

**International Journal of Economics and Financial Issues**

ISSN: 2146-4138

Available at https://ijefijournal.com

**International Journal of Economics and Financial Issues, 2026, 15(6)**

# The Effect of Profitability, Leverage, Company Size, Managerial Ownership, and Board Gender Diversity on Debt Costs in Companies in the Consumer Cyclical Sector in Indonesia for the 2021-2024 Period

**Yemima Kurnia Lipur[1*], Trias Madanika Kusumaningrum[2]**

[1,2]Department of Management, Faculty of Economics and Business, Universitas Negeri Surabaya, Surabaya, Indonesia
*Email: yemima.22186@mhs.unesa.ac.id[1*], triaskusumaningrum@unesa.ac.id[2]

**Received:** July 7, 2026 **Accepted:** July 9, 2026

**ABSTRACT**

The cost of debt is one of the key factors influencing corporate financing decisions; therefore, it is important to analyze the determinants that affect it. This study aims to examine the impact of profitability, leverage, firm size, managerial ownership, and board gender diversity on the cost of debt among Consumer Cyclical companies in Indonesia during the period 2021–2024. A quantitative approach was employed using panel data regression with the Random Effect Model (REM). Secondary data were obtained from published financial statements and annual reports. The sample was determined using purposive sampling, resulting in 68 companies with a total of 272 observations. Data analysis was conducted using STATA 17 software. The findings reveal that profitability has a significant negative effect on the cost of debt, while leverage, firm size, managerial ownership, and board gender diversity show no significant influence. The study concludes that a company's ability to generate profits is a more decisive factor in determining the cost of debt compared to capital structure characteristics, firm size, or corporate governance mechanisms examined. Future research is recommended to consider additional variables and extend the observation period to obtain more comprehensive results.

**Keywords:** Cost of Debt, Profitability, Leverage, Firm Size, Managerial Ownership, Board Gender Diversity.

## 1. INTRODUCTION

Indonesia's increasing economic development encourages companies to be able to adapt to changing business environments. Increasingly competitive business competition, both at the national and global levels, requires companies to have the ability to adapt in order to maintain the sustainability of their business (Oktantiani & Gunawan, 2023). One of the important aspects of this effort is the efficient management of funding sources. Every financing decision must be carefully considered because it will have consequences in the form of costs that can affect the company's financial condition (Suryani et al., 2019).

One of the sources of external funding that many companies use is debt. Funding through debt provides an opportunity for companies to obtain additional capital from creditors, but the use of these funds incurs debt costs in the form of interest payment obligations (Dirman, 2020). The cost of debt is an important indicator in evaluating the effectiveness of using external financing compared to internal funding, as the amount of interest that must be paid will affect the efficiency of the company's capital structure (Tanin et al., 2024).

Debt cost management has an important role because these high costs can reduce the company's profits through an increase in interest expenses that must be paid each period. This condition not only affects profitability, but also increases financial risk if the company does not have adequate ability to fulfill its obligations to creditors. Therefore, debt cost control is one of the factors that determine the financial stability and operational sustainability of the company (Suryani et al., 2019).

Based on data on the average cost of corporate debt listed on the Indonesia Stock Exchange (IDX) during the 2021–2024 period, *the Consumer Cyclical* sector showed the most notable increase in debt costs compared to other sectors. The average cost of debt in this sector increased from 4.10% in 2023 to 6.54% in 2024, as shown in Figure 1.1. The increase indicates that there are special

conditions that cause companies in the *Consumer Cyclical* sector to face increasingly high funding costs.

Profitability reflects a company's ability to generate profits and is generally measured using Return on Assets (ROA) (Sherly & Fitria, 2019). Companies with high levels of profitability tend to rely more on internal funding so that the need for debt is lower. This condition has the potential to reduce debt costs because the interest burden that must be borne is getting smaller (Sherly & Fitria, 2019). These findings are supported by Yuliarti et al. (2021). However, Tanin et al. (2024) found a positive relationship between profitability and the cost of debt, while Dirman (2020) stated that profitability had no significant effect.

