

CHAPTER 5

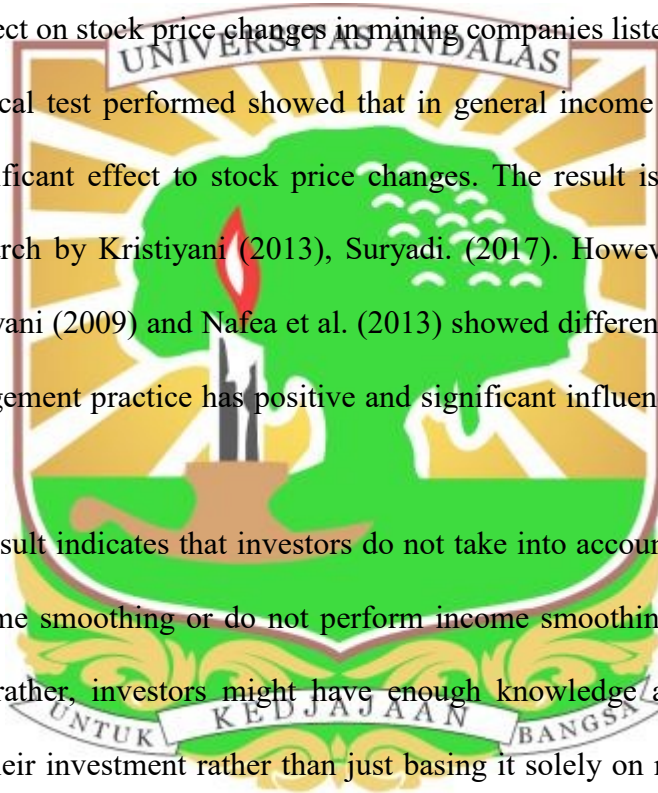
CONCLUSION

5.1 Conclusion

This research aims to analyze the effect of income smoothing on stock price changes in mining companies. Based on analysis and discussion, the result of this research have following conclusions, that income smoothing has no significant effect on stock price changes in mining companies listed in IDX

Statistical test performed showed that in general income smoothing does not have significant effect to stock price changes. The result is consistent with previous research by Kristiyani (2013), Suryadi. (2017). However, Hermansyah (2008), Andriyani (2009) and Nafea et al. (2013) showed different result by stated earning management practice has positive and significant influence to stock price changes.

This result indicates that investors do not take into account the companies who do income smoothing or do not perform income smoothing in deciding to invest in, or rather, investors might have enough knowledge already to make decision for their investment rather than just basing it solely on number of profit stated in financial report. This shows that income smoothing and stock price changes studies will be an interesting topic somehow resulted into inconsistency and different result. The inconsistency might lead to further debate whether performing income smoothing would influence investors to buy more stock, thus boosting the stock price in the market. The studies may continue further because investors behavior that directly influence the stock price changes is not easily



forecasted, due to the different background and level understanding of earning management.

5.2 Limitations

a. The sample of the study is only mining companies, which cannot represent the whole market.

b. Some variables appear to have a abnormal value such as 0, because the stock prices data reveal no changes during the observed period. This maybe caused by data recording error by the source data, or due to the very short observed period which is only +/-5 days from the financial announcement

5.3 Suggestion

Based on the conclusion and limitation described above, suggestion that can be used as input for further research improvement can be summarized as follows:

1. Further studies can use sample from different sector of listed stock in IDX that may have the bigger possibility to perform income smoothing
2. Further studies may use wider time window to get stock price before and after publication of annual report data, to avoid any null value.

