

CHAPTER V

CONCLUSION

5.1 Conclusion

This research analyze the relationship between the independent variable(beta, firm size, book to market, and momentum factor) to the dependent variable (excess stock return) in the implementation of Carhart Four Factor Model using fixed income mutual fund market in Indonesia. Result of the test using Multiple Linear Regression to examine the impact of the beta, firm size, book to market, and momentum factor to the return, the result are:

1. Based on the t statistical significance test firm size (SMB) give positive impact to the excess stock return (EXR) but only a weak impact. It shows by the significance level that higher than 5% that is significance in 10% level. This is happened because in the fixed income mutual fund investor is not considering the firm size but the rate of return. Firm size is the factor that should be consider in an investment to make a better decision. Drew (2003) ,Wong, Tan and Liu (2006) found that there are size effect in chinese market return. With considering the firm size hopefully the investor could wisely choose mutual fund that have a good return, beside the risk that should be faced.
2. Based on the t statistical significance test book to market (HML) don't impact the excess stock return (EXR) because the significance level is higher than 10% or 0.1. Before the investor want to buy the fixed income mutual fund the investor should consider the book to market, because the book to market will reflect the price of the mutual fund. Although in this

research the result is not significant, there are some studies that have different result Stattman (1980) reported a positive relationship between expected stock returns and the BTM ratio in the U.S. stock market. Fama and French (1992) also found that the leverage on stock return average can be captured by the effect of book to market. Before choosing the right investment the investor should consider the book to market factor.

3. Based on the t statistical significance test momentum factor (UMD) give negative impact to the excess stock return (EXR) and it is a significant impact. Momentum factor gives impact to the return in 1% significance level, means that momentum factor positively give negative impact to the return in the fixed income mutual fund. This is same with Carhart (1997) that found that momentum factor gives a negative impact to the stock return. Momentum factor could be use as the measurement before an investor make an investment decision.

4. Based on the statistical significance test beta (EXMKT) give a positive impact to the return (EXR). Beta gives impact to the return in 1% significance level. In taking the right mutual fund an investor should consider to the market price, because the Jakarta Composite Index (JCI) reflect the movement price of the mutual fund. Fama and French (1993) and Drew Naughton Veeraghavan (2006) found that EXMKT give a significant impact to the return.

5.2 Limitation

This study have a limitations, particularly in the results showed little effect of the independent variables in affect the dependent variable, which only 24.8% and the rest of 75.2% influenced by other factors that are not included in the model so actually there are many variables, but not mention in the model. In this study taking the return of the mutual fund restricted in the fixed income mutual fund Indonesia period 2005 - 2011 so there are many companies that have not been included in this study. Also a taxation problem situation in Indonesia mutual fund that makes the mutual fund change the name every time, with this condition the researcher will be harder to get the sample in the long period of research.

5.3 Suggestion for Further Research

This research is not perfect so for someone who want to do this research or similiar research there are some thing that need concerned, the following are :

1. Use the other type of mutual fund, because there are many type of mutual fund like mixed, syariah mutual fund, stock mutual fund, and so on. Taking another kind of sample hopefully it will lead to another result, and give another contribution to the science.
2. Taking more time series data to make better analysis. With using more time series data hopefully it will give the result that more generalize and more accurate. With more accurate research it will give a big contribution to increase the competency in the discipline that served.

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