Leverage indicates the level of debt use as a source of corporate funding as measured through the Debt to Equity Ratio (DER). The higher the leverage, the greater the company's obligation to meet interest and principal payments, so the risk of default increases. Research by Dirman (2020) and Syahwier and Fitriani (2018) proves that leverage has a positive effect on debt costs. In contrast, Tanin et al. (2024) obtained negative results, while Gresya et al. (2024) found no significant effect.

The size of a company describes the size of the company based on the total assets owned (Syahwier & Fitriani, 2018). Large-scale companies generally have a better reputation and stability so they are seen as having lower risk by creditors. As a result, companies have the potential to obtain lower debt costs (Suryani et al., 2019). These results are supported by Suryani et al. (2019) and Syahwier and Fitriani (2018). However, Wardani and Ruslim (2020) found a positive influence, while Gresya et al. (2024) stated that the size of the company had no effect on debt costs.

Managerial ownership describes the proportion of shares owned by management. Share ownership by managers can align the interests of management with shareholders thereby encouraging more prudent decision-making, including in the use of debt (Dirman, 2020). Febrinalda and Hasnawati (2022) and Li et al. (2016) found that managerial ownership has a negative effect on debt costs. On the other hand, Zheng and Shen (2024) showed a positive relationship, while Dirman (2020) concluded that there was no significant influence.

In addition, *the gender diversity board* is seen as able to improve the quality of decision-making and risk management through the diversity of perspectives on the board of directors (Aditia & Kuang, 2024). Martín-Ugedo and Mínguez-Vera (2023) found that gender diversity on boards lowers debt costs. On the other hand, Fleitas-Castillo et al. (2025) and Kamil and Appiah (2022) obtained positive results, while Aditia and Kuang (2024) and Benjamin and Biswas (2017) stated that *gender diversity boards* did not have a significant influence on debt costs.

The difference in the results of previous research shows that there is still a *research gap* regarding the factors that affect debt costs. Therefore, this study simultaneously examines the influence of profitability, leverage, company size, managerial ownership, and *board gender diversity* on debt costs in companies in the Consumer Cyclical sector in Indonesia for the 2021–2024 period. This research offers novelty by combining financial and corporate governance variables in one research model so that it is expected to produce more comprehensive empirical evidence on the determinants of debt costs in sectors that are sensitive to changes in economic conditions.

The objectives of this study are to analyze the negative influence of profitability on debt costs, analyze the positive influence of leverage on debt costs, analyze the negative influence of company size on debt costs, analyze the negative influence of managerial ownership on debt costs, and analyze the negative influence of *gender diversity on* debt costs in companies in the Consumer Cyclical sector in Indonesia.

## 2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

### 2.1 Pecking Order Theory

The Pecking Order Theory explains that companies have a sequence of preferences in determining funding sources, especially when there is an asymmetry of information between internal and external parties of the company. Companies will prioritize funding sources that have the lowest risk and cost before using other funding alternatives. Internal funding, such as retained earnings, is the first choice because it does not incur issuance costs or information risks. If internal funds are insufficient, companies tend to use debt first because the cost is relatively lower than the issuance of new shares (Rofiqoh, 2018). Thus, this theory asserts that capital structure decisions are not based on the composition that is considered optimal, but on the order of preference of funding sources according to their level of risk (Myers & Majluf, 1984).

In this study, Pecking Order Theory is used to explain the relationship between profitability, leverage, and company size to debt costs. Profitability reflects the company's ability to generate profits from the assets it owns so that more profitable companies tend to have lower external funding needs (Dirman, 2020). On the other hand, leverage shows the amount of debt used compared to its own capital, so that the higher the leverage, the greater the company's dependence on external funding (Dirman, 2020). In addition, the size of the company describes the capacity of the assets it has. Companies with larger assets generally have better credibility in the eyes of creditors, are easier to obtain loans, and have a relatively lower risk of default, thus potentially obtaining lower debt costs (Gresya et al., 2024).

### 2.2 Agency Theory

Agency Theory describes the contractual relationship between the owner of the company (principal) and management (agent), where the owner authorizes the manager to manage the company in order to achieve the organization's goals. According to Michael C. Jensen and William H. Meckling (1976), the separation between ownership and management of a company can give rise to conflicts of interest because each party seeks to maximize its own interests. Shareholders want an optimal rate of return on investment, while managers tend to pursue personal benefits, such as compensation, bonuses, and incentives, which has the potential to cause agency problems (Dirman, 2020).

