i = the expected rate of return

β_i = beta stocks

R_f = risk-free asset return rate

$E(R_{M})$ = the expected market return

So, a new equation to be used is:

$R_i - R_f = \beta_i$ (Equity Risk Premium)

Equity Risk Premium = $\frac{R_i - R_f}{\beta_i}$

Erb, Harvey and Viskanta (1995) found that there is no reletionship between average return and beta in emerging markets. These results are reinforced by Bekaert, Erb, Harvey, and Viskanta (1997) which examined the determination of cross-sectional equity return in emerging markets. They found that the CAPM fails to explain the return on emerging markets.

In addition to the CAPM, there is also Fama French Three Factor Model is an extension of the CAPM. By Anin and Flaschetti (1998), the regression equation to estimate the cost of capital using the Fama French Three Factor Model can be written as follows:

$R_i - R_f = \beta_i (R_m - R_f) + (s_i \times SMB) + (h_i \times HML)$

where:

$R_i - R_f$ = risk premium the company i

$\beta_{i,}\ s_{i,}\ h_i$ = regression coefficient of firm i

$R_M - R_f$ = Equity Risk Premium is expected

SMB = the size of the company's risk factors. Expected Return on a portfolio of small stocks minus the expected return on a portfolio of large stocks.

HML = factor of financial difficulty, measured by equity divided by book value of equity market prices. The expected return on the stock portfolio of high minus the expected return on a portfolio of low stock.

ERP is one of the three components of the Fama French Three Factor Model. In it there are three factors, namely firm size factor, the factor of financial difficulties, and the market risk factor (ERP). The weakness in this model is not allowed to calculate the average return on the company's beta in the short period (Anin and Flaschetti, 1998).

Boone, et al. (2008) suggests an alternative approach to calculate the ERP based on the Ohlson and Juettner Model-Nauroth (2000), as used by Easton (2004). Basically, using the framework of Easton and Ohlson-Juettner Nauroth (especially in equation 1):

$$P_t = \frac{EPS_{t+1}}{R} + \frac{EPS_{t+1}\left(\frac{EPS_{t+2} - EPS_{t+1}}{EPS_{t+1}} + \frac{RDPS_{t+1}}{EPS_{t+1}} - R\right)}{R((1+R)-\gamma)} \text{ .... (1)}$$

However, Easton uses the additional assumption that $\gamma = 1$ (there is no abnormal growth in earnings beyond the observation period). The result can be written in equation 2:

$P_t = [EPS\ DPS_{+2} + {}_{t+2\,t} - EPS_{t+1]} / R^2$ .... (2)

By using equation 2, R lowered so that the split into the following three equations:

$R^2 - R\,(DPS_{t+2} / P_{t)} - {}_{(+2}\ EPS_t - EPS_{t+1)} / P_t = 0$ .... (3)

where:

P_t = t the period of the company's stock price

EPS_{t+1} = 1-year EPS forecast to come

EPS Estimates EPS_{t+2} = 2 years to come

DPS DPS_{t+1} = forecast a year to come

R = Risk Premium Equity

Equation 3 assumes that abnormal earnings will always be there and will experience positive changes in earnings estimates. Rated R, $EPS_{t+2>}$ $EPS_{t+1>}$ 0, so that the approximate solution will have a positive sign (Easton, 2004).

Easton (2004) found that the approach to account for differences in short-term earnings growth. Furthermore, he discusses the methodology and evaluate the price-earnings growth (PEG) and suggests that researchers who need ERP estimates on the company relies on its approach.

This study uses Easton approach to estimate the ERP, as based on the above description it can be concluded that the CAPM formula can not be used because Indonesia is classified as emerging market, while the Fama French Three factor model also can not be used in the study who only two years, while the model does not permitted for use in a short period.

