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Investment decisions and the puzzle of share price movements in capital markets: a case study

Ngurah Arya Putrasemadhi

University of Wollongong
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INVESTMENT DECISIONS AND THE PUZZLE OF SHARE PRICE MOVEMENTS IN CAPITAL MARKETS: A CASE STUDY

A thesis submitted in fulfilment of the requirements for the award of the degree

Doctor of Philosophy

from

UNIVERSITY OF WOLLONGONG

BY

Ngurah Arya Putrasemadhi

Drs (Gajah Mada, Indonesia) in Accy, MCom (Hons) in Accy (Wollongong, Australia)

The Department of Accounting and Finance
April 1997
Declaration

I hereby declare that this thesis has never previously been submitted for any degree and is the result of my own independent research.

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Ngurah Arya Putrasemadhi
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ACKNOWLEDGMENTS

While undertaking my first research concerning the corporate reporting practices in a case study of the capital markets in Indonesia, I wondered whether I could finish my research with merit. Although this research study has been analyzed and tested by using advanced statistical methods, I feel that there is something mistaken concerning the research approach I used. After being involved in the activities of capital markets for quite long periods, this feeling became real. In reality, investors did not use financial reports as a primary source for making their investment decisions in the capital market.

Considering this condition, and with regard to the previous accounting researchers' studies (especially by my supervisor, Prof MJR Gaffikin) that suggested the use of an alternative research approach for expanding our knowledge concerning the phenomena under study, a new model totally different from the first research study was developed. An interpretive approach is used to better understand the real situation of the behaviour of investors in the capital markets of Indonesia.

Also I acknowledge that this dissertation would not exist without the generous help of many people. Firstly, I would like to recognize and express my sincere gratitude to those within the Department of Accounting and Finance University of Wollongong, NSW, Australia. Special thanks go to its Head of Department and my supervisor, Prof MJR Gaffikin who has encouraged me for more than five years. Secondly, I would like to express my special thanks also to Mr Marzuki Usman MA, Prof Sukanto and Mr Bacelius Ruru, Chairman of BAPEPAM, for their support while I was carrying out my research study in the capital markets of Indonesia.
ABSTRACT

Information criteria is critical in the study of users' information needs. Most previous studies concerning the role of information examined the financial statement preparation process and measured the usefulness of information in terms of its adequacy and accuracy as disclosed in financial statements. In this study, the role of information is based on users' perceptions by analyzing public information along some sort of information criteria i.e., political economic and socio-economic, and examining them with regard to users' attitudes in the capital market.

This study argues that in the area of a less mature capital market, most investors rely on political economy information for the reliability of information in making economic decisions in the capital market. This study also supports previous research concerning the role of information. These study show that information disclosed in financial statements prepared in developing countries is relatively less reliable than information contained in financial statements prepared in economically developed countries.