In addition to managerial ownership, the effectiveness of corporate governance can also be improved through gender diversity on the *board (board gender diversity*). The presence of female directors is considered to be able to strengthen the supervisory function, increase prudence in decision-making, and reduce the tendency of management to take excessive risks.

These characteristics help to suppress information asymmetry and increase creditors' trust in the company, so that lending risks are lower and debt costs can be reduced (Kamil & Appiah, 2022). Therefore, Agency Theory is a relevant foundation to explain the influence of managerial ownership and *board gender diversity* on the cost of corporate debt.

## 3. RESEARCH MEHODOLOGY

This study applies a quantitative approach to test the causal relationship between variables through statistical analysis. The quantitative approach allows researchers to measure the influence of independent variables on dependent variables based on data obtained from the population or sample using research instruments (Sugiyono, 2023).

The research was carried out on Consumer Cyclical sector companies listed on the Indonesia Stock Exchange (IDX) by utilizing secondary data as the main source. Secondary data is obtained indirectly through published documents, such as annual financial statements, company annual reports, and other official archives (Sugiyono, 2023). All data is collected through the IDX's official website and the official website of each company. The research process took place in the period November 2025 to March 2026, while the data analyzed covered the period 2021–2024. The time range was chosen to be able to describe the company's condition in a more representative way and support the analysis of the relationship between variables (Sugiyono, 2023).

The research population includes all companies in the Consumer Cyclical sector listed on the Indonesia Stock Exchange, which is as many as 164 companies. Population is a total research unit that has characteristics in accordance with the research objectives and is the basis for the process of generalizing research results (Sugiyono, 2023). From this population, samples were selected using the purposive sampling technique, which is a method of determining samples based on certain criteria so that the data obtained is in accordance with the needs of the research and is able to represent the characteristics of the population being studied (Sugiyono, 2023).

Data collection was carried out through literature studies and documentation. Literature studies are used to obtain a theoretical foundation by examining various scientific sources, such as books, journals, research articles, and official publications relevant to the research topic (Sugiyono, 2023). Meanwhile, the documentation technique is carried out by collecting secondary data in the form of annual financial statements and annual reports of companies in the Consumer Cyclical sector obtained through the official website of the Indonesia Stock Exchange (IDX) and the websites of each company. The combination of these two techniques aims to obtain complete data and support the research analysis process (Sugiyono, 2023).

Data analysis was carried out using panel data regression, which is a method that combines cross section and time series data to test the influence of independent variables on dependent variables (Robinson Sihombing, 2024). In this study, the independent variables consisted of profitability, leverage, company size, managerial ownership, and board gender diversity, while the dependent variables were debt costs. All data that has been collected is analyzed using the STATA 17 software so that test results can be obtained that explain the relationship between variables empirically (Robinson Sihombing, 2024).

## 4. RESULTS AND DISCUSSION

### 4.1 Research Results

This study uses panel data regression analysis to examine the influence of profitability, leverage, company size, managerial ownership, and *board gender diversity* on debt costs in *companies in the Consumer Cyclical sector* in Indonesia for the 2021–2024 period. Before the hypothesis test is carried out, the most suitable estimation model is first selected through the Chow test, the Hausman test, and the Lagrange Multiplier (LM) test. In addition, the data were also tested to ensure the feasibility of the model through normality, multicollinearity, and heteroscedasticity testing. Because the initial data did not meet the assumption of normality, *a winsorizing* process was carried out at the 1st and 99th percentiles to reduce the influence of extreme values without eliminating the study observations. Furthermore, all analyses use data that has gone through *the winsorizing* process.