2.2 Risk Factors and equity risk premium

2.2.1 Firm Size and Equity Risk Premium

Firm size indicates the size of the companies that can be seen from the total assets owned, earned total sales and market capitalization. Companies that have large amounts of assets referred to as the big companies will get more attention from investors, creditors, governments and economic analysts than small firms. The greater the assets the more capital invested, the more sales the more the velocity of money and the larger market capitalization, the greater the company known to the public. Of the three variables, the value of assets is relatively more stable than the sales value and market capitalization to measure firm size. Therefore, in this study measured firm size with the natural log of total assets.

Gebhardt, et al (2001) explains that the risks of investing in a company increases when information about the company itself is difficult to obtain. As more information is available for large companies than small companies, the company's size can be used as a proxy for availability information. More information is available about the company, the more precise the prediction made by the investor, so the investment risk will be low. Because of the low-risk investment, then the investor will demand a lower return, so ERP will be low. Banz (1981) found that there is a relationship between firm size with the average return. These results were also supported by Boone, et al (2008) who found that firm size negatively affect ERP. Based on the above description then the hypothesis is proposed:

H1: The firm size negatively affect the Equity Risk Premium

2.2.2 Leverage and the Equity Risk Premium

Leverage ratio is the ratio of total debt to total assets of the company. Leverage ratio is used to determine the ability of companies to ensure the company's total debt (both short-term debt and long-term debt). So that the creditors would have more certainty of capital invested. The greater the leverage ratio, meaning the higher the value of corporate debt.

According to Leland and Pyle (1977), the manager's decision can also be used as a signal that the company performs well when the company decided to take funds from outside (external). Companies willing to take the external funds to finance a project is a signal that the project can have a high intrinsic value. However, if the ratio of debt to capital is too high, then chances are the company to repay the debt will be low. Thus the risk of investing in these companies is increasing. It can be a reason to distinguish between good companies and bad companies based on leverage ratios. Companies that have high leverage ratios can be grouped into bad company, while companies with low leverage ratios can be grouped into good company.

Investors will prefer to invest in companies with low leverage because it has a low risk, so investors will not demand a high return of investment. Bhandari (1988) found that leverage has a positive relationship to the level of expected return. In addition, Gebhardt, et al (2001) found that the level of financial leverage is expected to increase the higher the perceived risk of increasing the company's ERP. This is also supported by Boone, et al. (2001) who found that a significant positive effect of company levared on ERP. Based on the above description then the second hypothesis is proposed:

H2: Leverage positively influences on Equity Risk Premium

2.3.3 Beta and Equity Risk Premium

According to Jogiyanto (2003), beta is a measure of systematic risk of a security or portfolio relative to market risk. Beta measures the volatility of returns of securities securities to the market return. Beta measures the volatility of portfolio returns with market return portfolio. Normally, the beta of a stock will close to one. Stock with a beta greater than one, stock is very sensitive to changes in the market, stocks are called as aggressive stocks, fluctuations in stock returns is greater than the fluctuations of the market return. Conversely, if the beta is less than one then the stock is not sensitive to market changes, called defensive stocks, fluctuations in stock returns less than the fluctuations of the market return (Hanafi and Halim, 2000).

In CAPM equilibrium model, the beta greatly affects the level of expected return, the higher beta and market return, the higher return required by investors. As a result, beta is estimated to be positively correlated to the level of expected return. Meanwhile, Fama and French (1992) found that beta has a weak influence on the average rate of return. Baker, and Thuneibat (2009) found that Beta was positively correlated with the ERP. The higher beta, the higher systematic risk, and the higher ERP. This is also supported by Boone, et al. (2008) found that beta significantly and positively affect on ERP. So the third hypothesis is proposed:

H3: Beta positively influence on Equity Risk Premium

2.3 Management entrenchment and Equity Risk Premium

Management entrenchment is management's ability to protect themselves from the actions taken by shareholders who could threaten the position of manager by replacing the manager. According to Collins and Huang (2010) management entrenchment can be measured by six factors that are the board is not strong (staggered boards), a strong demand for the merger (supermajority requirements for Mergers), bylaw amendment (limits on amending bylaws), a budget amendment basis (limits on amending charters, corporate tactics designed to takeover (poison pills), and the contract between the company and the employee (Golden Parachutes). It is also supported by Bebhuck, Cohen, and Ferrell (2008) which states that only 6 (six) from the measurement of G-score is an indicator of the possibility of shareholder rights strength.

