FRAMING AND DISPOSITION EFFECT IN INVESTMENT DECISION MAKING
(STUDY EXPERIMENTAL OF INVESTOR BEHAVIOR IN BALI)

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RESEARCH BACKGROUND

The theory of decision-making is one of the important topics in economics because in every activity always ends with decision making.

Traditional financial management theory (The expected utility theory) assume:

- humans always behave rationally, maximizing their utility and can process all available information.
- ignore psychological factors.
The expected utility theory has begun to criticize.

Some empirical studies show that individuals not only use the element of rational in decisions making but also involve emotional and behavioral elements (Kahneman and Tversky, 1979; Sherfin, 1985; Statman, 1999; Hirsleifer, 2001; Ritter, 2003)

The expected utility theory has begun to criticize.

This fact encourages to develop the theory of financial behavior (behavioral finance) that attempts to analyze the under-appreciated psychological bias in standard/traditional financial management theories.
Investors often less rational in financial decision-making caused by certain psychological factors such as behavior framing effect (Kirchler et al., 2005); disposition effect (Shefrin and Statman, 1985);

The phenomenon of framing describes the presentation of the information in different formats (positive and negative) can affect an individual’s decision.

Disposition Effects is the tendency of an investor to sell a good stock (the winner) too early, and hold stocks that do not have the prospect (the losser) too long (Shefrin and Statman, 1985).
Analyze and examine the effect of framing information on investor behavior in making investment decisions when dividend payment information is framed positively or negatively.

Analyze and examine the effects of disposition effects when dividend payment information is framed positively or negatively towards investor behavior in making investment decisions.
LITERATURE REVIEW

• Behavioral Finance Theory

Theory of behavioral finance developed to complement the standard of financial management theory tends to ignore the psychological factors investors.

Behavioral finance theory (behavioral finance) tries to explain psychological biases that cannot be explained in standard financial theory.

• Prospect Theory

Prospect theory (Kahneman and Tversky, 1979) states that when a person perceives himself to be in the domain gain, that person will tend to make risk-free decisions. Otherwise, when someone perceives himself to be in a loss domain, that person will tend to make more risky decisions.
Framing Theory

The framing effect is the tendency of decision makers to respond to various situations differently based on the context of the chosen place (pompian, 2006).

Disposition Effect

Disposition Effects is the tendency of an investor to sell a good stock (the winner) too early, and hold stocks that do not have the prospect (the loser) too long (Shefrin and Statman, 1985).
RESEARCH METHODS

Research Approach
- Experimental Design
- Laboratory experiment
  - between subject design
  - full factorial 2x2

Population and Sample
- nonprobability sampling with purposive sampling technique
  - 80 investors (1 cell = 20 investors)

Data analysis method
Analysis of Variance (ANOVA)
Effect of Framing Information on Dividend Payments against Investment Decision Making

- Framing information has a significant effect on investor behavior in making investment decisions.

- Framing information in this study uses dividend information framed in both positive and negative forms.

- These findings support the concept and Framing Theory (Tversky and Kahneman, 1981) which states that an information presented with a different frame will cause a person to behave differently and make decisions.
RESULTS

Disposition Effects on Investment Decision Making

➔ The disposition effect variable consisting of Gain Realized Proportion (PGR) and Proportion Loss Realized (PLR).

➔ This research shows there is a significant effect of the disposition effect on investor behavior in decision making that is marked by stock price predictions.

➔ Confirmation of this research is supported by research instrument using questionnaires➔ investors tend to sell profitable stocks faster than selling stocks that suffer losses. They do not like the realization of losses, so that the stocks that are lost remain on hold.
CONCLUSIONS

- Information that is objectively accepted by investors determines the behavior of investors in making investment decisions.

- Information in a positive and negative frame will lead to different patterns of decision making.

- Investors who are given positive information framing will predict a higher share price than investors who are given negative information framing.

- This indicates that information framing is one of the determining factors in making investment decisions.
CONCLUSION

→ This study confirms that information received by investors contributes maximally to the effects of disposition.
→ Participants sell their shares faster in a profit situation than in a loss situation.
→ Furthermore, the effect of this disposition is influenced by framing information presented in positive and negative forms.
→ Participants who were given information framing in a positive form sold their assets longer than participants who were given negative information framing.
→ This indicates that framing dividend information affects individual expectations and also the behavior of investors in the market.
Based on the background of the problem, the formulation of the problem and the analysis that has been carried out, the plan to the next stage is

➔ Research more deeply about decision-making behavior in the SME sector in Bali.

