

ABSTRACT

Cost of Debt is the rate of return or profit difference of the loan amount and the amount of return desired the creditor when providing funding to the company (debtor). The amount cost of debt is determined through the risk that the company has, one of which is information asymmetry. There are several factors that cause asymmetry and affect the amount costs of debt, including entrenchment effects and alignment effects.

This study aims to examine the influence of entrenchment and the effect of alignment on the costs of debt manufacturing companies either simultaneously or partially. This research was conducted at a manufacturing company listed in Indonesia Stock Exchange 2012-2016 with the number of sample research is 8 companies selected by purposive sampling method. Observation period is 5 years using SPSS 22 software with multiple linear regression analysis model.

The results showed that independent entrenchment and alignment effect had significant effect on the dependent variable, ie the cost of debt simultaneously. Similarly, the independent variable entrenchment has a significant positive effect on the cost of debt. While entrenchment has a significant negative effect on the cost of debt.

Keywords: *entrenchment; alignment; cost of debt*