The limited power of shareholders will potentially aggravate management entrenchment. Bebhuck, et al (2008) using the presence or absence six provision to develop the entrenchment index. Index built by adding a number of factors entrenchment of on regulations. So the value of the index would be worth from 0 to 6. For the context of Indonesia, the possibility of management entrenchment measure would be in trouble with 6 measurements. Therefore, in this study using only two measurements of the board of management entrenchment is not strong (staggered boards) and strong demand for the merger (supermajority requirements for Mergers).

Collins and Huang (2010) found that management entrenchment positively effect on the cost of capital so that the ERP increases. Albuquerue and Wang (2008), found that weak investor protection used by managers and lead investors demand a higher return that ultimately impact on increasing ERP. Hail and Leuz (2006) found that high quality accounting system and a strong shareholder structure can reduce the amount of misuse of company cash flow by the manager of the company, thus decreasing of the cost of capital so that the ERP to be low. While Asbaugh, et al (2004) found no relationship between the entrenchment index and the cost of capital. It is proposed the fourth hypothesis is:

H4: Management entrenchment positively influence on Equity Risk Premium

2.4 Quality of Corporate Governance

Corporate governance is a concept proposed in order to improve corporate performance through supervision or monitoring of management performance and ensuring management accountability to shareholders by basing on the regulatory framework. Proposed the concept of corporate governance for the achievement of corporate management more transparent to all users of financial statements. If this concept is applied properly it is expected that economic growth will continue to rise in line with the transparency of corporate management better and will benefit many parties. According to Abdullah and Valentine (2009), Corporate governance is a process and structure used to direct and manage the business affairs of the company's business prosperity and improve corporate accountability with the ultimate goal of realizing long term shareholder value, while considering the interests of other stakeholders.

Yeh, Lee, and Ko (2002) states that the major contribution of corporate governance in companies that improve the operating performance and prevent fraud. According to Black, Jang, and Kan (2002), firms with better corporate governance have better operating performance than firms with poor corporate governance. Corporate governance does not only provide useful information to investors and creditors to reduce the information asymmetry but also helping companies to improve operations.

Agency issues and corporate governance are the two things are interlinked. In the corporate context, agency problems were more concerned with the relationship between managers with shareholders who are not involved in management, corporate governance while looking at the relationship between managers and shareholders of the company. Corporate governance has a principle of transparency, openness and accountability so that the company's corporate governance is both will be able to reduce the agency problem. According to Collins and Huang (2010), the quality of corporate governance can be proxied with managerial ownership and board independence.

2.4.1 Managerial Ownership and Equity Risk Premium

Managerial ownership is the ownership of shares by the company management as measured by the percentage of shares owned by management (Sujono and Soebiantoro, 2007, Sabrinna, 2010). Itturiaga and Sanz (1998), found that managerial ownership structure can be explained from two points of view that is agency approach and asymmetric information approach. Agency approach considers managerial ownership structure as an instrument or a tool to reduce agency conflicts between some of the claims (claim holder) against the company. Asymetric information approach views that managerial ownership structure as a way to reduce the imbalance of information between insider and outsider through the disclosure of information in capital markets.

Jensen and Meckling (1976) suggest that in order to reduce conflicts of interest between shareholders (principal) and management (agent) can be done by improving the managerial ownership of a company. They also argue that increasing managerial ownership in the company encourages managers to create an optimal performance of the company and motivate managers to act with caution, because they bear the consequences of his actions.