➔ Deepening the model of decision-making not only to capital market investors but to financial actors, especially in Bali, by adopting Balinese religious values, customs and local culture to be applied to models of decision making.
END SLIDE
AND
THANK YOU
CHAPTER I
PRELIMINARY

1.1. Problem Background

Decision-making theory is one of the topics in economics that is interesting because in every activity in the field of finance always ends with decision making. The main financial decisions are investment, determination of capital structure and determination of profit distribution or dividend policy. Running it together is important by not forgetting the application of corporate social responsibility (Salim, 2011).

Traditional financial management theory explains quantitative decision-making techniques that assume humans always behave rationally so that they are considered capable of maximizing their utility and can process all available information and ignoring psychological factors. The assumption of rationality (Expected Utility Theory), which has become the mainstream in explaining individual decision making are starting to reap criticism. Some empirical research shows that individuals not only use elements the ratio in making decisions but also involves elements of emotions and behavior (Kahneman and Tversky, 1979; Sherfin, 1985; Statman, 1999; Hirsleifer, 2001; Ritter, 2003). This fact encourages the development of the theory of financial behavior (behavioral finance) which tries to analyze psychological biases that are not considered in the standard financial management theory.

Kahneman and Tversky (1979) introducing the prospect theory which is conceptually contrary to the expected utility theory that has long been used by researchers to explain the decision making process. Kahneman and Tversky's (1979) research then led to the emergence of various studies in behavioral finance. The process of making investment decisions according to the irrational perspective is seen as something that can be explained through individual behavioral and psychological aspects (Kahneman and Tversky, 1979; Shefrin, 1985; Statman, 1999; Hirsleifer, 2001; Ritter, 2003; Sar, 2004). N Advanced Research in this perspective is more focused on aspects of irrationality, especially on the psychological bias that is often experienced and expressed by investors when making investment decisions in the stock market. Researches that show that investors often behave less rationally in financial decision making due to certain psychological factors such as behavior disposition effect (Shefrin and Statman, 1985); Overconfidence (Barber
In the context of financial investment management, framing is a different way of presenting information about a specific company by an issuer company (Hartono 2013). Dividend is one form of profit sharing given by the company to shareholders in accordance with the percentage of ownership. Dividend payment information is one example of information submitted by the company to investors which is presented in a positive frame and negative frame. Positive frame is the same way to deliver dividend payment information with an emphasis on positive words perceived as favorable conditions (gain). Negative frames which way to deliver the same dividend payment information with an emphasis on negative words were perceived as adverse conditions (loss).

Research on behaviors investor with an emphasis on influence of psychological, economic, and social environment on decision dihasil right, itemukan the behavioral effects of pembingkian in Prospect Theory by Kahneman and Tversky (1979), later developed by Shefrin and Statman (1985) result in behavior disposition effect (disposition effect). Research by Shefrin and Statman (1985) was later developed by Odean (1998).

Disposition Effect is the tendency of an investor to sell a good stock (the winner) too early, and hold stocks that have no prospect (the loser) for too long (Shefrin and Statman, 1985). Investors tend to rush to realize the benefits of their investments and take too long to withstand the losses they are facing. Investor basically irrational behavior that is to be avoiding the risk (risk averse) while being gained and attitude to risk (risk-taking) while being faced losses (Kahneman and Tversky, 1979).

1.2. Research Gap

The phenomenon of framing information on investors will occur when investors are given the same company-specific information with different frames. When an investor receives information with a positive frame, the investor's reaction reacts positively, while a negative reaction will appear when the investor is given a negative frame.

The empirical findings regarding the phenomenon of information framing of investor behavior are still controversial and have been an interesting subject of debate in the financial literature among academics to date (Tversky and Kahneman (1981), Diamond and Lerch (1992), Gudono and Hartadi (1998), Levin et al. (2001), Fox and Dayan (2004), Kirchler et al. (2005),
Steul (2006), Glaser et al. (2007), Putri (2012)) and by studying the results of previous studies on effects disposition (Shefrin and Statman (1985), Odean (1998), Brown et al. (2006), Jordan and Diltz (2004), Costa et al. (2008), Goetzmann and Massa (2008), Frazzin (2006), Fogel and Berry (2006), Chui (2001), Yeong-Jia Goo et al. (2010) note that the variable effect of disposition is an important variable faced by investors in making investment decision-making processes in the capital market. However, empirical evidence of differences in investor behavior caused by framing effects, especially investor behavior is associated with the effects of disposition has not been identified to date.

