

ABSTRACT

Cost of Equity Capital is an important concept for companies because it is part of the total cost of capital and is often considered in the process of making investment decisions. Therefore, research on the factors that influence the amount of Cost of Equity Capital is interesting to study, such as market risk factors and company characteristics, namely firm size, book to market ratio, and leverage. The research was conducted to find out how much influence these factors have on the value of the Cost of Equity Capital. In addition, currently with the development of information and communication technology in the form of rapid social media adaptation, social media sentiment factors can be considered as factors that can affect the value of the Cost of Equity Capital, which is related to investor sentiment.

Companies in the LQ45 index in the period 2017-2021 are used as research samples because the companies included in the index are companies with good performance and attract a lot of public attention. The methodology used in this research is multiple linear regression because it wants to examine the factors that influence the Cost of Equity Capital. The data used in this study were taken from the Bloomberg database.

The findings from this study illustrate that market risk variables (beta), book to market, and leverage each have a positive and significant effect on the Cost of Equity Capital, as well as social media sentiment which has a positive and significant influence, these results explained that the research sample, namely large companies in the LQ45 index, were not so sensitive to changes in sentiment. Meanwhile, the company size variable has a negative and significant effect on the Cost of Equity Capital. The market risk factor is the variable that has the largest contribution in influencing the value of the Cost of Equity Capital, followed by company size, social media sentiment, and book to market ratio. Meanwhile, leverage as a factor that has the smallest influence on the value of the Cost of Equity Capital. These findings can help companies in their strategy to maintain the amount of Cost of Equity Capital issued by companies so that they are not too high, because the most important thing for companies is how to get as much funding as possible at low costs.

Keywords: *Cost of Equity Capital, Beta, Firm Size, Book to Market Ratio, Leverage, Social Media Sentiment.*