With the ownership in a company's management will lead to an interesting conjecture that the value of the firm increases as a result of increased management ownership. Ownership by management that will most effectively monitoring the activities of the company. If a company is partly owned by the manager means the manager was among those who own the company. That way the manager will act not deviate, in other words, a manager will do their best to create the prosperity of the shareholders, including himself (Christiawan and Tarin, 2007).

Collins and Huang (2010) found that managerial ownership negatively affect the cost of capital. While, Ghosh (2007) provided the empirical evidence on the positive relationship between managerial ownership and firm value. Sundaramurthy, Rhoades, and Rechner (2005) found that there is a positive relationship between ownership managerial and value of the company because ownership can reduce managerial agency problems. Leland and Pyle (1977) find that managerial ownership and performance has a positive relationship. The results of these studies have indicated that the managerial stake in the company would work better so that the company will have a high value of the company. It also implies the companies with higher managerial ownership levels have a lower risk. Thus the investor who will invest in the company will not demand a high return or in other words the expected ERP investors in these firms will be low. Based on the description above, the fifth hypothesis is:

H5: Managerial Ownership negatively effect on the Equity Risk Premium

2.4.2 Independent Board

Independent board is part of an important corporate governance mechanism. Board is an independent organ in charge of corporate and collective responsibility to supervise and give advice to directors and to ensure that companies implement corporate governance (FCGI, 2006). Independent board as the culmination of the company's internal management system, has the role of surveillance activity.

Independent board is at the core of corporate governance are assigned to ensure the implementation of corporate strategy, overseeing the management in managing the company, and require the implementation of accountability (FCGI, 2006). In essence, an independent board is a mechanism, a mechanism to oversee and provide guidance and direction to the manager of the company. Asbaugh, et al (2004), found negative relationship between cost capital and independent board. This is also supported by Collins and Huang (2010) found that independent board negative effect on the cost of capital. This means that the greater proportion of independent board, the lower the risk of investing in these companies. Thus the investor who will invest in the company will not demand a high return or in other words the expected ERP investors in these firms will be low. Based on the description above, the sixth hypothesis is:

H6: The Independent board negatively effect on the Equity Risk Premium

3. **METHODS**

3,1. Sample Selection

The population in this study are all companies listed on the Indonesia Stock Exchange (BEI), from 2007 until 2008. While the sample of 80 companies were selected based simple random sampling.

3.2.Research Variables and Measurement

3.2.1.Equity Risk Premium (ERP)

Dependent variable in this research is equity risk premium (ERP), In this study, ERP was calculated using the approach Easton (2004) based on the model of Ohlson and Juettner-Nauroth as follows:

$R^2 - R\ (DPS_{t+1} / P_{t)} - _{(+2}\ EPS_t - EPS_{t+1)} / P_t = 0$

where:

P_t = t the period of the company's stock price

EPS_{t+1} = 1-year EPS forecast to come

EPS Estimates EPS_{t+2} = 2 years to come

Estimated DPS DPS_1 = 1 year to come

R = Risk Premium Equity

Above equation would be completed by using the quadratic equation solution as follows:

$$R = \frac{(DPS_{t+1} / P_t) \pm \sqrt{(DPS_{t+1} / P_t)^2 - 4.1(EPS_{t+2} - EPS_{t+1}) / P_t}}{2.1}$$

By exploring the equation above, this study will genarate two values of R with different signs (positive and negative). Under the Easton (2004), the estimated R $_{PEG,}$ EPS $_{t+2>}$ EPS $_{t+1>}$ 0, so the value of which has a positive sign that will be taken.

3.2.2.Company Size (SIZE)

Firm size indicates the size of the companies that can be seen from the total assets owned, earned total sales and market capitalization. Firm size will measure by the natural logarithm of total assets owned by the company.