1.3. Research Urgency

This research is important because analysis of complex capital market phenomena, especially regarding investment decision making processes, is strongly influenced by information and how the understanding and adjustment of the information is received by investors. Penelitian is based on a lack of empirically integrated explanation that connects the framing effect of dividend payment information and disposition effect in shaping the behavior of investors. Research in the field of behavioral finance with the background of the Indonesian capital market is still very limited, including the use of experimental methods so that it is expected to explain the behavior of investors in making investment decisions based on information received and reactions made to information received by investors.

1.4. Rumusan Problems

Based on the description background, the formulation of the problem in this study can be stated as follows.

1. is framing Information on dividend payments in both positive and negative forms has a significant effect on investor behavior in taking investment decisions on Denpasar Representative Indonesia Stock Exchange?

2. is disposition effect significantly influence investor behavior in investment decision on the Indonesia Stock Exchange Representatives Denpasar when the dividend information is framed positively and negatively?

1.5. Research purposes

This study aims to examine the effect of framing the information on the payment of dividends and the disposition effect on the behavior of investors in making investment decisions on the capital market in Indonesia. In more detail this study aims to achieve the following.
1. Analyze and examine in depth the effect of framing dividend payment information on investor behavior in making investment decisions on the Denpasar Indonesia Stock Exchange when dividend payment information is framed positively or negatively.

2. Analyze and examine in depth the effects of disposition effects when dividend payment information is framed positively or negatively towards investor behavior in making investment decisions at the Indonesian Stock Exchange of the Denpasar Representative.

1.6. Benefits of Research

This research is expected to contribute to the development and provision of new insights into the field of behavioral financial management science and the study of framing theory, the disposition effects and prospect theories that underlie the emergence of behavioral differences among investors. The use of experimental methods was developed to be used as a research reference, especially regarding the reaction of investors in the Indonesian capital market.

The results of this study are expected to eliminate the effect of framing dividend payment information and the disposition effect. So that investors can recognize, understand, and avoid various cognitive biases that arise as a result of various financial information presented by the company as information presenters.
B AB II
LITERATURE REVIEW AND DEVELOPMENT OF HYPOTHESES

2.1. Behavioral Financial Theory

The development of behavioral financial theory cannot be separated from the support of psychological theory applied in the field of finance. Investors are considered willing to pay attention to all the information available in the market and be able to evaluate it carefully and seek answers based on rationality thinking.

The role of behavior and emotions also influences the investment decision making process of investors. According to the Psychographic model of Bailard, Biehl, and Kaiser (BB & K Five Way Model) explained in terms of personality aspects, it became five types namely adventure, celebrity, individualist, guardian and straight arrow (Pompian, 2006). The five types of investors generally show different patterns of investment decision making. Another indicated Karakteristik investors in investment decision-making process is heuristic dealing to information, overconfident, and psychology of sending messages (Asri, 2013).

I LMU-based financial management of behavioral finance developed to complement the standard of financial management theory tends to ignore the psychological factors investors. Behavioral finance theory (behavioral finance) tries to explain psychological biases that cannot be explained in standard financial theory.

2.2. Framing Theory

Chong and Druckman (2007) explain the concept of framing has been widely used in the fields of communication and political science. Based on the realm of communication and political sciences, the concept of framing can be interpreted as an individual statement (mass media or politician) about a similar issue or event but packaged differently, giving rise to differences in perceptions of individuals.

Framing effect is a cognitive bias that can affect behavior and investor in making an investment decision thus creating anomalies in the capital market. Framing effects arise when
investors are faced with the same problem in decision making, but in a different way of presentation. This will create a tendency for investors to be biased so that the behavior and decision choices of some investors are different. In general, the framing effect is the tendency of decision makers to respond to various situations differently based on the context of the chosen place (pompian, 2006).

2.3. **Prospect Theory**

Tversky and Kahneman (1981) describe the phenomenon of framing with prospect theory. Prospect theory (Kahneman and Tversky, 1979) states that when a person perceives himself to be in the *domain gain*, that person will tend to make risk-free decisions. Conversely, when someone perceives himself to be in a *loss domain*, that person will tend to make more risky decisions. This suggests that a person's perception of his condition at the time frame depends on the information it receives.

Prospect theory states that the framing effect will cause decision makers to choose an alternative based on the framing of the information they receive and the level of risk faced is associated with the *outcome* rather than the expected outcome utility (Kahneman and Tversky, 1979; Kahneman and Tversky, 1981). There is a cognitive bias that influences decision making under conditions of uncertainty and risk. Individuals will be risk averse or like risk depending on the problem at hand.

