

## **CHAPTER 5**

### **CONCLUSION AND RECOMMENDATION**

#### **5.1 Conclusion**

The relation between corporate disclosure and cost of equity has been debated whether these two are actually related. The high level of corporate disclosure is believed to improve investors' knowledge. (Botosan, 1997). When investors have a better understanding of the company and consider the performance as good, they will started to invest therefore it will enhance the share liquidity. (Gruning, 2011). However, the consistency of corporate disclosure is also important to be considered, whether the company's disclosure is getting better year-by-year or getting worst.

Actually the same studied has been engaged before in some foreign countries. However, to the author's knowledge, the study about corporate disclosure and cost of equity capital has not been performed in Indonesia. Therefore, this research is trying to answer the research purpose as follows:

1. What is the profile of corporate disclosure in Indonesia?

The corporate disclosure in Indonesia can be considered as vulnerable since many of the company disclose the information does not consider to the regulation. The descriptive statistics discussion in chapter 4 shows that the number of corporate disclosure is varies from one company to others. For instance, PT Aneka Tambang Tbk disclosed 27 items in its 2006 annual report, whereas, PT Unilever Tbk only disclosed 15 items in its 2006 annual report. Therefore, it can be assumed that the corporate disclosure in Indonesia is still unsteady even though there is a strict law regulated.

2. Does the number of corporate disclosure influence company's cost of equity capital?

Based on the correlation discussion in chapter 4, there is a negative relationship between corporate disclosure and cost of equity capital. The result shows there is insignificant relationship between these two variables. This indicates that the higher corporate disclosure is actually lower cost of equity capital although the impact is relatively low.

As the conclusion, the corporate disclosure in Indonesia can be considered factors that may influence company's cost of equity capital even though the corporate disclosure has a relatively low influence. This research also proved that the company information is actually affected investor expectation in the market, hence Indonesia capital market can be considered as semi-strong in efficient market hypothesis.

## **5.2 Limitations**

There are several limitations of the research, such as:

1. Time constraint

Due to the limited time available for conducting this research, there are several variables found from the literature reviews are not included in this research. Therefore, this research only utilizes 1 independent variable and 3 control variables.

2. Unavailability of data

Due to the unavailability of data, the author has to eliminate some samples. Most of the samples that are being eliminated are companies in year 2006. Although the author has searched the related data from reliable sources, such as IDX website, Yahoo, Bloomberg, and company's website, but the data required are literally unavailable.

### **5.3 Recommendations**

At the end of this research, the author would like to give some recommendations for further research such as:

1. The next research should utilize larger samples and within wider time frame, hence it will give a better reflection of the market.
2. Since the result does not show that level of corporate disclosure may decrease cost of equity capital, it would be interesting if the measurement is based on the quality of disclosure instead of quantity of disclosure.