3.2.3.Leverage ratio (LEV)

Leverage ratio is the ratio of total debt to total assets of the company. Leverage ratio is measured by dividing the total debt to total assets of the company:

$$LEV = \frac{Total\ Utang_t}{TA_t}$$

3.2.3.Beta (BETA)

Beta is a measure of systematic risk of a security or portfolio relative to market risk. Beta values calculated by the following formula (Hanafi and Halim, 2000):

$$\beta = \frac{\Sigma((R_{it}) - \overline{(R_{it})})\ (R_{Mt} - \overline{R_{Mt}})}{(\overline{R_{it}} - \overline{R_{it}})^2}$$

The stock return and market return is calculated by the following formula:

$$R_{it} = \frac{P_{it} - P_{it-1}}{P_{it-1}} \qquad R_{Mt} = \frac{IHSG_t - IHSG_{t-1}}{IHSG_{t-1}}$$

where:

R_{it}	= return of the company i in period t
$\overline{R_{it}}$	= Average stock return of firm i in period t
R_{Mt}	= the market return in period t
$\overline{R_{Mt}}$	= Average market return in period t
P_{it}	= stock price of the company i in period t
P_{t-1}	= stock price of the company i in period t-1
IHSGt	= composite index in period t
$IHSG_{t-1}$	= composite index in period t-1

3.2.4. Management entrenchment (ME)

Management entrenchment is management's ability to protect themselves from the actions taken by shareholders who could threaten the position of manager by replacing the manager. Management entrenchment measured by looking at two of the six proxies were found by Collins and Huang (2010) that the board is not strong (staggered boards) and strong demand for the merger (supermajority requirements for Mergers). How to measure the board of commissioners who are not strong (staggered boards) is to see the number of independent board than the number of commissioners in the sample companies. If the proportion of independent board below average proportion of independent commissioner for the entire sample of the management entrenchment in the given value of 1, whereas if the proportion of independent board above average proportion of independent commissioner for the entire sample of the management entrenchment in the given value of 0. Strong demand for the merger (supermajority requirements for Mergers) seen from the percentage of shares owned by dominant shareholders. If greater than 50% of the management entrenchment in the given values of 0, while if less than 50% of the management entrenchment in the given value of 1.

Sample company will obtain the value 1 for each characteristic is fulfilled and the value 0 for any characteristics that are not being met. So that management entrenchment index will be 0 to 2. The higher the value of management entrenchment index, the higher the level of managers' ability to maintain its position. Based on the index, then the company can be classified into three groups: firms with lower levels of management entrenchment (index = 0), m anagement entrenchment is (index = 1), and higher management entrenchment (index = 2).

3.2.5. Managerial ownership

Managerial ownership is the ownership of shares by the company management as measured by the percentage of shares owned by management. Managerial ownership is measured by dividing the number of shares owned by directors and commissioners on the number of total shares outstanding.

$$MO = \frac{\text{The number of shares owned by directors and commissioners}}{\text{Total number of shares outstanding}}$$

3.2.6. Independent Board

Board is an independent organ in charge of corporate and collective responsibility to supervise and give advice to directors and to ensure that companies implement corporate governance. Independent board was measured using the proportion of independent board members to total members of the board of commissioners.

$$IB = \frac{\text{the number of independent commisioners}}{\text{Total member of commissioners}}$$

3.3. Method of Analysis

Testing of hypothesis in this study using multiple regression analysis. The regression equation is used to test the hypotheses are:

$$ERP_t = \alpha - \beta_1 SIZE_t + \beta_2 LEV_t + \beta_3 BETA_t + \beta_4 ME_t - \beta_5 MO_t - \beta_1 IB_t$$

where:
ERP Equity Risk Premium $_t$ = firm in period t
α = a constant coefficient
β1-6 = regression coefficient of independent variables
SIZE = Firm size $_t$ in period t
LEV $_t$ = Leverage ratio of firms in period t
$BETA_t$ = Beta firm in period t
ME $_t$ = Management entrenchment firms in period t
MO $_T$ = Managerial Ownership firm in period t
IB_t = independent commissioner in period t