2.4. **Disposition Effect**

One important factor that causes stock prices to be inconsistent with per fundamental changes in value are factors of the behavior of investors in the stock market but the disposition effect. Disposition effects are part of the Theory prospect. Prospect theory predicts that investor will tend realize it capital gains to avoid face risks that stock price will decrease in the future. Conversely, investors will tend to maintain asset they when stock decrease value.

The effect of disposition is an implication of the model of investor behavior in capital market transactions. Practical implications as a suggestion that depends on the level of influence of preferences, beliefs and psychological bias. An investor with prospect theory makes the *risk averse* after experiencing gains. Conversely, the preference is *risk seeking* after experiencing losses. This change in risk perception is due to the disposition effect. So prospect theory has a pure role in the basic explanation preferences for the effects of disposition.

2.5. **Investor Behavior on Information on Payment of Dividends with Different Frames**
Prospect theory explains that the framing effect will cause investors to react based on information framing and the level of risk associated with the outcome. When dividend information is given a positive frame the positive reaction of investors will be greater when they perceive themselves to be in the domain loss. Likewise, when the dividend information framed is given a negative frame. Several studies that prove that there is a framing effect on investors when receiving information that is presented with a certain frame so that it can affect the different reactions of investors and cause differences in choices for decisions such as Diamond and Lerch, 1992; Kuhberger, 1995; Gudono and Hartadi, 1998; Levin et al, 2001; Simon et al; Fox and Dayan, 2004; Yusnaini.2005; Suartana, 2005; Kichler et al, 2005; Glaser et al, 2007; Putri, 2012, Caecilia, 2014 and Kurila 2016.

Based on the conceptual explanation and the results of previous empirical research, the first hypothesis proposed in this study is

H1: Framing information on dividend payments in a positive or positive form negative will affect the behavior of investors in taking investment decision.

H2: The behavior of PGR investor groups in making investment decisions will be different when receiving information on dividend framing in positive and negative forms.

H3: The behavior of PLR investor groups in making investment decisions will be different when receiving information on dividend framing in positive and negative forms.

2.6. Effect of Disposing Effects

In the context of investment the effect of disposition is the tendency of an investor to sell a good stock (the winner) too early, and hold stocks that have no prospects (the loser) for too long (Shefrin & Statman, 1985). Investor basically behave less rationally act to avoid the risk (risk averse) when they are being benefited and attitude to risk (risk-taking) when they are facing a loss (Kahneman & Tversky, 1979).

Some researchers who prove that there are disposition effects on investors so that they can cause differences in choices for decisions such as Shefrin & Statman (1985); Odean (1998); Brown, et al. (2006); Kaustia (2004); Jordan and Diltz (2004); Dhar and Zhu (2006); Costa, Mineto, and Silva (2008); Yoeng-Jia Goo, et al (2010); Indrayono (2011) and Elizabeth (2013)
Based on the conceptual explanation and the results of previous empirical research, the second hypothesis proposed in this study is

H4: The effect of disposition will affect the behavior of investors in making investment decisions.
H5: The behavior of the PGR investor group will be different from the PLR investor group in making investment decisions when it gets framed information on dividend payments in a positive form.
H6: The behavior of the PGR investor group will be different from the PLR investor group in making investment decisions when it gets framed information on dividend payments in a negative form.

2.7. Research Concept Framework

Investors are generally selective and have certain preferences in investing. Investor behavior and preferences in investment are influenced by many internal and external factors. Differences in reactions occur due to differences in investor interpretation of the information context. The difference in interpretation is influenced by the effects of framing (the psychological aspect of investors).

The effect of disposition occurs due to loss aversion behavior. Kahneman and Tversky (1979), in prospect theory states, aversion behavior will receive losses from its investments, causing investors to behave irrationally, namely behaving risky while experiencing losses, while on the other hand, when faced with a choice will benefit, investors tend to behave to avoid the risk (risk averse). It can be said that, actually investors are reluctant to realize and acknowledge that the decision made is a wrong decision.

Figure 2.1 Framework for Research Concepts
Information:

(1) Tversky and Kahneman (1981); Diamond and Lerch (1992); Gudono and Hartadi (1998); Levin et al. (2001); Simon et al. (2004); Fox and Dayan (2004); Kirchler et al. (2004); Yudianti and Lo (2005); Suartana (2005); Glaser et. al (2007); Yusnaini (2005); Pradipto et al (2010); Panasiak (2013); Caecilia (2014); Kurila (2016).

(2) Odenan (1998); Kaustia (2004); Jordan and Diltz (2004); Dhar and Zhu (2006); Costa Mineto Silva (2008); Yoeng-Jia Goo, et al (2010); Indrayono (2011); Elizabeth (2013).