**Table 4.1 Estimation Model Selection**

| Test | Prob | | Sig. | Description | Verdict |
|---|---|---|---|---|---|
| Chow | 0,0000 | < | 0,05 | FEM is more accurate than CEM | FEM |
| Hausman | 0,0799 | > | 0,05 | REM is more accurate than FEM | REM |
| LM | 0,0000 | < | 0,05 | REM is more accurate than CEM | REM |

Source: Processed by researchers with STATA 17 (2026)

The results of the model selection showed that the Chow test produced a probability value of 0.0000 (<0.05), so that *the Fixed Effect Model* (FEM) was better than *the Common Effect Model* (CEM). However, the Hausman test obtained a probability value of 0.0799 (>0.05), which suggests that *the Random Effect Model* (REM) is more appropriate than FEM. The findings were strengthened by the Lagrange Multiplier test which produced a probability value of 0.0000 (<0.05), so that REM was considered more appropriate than CEM. Based on these three tests, this study determined *the Random Effect Model* as the best estimation

model. The REM model uses the *Generalized Least Squares* (GLS) approach, which is a development of *Ordinary Least Squares* (OLS) that has been transformed to produce an estimator that meets the properties of *the Best Linear Unbiased Estimator* (BLUE), so it does not require full testing of the classic OLS assumptions.

**Table 4.2 Panel Data Regression Analysis**

| Independent Variables | Coeficin | Sig | R-Squared | Conclusion |
|---|---|---|---|---|
| Profitability (X1) | -0,070404 | 0,023 | 0,0515 | Influential |
| *Leverage* (X2) | -0,00003 | 0,966 | | Not Influential |
| Company Size (X3) | 0,0039176 | 0,088 | | Not Influential |
| Managerial Ownership (X4) | -0,149323 | 0,413 | | Not Influential |
| *Board Gender Diversity* (X5) | -0,0623394 | 0,536 | | Not Influential |
| _cons | -0,0623394 | 0,335 | | Not Influential |
| *Wald Chi2* | | | 9,84 | |
| *Prob > chi2* | | | 0,0799 | |
| Dependent Variable (Y): Debt Cost | | | | |

Source: Data processed by Researcher with STATA 17 (2026)

Hypothesis testing was carried out using panel data regression with a REM approach. The results of the analysis show that only the profitability variable has a significant effect on the cost of debt. Profitability has a coefficient of -0.070404 with a significance value of 0.023 (<0.05), thus indicating a negative relationship. These findings indicate that the higher the company's profitability level, the lower the cost of debt that must be incurred. In contrast, leverage has a coefficient of -0.00003 with a significance value of 0.966, company size has a coefficient of 0.0039176 with a significance of 0.088, managerial ownership has a coefficient of -0.149323 with a significance of 0.413, while the *gender diversity board* has a coefficient of -0.0623394 with a significance of 0.536. All of these significance values are above the 5% level, so the four variables are declared to have no statistical effect on debt costs.

The regression equation obtained shows that the change in debt costs is influenced by the direction and magnitude of the coefficient of each independent variable assuming that the other variables are fixed. Negative coefficients on profitability, leverage, managerial ownership, and *board gender diversity* indicate a tendency to decrease debt costs when these variables increase, while company size indicates a positive relationship direction. However, only the influence of profitability has been shown to be statistically significant.

Simultaneous testing using Wald Chi² statistics yielded a value of 9.84 with a probability of 0.0799 (>0.05). These results show that together the variables of profitability, leverage, company size, managerial ownership, and *board gender diversity* have not been able to have a significant influence on debt costs. Thus, empirical evidence regarding the collective influence of all independent variables on dependent variables has not been proven in this study.

A determination coefficient (*R-squared*) value of 0.0515 indicates that the model is only able to explain 5.15% of the variation in debt costs, while the remaining 94.85% is influenced by other factors outside the research model. The low explainability of the model indicates that the cost of debt is likely to be influenced by other factors, such as corporate risk, liquidity, collateral quality, credit rating, and macroeconomic conditions. In addition, the characteristics of companies *in the Consumer Cyclical sector* that are diverse and sensitive to changes in economic conditions also contribute to the low value of the determination coefficient. The results of the REM estimation also resulted in *an rho value* of 0.6304 which showed that approximately 63.04% of the residual variation came from the specific characteristics of each company that could not be observed, while the rest was affected by the variation in errors that changed throughout the observation period.

## 4.2 Discussion

The results of the hypothesis test show that profitability has a negative influence on debt costs in *companies in the Consumer Cyclical* sector in Indonesia during the 2021–2024 period. These findings indicate that an increase in a company's ability to generate profits is likely to be followed by a decrease in the cost of debt to be incurred. Thus, the hypothesis that states the influence of profitability on debt costs is acceptable.