4. **RESULTS AND DISCUSSION**

4.1 Descriptive Statistics

Table 1 shows that the average value of 0.18997 for ERP variables or the average investor in Indonesia Stock Exchange requires equity risk premium of 18.997% with a standard deviation of 0.4527, or 45.27%, moreover, the lowest and the highest of equity risk premium respectively are 0 % and 45.27%. Average of the selected sample has total assets of Rp. 4,770,200,000,000 with a standard deviation of Rp.9.094.282.282.000, as well as the largest and smallest sample firms had assets amounting to Rp. 54,059,522,000,000, and Rp.20.908.000.000. Comparison of corporate debt to assets shows that the average value is 0.5443 with a standard deviation value of 0.2609 and the minimum and maximum values respectively of 0.0211 and 1.1266. This indicated that 54.43% of corporate assets financed by debt. Systematic risk of the company as measured by beta indicates that the average value of 0.1635 with a standard deviation of 0.7647. average proportion of shares held by the board of directors and commissioners amounted to 0.0152 or 1.52%. The proportion of independent board in the company of the sample is at 0.4072, or 40.72%. It is meaningful that the average sample company already has an independent board composition in accordance with Bapepam is 1/3 of the board of commissioners. However, there are also companies with board composition is not in accordance with the provisions of Bapepam is equal to 16.67%.

Table 1
Descriptive Statistics

V ariabel	Minimum	Maximum	Average	Standard Deviation
ERP	0.0000	3.3198	0,1899 7	0.4527
SIZE *	20 908	54059522	4770200	9094282.282
LEV	0.0211	1.1266	0.5442	0,260 9
BETA	-2.3797	7.0773	0.1635	0,764 7
MO	0,00 00	0.5315	0.0152	0,069 9
IB	0.1667	0.7500	0.4072	0,119 1

* In millions of dollars

Management entrenchment (ME) diproksikan of the value of staggered boards and supermajority requirements for Mergers company into the study sample. The higher the value of management entrenchment index, the higher the level of manager to maintain its position. From Table 2 it can be seen the frequency and percentage of company management entrenchment of low, medium and high. Based on the table there are 38 companies that management entrenchment is low during the period of observation, or by 27.1%, management entrenchment was found 69 companies or 49.3%, and management entrenchment is high there are 33 companies or 23.6%.

Table 2
Frequency Distribution Management entrenchment

Category	Frequency	Percent
Low	38	27.1
Was	69	49.3
Height	33	23.6

4.2. Hypothesis Testing

F test used to determine whether the regression model of this study fit or not (goodness of fit model). The results of testing of the F test is performed using the dependent variable ERP and six independent variable: SIZE, LEV, BETA, ME, KM, and DKI for 1006 F values obtained with significantly smaller than α = 0.05 means that the model regression is good enough to predict the Equity Risk Premium firms sampled in this study.

The coefficient of determination ($R^{2)}$ measures how much the ability of the model in explaining the variation in the dependent variable. Based on testing of linear regression of this research model, adjusted R^2 values obtained for 0.977 or by 97.7%, while the R^2 value of 0.978 or 97.8%. Thus it can be concluded that 97.7% of the variation can be explained by SIZE, LEV, BETA, ME, KM, and DKI, while the remaining 2.3% is explained by other variables outside the model.

4.5 Hypothesis Testing Results

The study consisted of 6 (six) hypotheses were tested to see the effect of firm size (SIZE), leverage (LEV), beta (\BETA), management entrenchment (ME), managerial ownership (KM), and an independent board (DKI) of the Equity Risk Premium (ERP) company.

