

CHAPTER V

CONCLUSION AND SUGGESTION

5.1 Conclusion

From research analysis and discussion which has been elaborated before and based on data obtained from research as which has been discussed in this thesis, hence the conclusion are as follows.

1. Earnings has no value relevance towards stock performance with non-linear relationship.
2. Book value has no value relevance toward stock performance with non-linear relationship.
3. Debt has no value relevance towards stock performance with non-linear relationship.
4. From the partial test, non-linear relationship of earnings, book value, and debt toward stock performance is not significant. However, the non-linear model still has better explanatory power than linear one. It could observe by the coefficient determination arise when using non-linear model.

5.2 Limitation

The research has limitation as follow:

1. The research do not observe the value relevance of cash flow. Few researches have compared between earnings and cash-flow though Stice et al (2007) stated that earnings provides a better indication of firm performance than cash flow. It is also supported Dechow (1994) earnings

are more strongly associated with stock return over short measurement.

however, cash flow improves when the interval is lengthened.

2. The research do not anticipated the macro factors that might interfere on the capital-market research.
3. The research do not make comparison for the interval length since Brimble and Hodgson (2005) found that both on linear and non-linear model of value relevance studies, R^2 increased with the additional interval length.
4. The research to make comparison between financial and non-financial industries, since Djadmiko (2005) conducted research on financial companies and this research on manufacturing companies, lead into different result.

5.3 Suggestion

Based on conclusions explained before and research findings, hence submitted suggestions as follows.

1. Suggestion for next researcher to observe the other accounting information e.g., value relevance of cash flow.
2. Suggestion to anticipate the macro factors on value relevance studies
3. Suggestion to make comparison for the interval length
4. Suggestion to make comparison between financial and non-financial industries

