

## **CHAPTER V**

### **CONCLUSION**

#### **5.1. Conclusion**

This research is aimed to give empirical evidences about whether earnings volatility positively effect on cost of debt in all industries listed in Indonesian Stock Exchange and ICMD in period 2012-2016, except the financial sector. This research tests the relation of one independent variable with three control variables toward one dependent variable. Based on the result of data analysis, the conclusion is as follows:

1. Earning volatility has positive effect on the firm's cost of debt.
2. There is a significant difference between association of earnings volatility with cost of debt for different industrial sector.

#### **5.2 Limitation and Suggestion**

The reference journal in this research conducted by Huq (2016). There are nine control variables used by Huq, but this research did not use all of the control variables but only three control variables were chosen which were considered to have the most relevant relationship on cost of debt. The small number of control variables is one of the limitations in this research which causes the research results being less significant with the results of previous research. The future research can use all of control variables used by Huq in his research. Futhermore based on purposive sampling that has been choosen in this study, the criteria is finance industry is excluded from the sample since they are on the supply side (lenders) and this study is conducted based on the demans side (borrowers). The

future research can include the finance industry as the sample to know the effect of earning volatility on cost of debt both at lenders and borrowers side.

### **5.3 Implication**

Earning volatility has positive effect on the firm's cost of debt. Based on that result, it is expected that every company have to maintain their profit stability. Profit can be stable if the company is able to have a good performance to generate good profitability. In addition, there are differences in the effect of earnings volatility that occurs in each industry sector in Indonesia.

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[www.idx.co.id](http://www.idx.co.id)

ICMD (Indonesia Capital Market Directory) <https://www.sahamok.com/beda-laporan-keuangan-annual-report-dan-icmd-indonesia-capital-market-directory/>

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