CHAPTER V
CONCLUSSION AND IMPLICATION

A. Conclusion

This study aims to determine the effect of firm size, leverage and profitability on ERC in companies' transportation and logistics sector companies listed on the Indonesia Stock Exchange (BEI) during 2020-2022. The results of hypothesis testing using multiple linear regression analysis can be concluded as follows:

1. Firm size showed a clear positive effect on ERC, indicating that larger companies generally experience a stronger response from the market when they announce earnings. As firms expand, they tend to offer more comprehensive information, which attracts greater attention from investors and analysts, thereby enhancing their market response
2. The impact of leverage on ERC was not found to be significant, suggesting that debt levels do not substantially influence market reactions to earnings announcements in this sample. This implies that investors may not perceive leverage as a primary factor when evaluating the quality of earnings.
3. Profitability was found to have a positive and statistically influence on ERC, suggesting that companies with higher profitability tend to receive more favourable market responses to their earnings announcements. A higher level of profitability often signals operational efficiency and stability, which likely boosts investor confidence in the company's future performance.

B. Implications

These findings hold practical implications for company managers, investors, and policymakers:

1. For Company Management:
   a. For companies in growth phases, the results suggest that providing clear, consistent financial disclosures as they scale up can be beneficial. Larger companies typically generate stronger market responses to earnings, so building investor trust through detailed financial transparency may enhance the perceived value of the firm.
   b. With leverage showing no impact on ERC, firms might consider focusing on equity financing if they aim to reduce the market's volatility in response to their earnings announcements. While debt is valuable for growth, increasing leverage doesn't appear to enhance or reduce the market's perception of earnings quality in this context.
2. For Investors:
   c. Investors could view firm size and profitability as important indicators when evaluating potential investments, as both factors have a positive influence on ERC. Including these metrics in investment evaluation may help identify firms with a greater chance of positive market reactions to earnings reports.
   d. Given leverage's lack of significance in influencing ERC, investors may wish to focus on other financial indicators in evaluating a company's earnings response potential, though

leverage remains relevant for assessing financial risk.

3. For Policymakers and Regulators:

    e. Regulatory bodies may wish to promote clear and consistent financial reporting, especially for larger and more profitable companies. Ensuring that companies adhere to high reporting standards can foster more reliable information for investors, ultimately contributing to more stablemarket reactions.

    f. Additionally, supporting policies that encourage sustainable profitability—such as incentives for operational efficiency—can fostergreater market confidence and stability.