This negative relationship shows that companies with high levels of profitability are better able to meet their funding needs through internal sources of funds, especially retained earnings, so that dependence on external funding is lower. The reduced use of debt causes the interest burden borne by the company to be smaller, so that debt costs can be reduced (Sherly & Fitria, 2019).

These findings are in line with the Pecking Order Theory, which explains that companies have a sequence of preferences in determining funding sources. The company will prioritize the use of internal funds before utilizing debt or stock issuance because

internal funds do not incur greater emission costs or funding risks (Muspyta & Ruslim, 2023). Therefore, companies that have high profitability tend to require a smaller amount of external financing so that their debt costs are lower.

The descriptive data of the study also support these results. PT Anugerah Kagum Karya Utama Tbk (AKKU), which had a relatively low average profitability during the study period, recorded a higher debt cost than PT Selamat Sempurna Tbk (SMSM), which had a higher level of profitability with a much lower average debt cost. This condition shows a tendency that companies that are able to generate greater profits have a lower level of debt costs.

The results of this study are consistent with the research of Sherly and Fitria (2019) and Yuliarti et al. (2021) which found that profitability has a negative effect on debt costs. However, this result is different from Dirman's (2020) research which concluded that profitability has no effect on debt costs. These differences are allegedly influenced by variations in industry characteristics, observation periods, and economic conditions that affect credit policies and the determination of debt costs by creditors.

Based on the results of the hypothesis test, leverage is not proven to have a significant influence on debt costs in *companies in the Consumer Cyclical sector* in Indonesia for the 2021–2024 period. These results show that changes in the level of leverage have not been able to explain the change in the cost of debt borne by the company, so the hypothesis regarding the effect of leverage on debt costs is rejected.

The insignificance of the influence of leverage is allegedly related to the characteristics of the company's liability structure in the *Consumer Cyclical* sector. In this study, leverage is measured using the ratio of total debt to equity, where total debt includes not only interest-bearing debt, but also various operational obligations such as business debt, accrual expenses, and income received upfront. Since most of those liabilities do not incur interest expenses, increased leverage is not always followed by an increase in debt costs. This suggests that the dominance of non-interest liabilities causes the relationship between leverage and debt costs to be insignificant.

Theoretically, high leverage is often associated with increased financial risk due to the large principal and interest obligations of the loan. However, the results of this study indicate that the level of leverage has not been the main factor considered by creditors in determining the amount of corporate debt costs during the study period.

Descriptive analysis also shows that changes in leverage are not always followed by changes in one-way debt costs. PT Lima Dua Lima Lima Tiga Tbk (LUCY), for example, experienced an increase in leverage at the beginning of the research period, but its debt costs actually decreased. Conversely, when leverage decreases in the following period, the cost of debt increases. A similar pattern is also seen in Arthavest Tbk, which experienced fluctuations in leverage during 2021–2024, while its debt costs did not show consistent changes following the movement of leverage. The findings further reinforce that the level of leverage does not directly determine the amount of a company's debt costs.

The results of this study are in line with the findings of Gresya et al. (2024) which stated that leverage has no effect on debt costs. On the other hand, research by Tanin et al. (2024) and Dirman (2020) shows that there is an influence of leverage on debt costs. The difference in the results of the study may be influenced by the variety of industrial sectors studied, the observation period, the analysis methods used, and the different economic conditions in each study.

The results of the hypothesis test show that the size of the company does not have a significant effect on the cost of debt in companies in *the Consumer Cyclical* sector in Indonesia during the period 2021–2024, so the research hypothesis is rejected. These findings indicate that the size of the company's total assets has not been the main consideration of creditors in determining the level of debt costs. Although large companies generally have more assets, broader business diversification, and better access to funding, these conditions do not necessarily reflect the company's ability to meet its financial obligations. Creditors allegedly prioritize other factors, such as profitability, cash flow stability, the quality of collateralized assets, and the level of business risk.

