CHAPTER V

CONCLUSION

5.1 Conclusion

Based on the discussion and analysis of this study, it can be concluded that:

- The 22.2% of companies listed in Jakarta Stock Exchange that constitute LQ45 index from March 2013 until February 2016 are not consistent in side of volatility (beta) classification; whether classified as aggressive or defensive stock with resulted a decreases strength of relationship for the volatility of stocks based on weekly and monthly return intervals. Instead, there is no statistically significant difference between the volatility based on daily, weekly, and monthly return intervals. It indicates that there is less bias of intervaling effect in this study.

5.2 Implication of Study

There are some basic applications from the theories, analyses, and methodologies that can be used for external purpose:

- For Academic

  In this study, there is less bias of intervaling effect, but some previous studies able to prove the existence. It means that actually the existent about intervaling effect is not come to the final conclusion yet. Otherwise, the beta estimation based on Sharpe's model is the easiest method to concern the issue in which it is based on the historical date of returns (realized returns), and there are other methods that can be used beside Sharpe's model; Capital Asset Pricing Model (CAPM), Dimson's model, et cetera.

- For Investors
  - The beta summary in this study informs that as long as the return interval is lengthened, the value of beta will increase, this is applicable for the beta based on weekly and monthly return interval in the investment performance. The weekly time interval is a better alternative to consider for defensive investors who are risk avoiders and need three years period of investing because the resulted weekly betas are lower than others. For the investors who believe the trade-off between return and risk, especially for aggressive investors, the monthly time interval is a better alternative to consider because the resulted monthly betas are higher than others.
  - The investors can focus on beta estimation as the proxy of systematic risk rather than unsystematic risk if the companies that they invest through are listed in market index, especially in LQ45 index that always ranks top 45 companies in Indonesia based on their liquidities, market capitalizations, et cetera.

5.3 Limitation of Study

The limitations of this study are:

- The daily market data in this study has more “price adjustment” delays and resulted to the information provided about the daily sample returns that are not fully reflected in three years period.
- This study only gives the contribution in analyzing the historical account of realized returns toward beta estimation, instead the historical returns are unable to ensure the future.

5.4 Suggestion

The suggestions from this study for the next are:

- It is better to consider the issue about intervaling effect with less than three years period to detect the existent.
- For academic purpose, it is better to concern the beta estimation with more than one model because each model has different basis and may probably shows different result.