

THE IMPACT OF RISK REPORT FORMATS ON INVESTMENT ANALYST DECISIONS: AN EXPERIMENTAL CASE FROM INDONESIA

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First Author	Putri, Negin Kencono; Arofah, Triani;
Last Author	
Authors	Putri, NK; Arofah, T;
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Abstract	<p>This study aims to examine the impact on investment decisions of risk information reported by banking companies in Indonesia pursuant to Indonesia SFAS 60, adopted from IFRS 7. The standard requires banking companies in Indonesia to prepare a complete report (qualitative and quantitative) either in the format of a risk-sensitivity analysis, as a value at risk, or in a tabular format. This study was conducted utilising an on-line field experimental method with 3 x 2 mixed designs that involved 54 investment analysts as participants. The experiment was conducted to test whether different formats of risk information influence the investment decision-making process. The results showed that participants have confidence in making investments when the risk information presented is in a complete risk format. This is shown by a positive and significant increase in confidence when participants analyse the complete risk information compared to risk information that is presented in a qualitative form only. The findings also showed a difference when risk information is presented in a tabular format compared to risk information presented in a sensitivity analysis or a value at risk format. Most participants chose the tabular format because it is considered more informative and thought to improve the reasoning of the investment analysis.</p>
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Author	Dr NEGINA KENCONO PUTRI, S.E., M.Si