The results of this study also do not support *the Pecking Order Theory*, which explains that companies tend to utilize internal funding sources before using debt so that larger companies are expected to have lower debt needs. However, in the *Consumer Cyclical* sector, corporate risk is more influenced by fluctuations in people's purchasing power and economic conditions than the size of assets owned, so the ability to generate stable cash flow is a more important consideration for creditors. Descriptive findings also strengthen these results, where PT Anugerah Kagum Karya Utama Tbk (AKKU), which has an average company size of 26.39, recorded a debt cost of 14.69%, while PT Electronic City Indonesia Tbk (ECII) with a larger company size, which is 28.19, actually has a much lower debt cost of 0.41%. Similar conditions are also seen in PT Fortune Indonesia Tbk (FORU) which has a smaller company size than PT Arsy Buana Travelindo Tbk (HAJJ), but recorded lower debt costs. This shows that there is no consistent relationship pattern between company size and debt costs. The results of this study are in line with Gresya et al. (2024) who concluded that company size does not affect debt costs, but it is different from the findings of Suryani et al. (2019) and Wardani and Ruslim (2020) who stated that company size affects debt costs. These differences are allegedly influenced by industry characteristics, research periods, economic conditions, and differences in creditors' considerations in assessing company risk.

The results of the hypothesis test show that managerial ownership does not have a significant effect on debt costs in *companies in the Consumer Cyclical* sector in Indonesia during the period 2021–2024, so the research hypothesis is rejected. These findings show that the large proportion of shares owned by the management has not been able to affect the level of debt costs set by creditors. Although managerial ownership is expected to align the interests of managers and shareholders, creditors seem to consider other factors more, such as profitability, ability to generate cash flow, asset quality, and corporate risk in determining the interest rate of the loan. The results of this study also do not support *Agency Theory*, which states that shareholding by management can reduce agency conflicts so that the company's risk decreases and debt costs are lower. However, the results of the study show that this mechanism has not been able to change the perception of creditors' risk. The descriptive findings reinforce these results, where PT Sepeda Bersama Indonesia Tbk (BIKE) experienced a decrease in managerial ownership from 1.00 to 0.75, but its debt costs remained fluctuating during the study period. Meanwhile, PT Sanurhasta Mitra Tbk (MINA) maintained managerial ownership of 0.06, but its debt costs changed considerably from year to year. This condition shows that changes in managerial ownership are not always followed by uniform and consistent changes in debt costs.

The results of this study are consistent with Dirman (2020) who found that managerial ownership has no effect on debt costs, but it is different from the research of Li et al. (2016) and Zheng and Shen (2024) who stated that managerial ownership has an effect on debt costs. The difference in results is suspected to be due to differences in sample characteristics, research periods, and the effectiveness of implementing corporate governance mechanisms in each sector.

The results of the hypothesis test show that the gender diversity board does not have a significant influence on debt costs in *companies in the Consumer Cyclical* sector in Indonesia during the 2021–2024 period. These findings indicate that the proportion of women on the board has not yet been a factor considered by creditors in determining the level of borrowing costs, so the hypothesis that there is an influence of board gender diversity on debt costs is unacceptable. Although gender diversity is often associated with improved decision-making quality, supervisory effectiveness, and the implementation of better corporate governance, these benefits have not been reflected in risk assessments conducted by lenders.

The findings also do not support Agency Theory, which explains that effective boards are able to suppress agency conflicts through better monitoring functions so that company risks are reduced and debt costs are lower. The results of this study show that the presence of women on the board has not provided a strong enough signal for creditors in evaluating the company's risk level. This condition is allegedly influenced by the still low proportion of women on the board of companies in the *Consumer Cyclical* sector, so that their contribution to strategic decision-making and supervision is not optimal. In addition, lenders tend to prioritize financial performance indicators over the demographic characteristics of the board when determining loan interest rates.

Descriptively, the relationship between board gender diversity and debt costs also does not show a consistent pattern. At PT Erajaya Swasembada Tbk (ERAA), the proportion of women on the board remained at 0.13 during the research period, while debt costs fluctuated from 3.76% in 2021 to 2.77% in 2022, then increased to 4.69% in 2023 and 4.87% in 2024. On the other hand, PT MNC Digital Entertainment Tbk (MSIN) experienced a decrease in the gender diversity board from 0.75 to 0.60, but its debt costs continued to decrease from 2.19% to 2.05%. Meanwhile, PT Matahari Department Store Tbk (LPPF) maintained a gender diversity board of 0.33 during 2021–2023, but the cost of debt increased sharply from 1.28% to 10.49%, then rose again to 11.63% in 2024 when the proportion of women dropped to 0.25. This fact shows that changes in the gender composition in the board are not always followed by changes in debt costs in the same direction.

