

CHAPTER V

CONCLUSION

5.1 Conclusion

This research has different results from previous studies, where most research is from other countries. The result of this research is EPS has no significant impact to abnormal return, meanwhile the result of other country's research is EPS has a significant positive effect on abnormal returns. The increase in EPS will increase the share price and the return received by investor, it can even cause an abnormal return. Perhaps this is due to a very efficient market in developed countries, where only the stock price can reflect the condition of the company. In Technology field, developed countries are also more advanced, with their mindset and more experience in investment decisions making, they can make decisions more quickly and accurately.

Unlike previous studies, this study focuses on the country of Indonesia and uses LQ45 companies. In fact, there have been several studies that have identified problems that cause earnings announcements to have no significant effect on abnormal returns in Indonesia. Every year there has been an increase in market reactions to announcements, but the reaction is rather slow compared to developed countries. The underdeveloped in technology and information field may be the most suitable reason.

Apart from the factors of country and market conditions, from the test results there are several problems that might make the result different than previous study. First, EPS is not information content that investors should carefully consider, there is a possibility that investors would prefer to pay attention to other things in the financial statements. Investor might think that EPS is only a small piece of information, meanwhile information about cash flows, the company's financial position, and changes in capital which are potential

sources that can be used by investors in making decisions. Second, investors consider that earnings information is less relevant for making economic decisions due to the possibility of earning management practices and conservative principles in preparing financial statements. Investors are worried about the possibility these practices, because of that the result is there no significant impact on abnormal return. When there is announcement of an increase in earnings, it will not significantly impact the abnormal return, same like when there is announcement of a decline in earnings. The last thing is other information contained in financial statements and risk factors can also influence decisions made by investors.

5.2 Limitation and Suggestion

Limitation in this research is the small period of time for time windows the time is only 3 days, it might not enough to describe the effect. The period of year maybe is also small, only 3 year with total 110 sample. And the last the lack accuracy of announcement date make the data less accurate, because the date announcement is hard to trace.

The suggestion for the next research is give a longer time windows and period so the abnormal return fluctuation can be seen clearly. The next researcher also needs to work hard to find the date of announcement so the market reaction become precise. Other suggestion is to use more control variable as firm value, and many more. Hopefully further research would be more focused on the accuracy.

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