CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusion

This study aims to determine the influence of short term debt, long term debt, equity, sales growth, company size and total asset turn over to the company's profitability on telecommunication company listed in Indonesia stock exchange. Based on data collected and testing has been carried out on 4 samples of companies using multiple regression model, it can be concluded that:

1. All capital structure components (short term debt, long term debt, and equity) has affect to profitability.

2. Independent variables that have a dominant influence to the company's profitability is long term debt variable, this is indicated by beta value Standardized coefficients generated is equal to 1.082E-8.

5.2. Recommendations

A. For Management

Managing a business can be a very difficult venture, especially in Indonesia; in the face of deteriorating economic conditions. Again developed global markets may be shrinking on account of financial and economic crises prevailing; and an increasing liberalized Indonesian market, transportation difficulties, and high inflations rates are some of problems which have to be overcome. Therefore there is the need for a firm to obtain enough capital so as to take advantage of any opportunity that may be available and stay afloat of the highly competitive markets both internally and globally. This work has shown that the telecommunication firms in Indonesia look for equity instruments to finance their activities; although it degrades profitability. However, there is a portion of the capital structure that can instigate superior impact on profitability.

Firms look at increasing the size of their equity either through retained earnings or by looking at the stock exchange market for funds. This kind of financing is less risky and has shown to be more profit enhancing than looking for debts instruments in the capital markets. The choice of a debt facility should be a last resource.

B. For Creditors

This study proves that the telecommunications company listed on Indonesia stock exchanges that increased in capital structure and the growth of the company will directly improve their profitability. Vice versa, when the company has decreased its capital structure and growth of the company it will reduce company profits. Given in this research, investors can be more selective in choosing the company that will be a place to invest. One consideration that can be drawn from this study is investors could see companies that have high growth rates to manage the company. Thus, investors have more consideration for investment decisions.

5.3 Limitations and Suggestions Future Research

The results of this study are expected to provide an overview of the influence of the capital structure, the company's performance, the company's growth and size of the company to company’s profitability. However, this study does have some limitations. Limitations are expected to provide an overview and an opportunity for researchers to come to do better research. Here are the limitations and suggestions may be considered for future researchers.

1. The researcher advises that the results of this study must be interpreted with caution. It focuses only on telecommunication company listed in Indonesia stock exchange. Focusing on only telecommunication in Indonesia was however justified on the grounds that little attention has been offered to this line of inquiry; although Indonesian firms are faced with a lot of difficulty in attempting to find out ways by which they can finance their operations.

2. All sampled firms are from within Indonesia. For future research more firms could be sampled from outside Indonesia, especially from other Asian countries, in addition to the Indonesian firms to find out if the same findings could be made.
3. One other limitation of the study was it did not focus on the effect of total debts on profitability. One can say that focusing on both short term and long term debts captures the overall effect of total debts. This view though valid, may be too simplistic. Future research can look at the effect of total debts whilst monitoring other vital variables that may influence profitability such as macroeconomic variables.