The results of this study are in line with the findings of Aditia and Kuang (2024) and Benjamin and Biswas (2017) who concluded that board gender diversity has no effect on debt costs. However, these results differ from the research of Kamil and Appiah (2022) and Martín-Ugedo and Mínguez-Vera (2023) which found a significant influence between the gender diversity of boards and debt costs. The difference in the results of the study may be influenced by variations in company characteristics, industrial sectors, observation periods, and the level of implementation of corporate governance in each country and the object of research.

## Conclusion

The results showed that only profitability had a significant influence on the cost of debt, while the other variables did not show a significant relationship. Profitability has been shown to have a negative effect on debt costs, indicating that companies with higher profit rates tend to earn lower borrowing costs.

In contrast, leverage has not been proven to affect the cost of debt. These results show that the large proportion of debt in the capital structure has not yet been a factor that determines the amount of borrowing costs. One of the reasons is that leverage measurement uses total debt that includes liabilities without interest charges, so it does not fully reflect debt that actually incurs funding costs. Thus, the dominance of non-interest debt in the composition of liabilities is suspected to be the cause of the absence of the influence of leverage on debt costs.

The size of the company also does not have a significant influence on the cost of debt. These findings show that the size of the company's assets has not yet become the primary basis for creditors in determining the interest rate of the loan. Although large companies generally have wider access to funding, the size of the company does not necessarily reflect the ability to meet debt payment obligations so it is not a key indicator in credit risk assessment. In addition, managerial ownership has no effect on debt costs. The large number of shares owned by the management has not been able to increase creditors' confidence in the company's risk level.

The results of the study also show that *the gender diversity board* has no effect on debt costs. The existence of female board members has not been a priority factor for creditors in determining the cost of loans.

Based on the results of the study, the company is advised to increase profitability as the main strategy in reducing debt costs through increasing operational efficiency and optimizing retained profits as a source of internal funding. In addition, companies need to build a good financial reputation through cash flow stability, asset quality, and performance consistency, without relying solely on company size, capital structure, managerial ownership, and board composition. Companies also need to encourage more active involvement of female board members in the strategic decision-making process so that gender diversity can provide added value to stakeholder perceptions.

For investors and creditors, profitability should be one of the main indicators in evaluating a company, especially in the *Consumer Cyclical* sector which is heavily influenced by economic conditions. Credit risk assessment also needs to be carried out more thoroughly by considering factors such as cash flow stability, asset quality, and business prospects, so that the determination of loan costs can be done more objectively and accurately.

For further research, it is recommended to use *interest-bearing debt* as the basis for measuring debt costs so that the results obtained are more representative of the actual interest expense. The next study can also expand the variables analyzed, such as *earning variability*, liquidity, *ownership concentration*, *supervisory board size*, and macroeconomic factors. In addition, the scope of research can be expanded through the addition of observation periods and industrial sectors so that the research results have better generalization. Future research could also examine the quality of female board member engagement, not just the number of their presence, as well as consider the use of qualitative approaches or case studies to gain a deeper

understanding of the relationship between corporate governance and the cost of debt.

## REFERENCES


Aditia, N. C. M., & Kuang, T. M. (2024). The Impact of Gender Diversity on the Board of Directors and Environmental Innovation on Debt Costs in Indonesia. *Owner*, *8*(4), 4212–4220. https://doi.org/10.33395/owner.v8i4.2429

Benjamin, S., & Biswas, P. K. (2017). Board gender composition, dividend policy and cost of debt: The implications of CEO duality. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.2903142

Dirman, A. (2020). Cost of debt: The impact of financial factors and non-financial factors. *Dinasti International Journal of Economics, Finance & Accounting*, *1*(4), 550–567. https://doi.org/10.38035/DIJEFA

Febrinalda, P. C., & Hasnawati, H. (2022). The effect of environmental disclosure, managerial ownership and independent commissioners on the cost of debt. *Journal of Economics Trisakti*, *2*(2), 1471–1482. https://doi.org/10.25105/jet.v2i2.14936