Table 4.10
Hypothesis Testing Results

Variables	Prediction	Beta	t	Sig.
SIZE	-	- 4.613	-16.630	0.000 ***
LEV	+	-1.264	-17.896	0.000 ***
BETA	+	, 371	4.635	0.000 ***
ME	+	1.339	15.537	0.000 ***
MO	-	, 131	9.499	0.000 ***
IB	-	4.989	25.409	0.000 ***
R^2	0.978			
F	1006			
Sig-F	0.000 ***			
DW	2.183			

*** Significant at 1% level

The first hypothesis states that the size of the company's negative effect on the equity risk premium. The results show that company size has a significant negative impact on equity risk premium. Based on these results we can conclude that the first hypothesis in this study is **accepted.** Significant negative effect of firm size on equity risk premium shows that small firms more risky than large companies so that investors expect the equity risk premium is greater for small firms, whereas equity risk premium that investors demand will be low for large companies that can allow investors to predict future risk and return. Gebhdart, et al. (2001) found that the risk of investing in a company increases when information about the company itself is difficult to obtain. The more information available about the company, the more precise the prediction made by the investor, so the investment risk will be low. Because of the low-risk investment, then the investor will demand a lower return, thus equity risk premium will be low. The results of this study support the Boone, et al. (2008) who found that firm size negatively affect the equity risk premium. It also supports the statement of Banz (1981) who conclude that there are negative effects of firm size on the average return.

The second hypothesis states that leverage has a positive effect on equity risk premium. Test results show that leverage has a significant negative impact on equity risk premium. Based on these results we can conclude that the second hypothesis in this study **was rejected.** Significant negative result because it is assumed that investors might assume that the company's growing debt is to increase the use of capital and the results have not been able to be enjoyed in the short term, so the leverage ratio will look great. Jensen (1986) states that the debt can be used as a tool for monitoring the manager to reduce his activities that can not maximize firm value. Investors have confidence that the company has performed well in the future, so that investment risk will be low. Because low-risk investments that the investor will demand a lower return, thus the equity risk premium is expected to be low. The results of this study, is not consistent with previous research which states that a significant positive effect of leverage on equity risk premium (Boone, et al., 2008). These results are also incompatible with the Gebhardt, et al. (2001) who found that the higher financial leverage is expected to increase the company's equity risk premium.

The third hypothesis states that the beta positive effect on equity risk premium. Test results showed that the beta have a significant positive impact on equity risk premium. Based on these results we can conclude that the third hypothesis in this study is **accepted.** Significant positive results show that the higher the beta, the risk will be higher, thus increasing the company's equity risk premium. The results of this third hypothesis gives support to the research by Boone, et al (2008) which states that the beta has positive significant effect on the equity risk premium and also supports Baker and Thuneibat (2009) who found that the beta was positively correlated to the equity risk premium.

The fourth hypothesis states that the management entrenchment positive effect on equity risk premium. The test results indicate that management entrenchment has a significant positive impact on equity risk premium. Based on these results we can conclude that the fourth hypothesis in this study is **accepted.** Significant positive results show that the higher ability of management to maintain its position, the higher the risk of investing in these companies. Thus the investor who will invest in the company will demand a high return or in other words the equity risk premium that investors expected the company would be high. These results support the fourth hypothesis on the results of research by Collins and Huang (2010) who found that management entrenchment positive effect on the cost of capital so that the equity risk premium increases. It also supports Albuquerue and Wang (2008) who finds that weak investor protection used by the manager who led investors demand a higher return and ultimately impact on the increased equity risk premium.

The fifth hypothesis states that managerial ownership negative effect on the equity risk premium. Test results show that managerial ownership have a significant positive impact on equity risk premium. Based on these results we can conclude that the fifth hypothesis of this study **is rejected.** Significant positive results show that managers who have relatively high shares will easily maintain its position. Siallagan and Machfeodez (2006) find that managerial ownership negatively affect the value of the company. The results indicate that the managerial stake in the company will have a tendency to act opportunistic. Investors consider a company with high managerial ownership would be more at risk so that investors will demand higher returns or in other words the equity risk premium that investors are expected to be high. The results of this study, is not consistent with previous research which states that managerial ownership negatively affect the cost of capital (Collins and Huang., 2010). These results are also not inconsistent with Ghosh (2007) and Sundaramurthy, Rhoades, and Rechner (2005) who find that managerial ownership has a positive effect on firm value. The results of these studies have indicated that the managerial stake in the company will have a high value of the company. This implies that the company's risk reduction in equity risk premium will be low as well.

