CHAPTER V

CONCLUSIONS

5.1. Conclusion

This research was conducted to examine several factors that influence cost of equity in the company. These factors include risk management committee, audit committee, family ownership, leverage and age of company. Based on the results of the data analysis that has been collected and processed, the conclusions of this research results are follows:

a) Risk Management Committee has no effect on cost of equity in a company. It means that the existence of Risk Management Committee is only to follow the existing regulations and seems not to have impact directly on the value of company. It can be seen that the implementation of Risk Management Committee is still new in Indonesia, meanwhile risk management is a sustainable strategic process.

b) Audit committee has effect on cost of equity in a company. It shows that the more audit committee member in one company, it can more reduce the cost of equity. Because audit committee is able to increase the monitoring to management in taking the effective decisions.

c) Family ownership has no significant effect on cost of equity in a company. It indicates that the presence or absence of family ownership does not have influence on cost of equity. It describes that the agency problem can be minimized so that the agency cost can be reduced. The transparency of financial information obtained by family investor makes managers must behave fairly and prioritize the interests and prosperity of investors so that it will not get effect on cost of equity.

d) Leverage has no effect on cost of equity in a company. High and low debt in a company cannot reflect that the company is classified as a company that has good prospects or not. It means that the policy on debt does not influence the interest of investor in investing, but the most important thing is how the company can carry out the activities effectively and efficiently.

e) Age of company has no effect on cost of equity in a company. It shows that the long company established will not effect the cost of equity. This is because the old company has been able to manage its cash flow well.

5.2. Limitation

There are some limitations that occur in this study, including:

a) The findings of this research cannot be generalized to capital market of other countries because each country has their own unique characteristics.

b) This research only uses one method to measure cost of equity that is CAPM (Capital Asset Pricing Model). Meanwhile there is still another model such as *dividend growth model* or *residual income model*.

5.3. Suggestion

According to the results of research conducted, the suggestions from the authors are as follows:

a) Next researcher can use other proxy to measure cost of equity, such as using *dividend growth model* or *residual income model*.

b) Next researcher can examine other factors that influence cost of equity and add moderating variables that can strengthen or weaken the influence of independent variables on the dependent variable.