Fleitas-Castillo, G. C., Peña-Martel, D., Pérez-Alemán, J., & Santana Martín, D. J. (2025). Women on boards and the cost of debt: The role of family ties. *Research in International Business and Finance*, *75*, 102762. https://doi.org/10.1016/j.ribaf.2025.102762

Gresya, H., Arofah, A. A., & Khusnia, A. N. (2024). The effect of tax avoidance, company size, debt equity ratio, and company age on debt costs in manufacturing companies. *Journal of Economics & Business*, *4*(2), 210–221. https://doi.org/10.54199/pjeb.v4i2.346

Jensen, M., & Meckling, W. (1976). Theory of the firm: managerial behavior, agency costs and ownership structure. In *Journal of Financial Economics* (Number 4). Harvard University Press. http://hupress.harvard.edu/catalog/JENTHF.html

Kamil, R., & Appiah, K. O. (2022). Board Gender Diversity and Cost of Debt: Do Firm Size and Industry type matter? *Gender in Management: An International Journal*, *37*(1), 19–38. https://doi.org/10.1108/GM-12-2020-0363

Li, L., Dong, F., Liu, Y., Huang, H., & Wang, S. (2016). The effect of corporate governance on debt financing cost of listed companies. *Journal of Systems Science and Complexity*, *29*(3), 772–788. https://doi.org/10.1007/s11424-016-5192-3

Martín-Ugedo, J. F., & Mínguez-Vera, A. (2023). Board of directors and firm debt in Spanish SMEs: A power perspective. *European Research on Management and Business Economics*, *29*(3), 100231. https://doi.org/10.1016/j.iedeen.2023.100231

Myers, S. C., & Majluf, N. S. (1984). *Corporate financing and investment decisions when firms have information the investors do not have*.

Oktantiani, D., & Gunawan, J. (2023). Influence of profitability, sustainability finance disclosures, and sustainability report assurance on cost of debt. *International Journal of Contemporary Accounting*, *5*(1), 1–18. https://doi.org/10.25105/ijca.v5i1.16307

Robinson Sihombing, P. (2024). *Multiple linear regression analysis of panel data*.

Rofiqoh, A. (2018). *Company, profitability and dividend policy against debt policy*.

Sherly, E. N., & Fitria, D. (2019). The Effect of Tax Avoidance, Institutional Ownership, and Profitability on Debt Costs (Empirical Study on Manufacturing Companies Listed on the IDX for the 2011-2015 Period). *EKOMBIS REVIEW: Scientific Journal of Economics and Business*, *7*(1), 58–69. https://doi.org/10.37676/ekombis.v7i1.701

Sugiyono. (2023). *Quantitative, qualitative, and R&D research methods*. www.cvalfabeta.com

Suryani, A., Imelda, E., & Wirianata, H. (2019). The effect of earnings variability, company size, and negative earnings on debt costs. *Journal of Accounting Paradigm*, *1*(3), 919. https://doi.org/10.24912/jpa.v1i3.5596

Syahwier, C. A., & Fitriani, S. A. (2018). *Effect of tax avoidance, size of the company, leverage, age of the company on cost of debt in manufacturing companies listed in indonesia stock exchange*.

Tanin, T. I., Sarker, A., Hammoudeh, S., & Batten, J. A. (2024). The determinants of corporate cost of debt during a financial crisis. *British Accounting Review*, *56*(6). https://doi.org/10.1016/j.bar.2024.101390

Wardani, S. L., & Ruslim, H. (2020). The effect of DAR, company size, and tax avoidance on the cost of debt. *Journal of Managerial and Entrepreneurship*, *2*(2), 469. https://doi.org/10.24912/jmk.v2i2.7940

Yuliarti, B. W., Hasanah, N., Utamaningtyas, T. H., Gurendrawati, E., & Purwohedi, U. (2021). Effect of tax avoidance, profitability, leverage on cost of debt with institutional ownership as moderating. *Journal of International Conference Proceedings*, *4*(3). https://doi.org/10.32535/jicp.v4i3.1360

Zheng, X., & Shen, J. (2024). Corporate environmental information disclosure, managerial ownership and the cost of debt. *International Review of Economics & Finance*, *93*, 645–659. https://doi.org/10.1016/j.iref.2024.03.052