The sixth hypothesis stated that an independent board negative effect on the equity risk premium. Test results showed that the independent board have a significant positive impact on equity risk premium. Based on these results we can conclude that the sixth hypothesis of this study **is rejected.** Significant positive results due to possible presence of an independent board that is not professional and have not been able to play its role to oversee the management. Cheng (2006) states that the size of a large independent commissioners will be more difficult for companies to set up a council meeting. The amount of the proportion of independent board resulting in less efficient and slow in decision making, so the company will increase the risk that caused the high return expected by investors and the equity risk premium will increase as well. The results of this study, is not consistent with previous research which states that an independent board negatively affect the cost of capital (Asbaugh, et al., 2004) and (Collins and Huang., 2010). This means that the more the proportion of independent board, the lower the investment risk of the equity risk premium will be low.

5. CONCLUSIONS, IMPLICATIONS, LIMITATIONS, AND ADVICE

5.1 Conclusion

1. firm size negatively affect equity risk premium. This result suggests that small firms more risky than large companies so that investors expect the equity risk premium is greater for small firms
2. Leverage negatively impact on equity risk premium. This finding shows that the debt can be used as a tool for monitoring the manager to reduce his activities that can not maximize firm value. Investors assume that companies taking advantage of the growing debt for working capital firm and the results have not been able to be enjoyed in the short term, so the leverage ratio will look great. But investors have confidence that the company has performed well in the future, so that investment risk will be low. Thus the expected equity risk premium will be low.
3. Beta significantly and positively effect on equity risk premium. This result shows that the higher the beta, the risk will be higher, thus increasing the company's equity risk premium.
4. Management entrenchment significantly and positively effect on equity risk premium. This finding suggests that the higher the ability of management to maintain its position, the higher the risk of investing in these companies. Thus the investor who will invest in the company will demand a high return or in other words the equity risk premium that investors expected the company would be high.
5. managerial ownership has a positive effect on equity risk premium. This result suggests that managers who have relatively high shares will easily maintain its position will tend to opportunistic. Thus investors consider a company with high managerial ownership would be more risky.
6. Independent board have a positive significant effect on the equity risk premium. It indicates the presence of independent commissioners who are not professional and have not been able to play its role to oversee the management and the large proportion of independent board resulting in less efficient and slow decision making, so the company will increase the risk of causing a high return expected by investors and the equity risk premium will increase as well.

5.2 Implications of Research Findings

In this study the management entrenchment effect is significantly positive. This indicates that the higher the ability of management to maintain its position, is considered by the investor will have an impact on investment performance and risk. The higher the investment risk so investors expecting high returns for companies that entered the category of companies whose management is able to maintain its position easily. To overcome this, the need to formulate a rule by the various parties, particularly Bapepam which serves to prevent excessive management entrenchment. The results also showed that two mechanisms of good corporate governance and managerial ownership is an independent board can not change the perception of investors against the risk of the company. This may be caused by independent commissioners have not been able to play its role to oversee the management.

The results showed that risk factors (firm size, leverage) are significantly negative effect on the equity risk premium, while the beta, management entrenchment, and the quality of corporate governance (managerial ownership and board of independent commissioners) are significantly positive effect on equity risk premium. It can be taken into consideration for investors to look at risk factors, management entrenchment, and the quality of corporate governance in their investment decisions.

5.3 Limitations of Research

1. Period of observation in this study only two (2) years so that the calculation of equity risk premium is less able to represent the change in equity risk premium is larger in previous years.
2. Measurement of management entrenchment in this study using only two of six measurements since only see the financial statements of existing companies.

5.4 Suggestions for Further Research

1. Extend the observation period of study to obtain the calculation of equity risk premium is expected to be more accurate to better explain the equity risk premium.
2. Further research should use other sources in order to measure the six existing management entrenchment because p engukuran management entrenchment in this study uses only the source of the financial statements alone.

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