II RESEARCH METHODS

3.1. Research Approach

This study uses a quantitative approach to the experimental method, namely design study that aims to investigate a phenomenon by means of manipulating state or condition through certain procedures and then observe the results of the engineering and interpret them (Nahartyo, 2013).

3.1.1. Experimental Design

This study uses a true experimental design and factors manipulated ie dividend payment information is framed positively and negatively, while a factor in the result or outcome of this research is the dependent variable is the behavior of investors in the investment decision-making. Based on the location of the implementation, the experiment used in this study is a laboratory experiment.
The experimental technique in this study was designed using a design *between subject* with full factorial 2x2. Table 3.1 is a form of factorial design in this experimental study is full 2x2 factorial *design between subject*.

<table>
<thead>
<tr>
<th>Disposition Effect (Disposition Effect)</th>
<th>Framing Condition</th>
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<tbody>
<tr>
<td></td>
<td>Positive</td>
</tr>
<tr>
<td>PGR</td>
<td>A</td>
</tr>
<tr>
<td>PLR</td>
<td>C</td>
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Source: developed for dissertation

### 3.1.2. Experimental Research Procedure

The steps in the procedure for implementing the experiment are technically

1. **Participant selection stage**
   
   Participants were selected using *non-probability sampling method* with *purposive sampling technique*.

2. **Stage in the preliminary test (pilot study)**
   
   A *pilot study* was conducted to test research designs on subjects who were not the target of actual experimental research and aimed at improving experimental design and procedures. The preliminary test involved a number of participants who were individual investors belonging to the *iStock Denpasar Bali capital market community*.

3. **Implementation of Real Experiment**
   
   The experimental subjects used in this study were individual investors who invested in the Indonesia Stock Exchange and registered their membership as investors of one of the 13 securities companies in Denpasar, Bali. The number of participants involved in each cell was 20 people so that the total number of participants in this experiment was 80 individual investors.

   During the implementation phase, each participant conducted a stock simulation through a 30 minute *virtue trade* program on 8 selected shares. This is done to eliminate the influence of heuristics or prior experience of certain stock transactions such as *blue chip* stocks or *second liners* which are supposed to provide initial perceptions on the selection of shares to be transacted during the simulation (internal *history history*). Do a 5-minute trial on *Virtu Trade* so participants can get to know how to operate the program (internal-* testing validity*). Both of these are done so that experimental subjects have the same *starting point* (internal-* experimental mortality mortality*).
Given the virtual capital of Rp 500 million, 00. This is because there are a number of selected stocks which are blue chip shares (top layer shares), which requires relatively large funds. Then the participants will buy and sell shares by looking at trading movements according to the virtual trade.

In the implementation phase, the participants are only given an experimental scenario that contains a combination of information on market conditions and manipulation in the form of dividend payment information. Each scenario contains an illustrated case in the form of a story. Each participant is asked to answer questions divided into several parts of the whole experiment.

4. Stage Cover (Debriefing)

This stage is the final stage of the implementation of the preliminary test by each participant who has completed all the experimental activities.

3.2. Population and Sample

The population in this study were all stock investors who joined the securities companies in Denpasar Bali. Investors referred to in this study are individual investors or retail investors who conduct securities selling or buying transactions in order to seek profits both short and long term.

The method used in the selection of participants is nonprobability sampling with purposive sampling technique. In general, the determination of prospective participants in this study will be based on the following criteria: Investors are individual male and female stock investors who are registered with one or more securities companies in Denpasar Bali, have a minimum stock trading experience of three years, level of education formal minimum high school or equivalent and non-formal education by ever taking courses, seminars and stock trading workshops, investors are not brokers and or dealers and a ktif make trades during the period January-December 2015.

3.3. Stock Object

The stock objects used in this study are eight selected shares of the issuers company which are actually still listed on the Indonesia Stock Exchange (IDX) with routine criteria for three consecutive years giving dividends and for two consecutive months a share recommended by thirteen securities companies in Bali to be traded from various sectors and lines.

Eighth shares was BMRI (PT Bank Mandiri (Persero) Tbk) coded xa 0 1 KLBF (PT Kalbe Farma (Persero Tbk) coded xa 0 2 LPKR (PT Lippo Karawaci, Tbk) coded xa 03, LPCK (PT Lippo Cikarang. Tbk) coded xa 04, JSMR (PT Jasa Marga (Persero) Tbk was coded xa 05, LSIP (PT...
London Sumatra Indonesia. Tbk was coded xa 06, ASII (PT Astra International Indonesia. Tbk,) coded xa 07 and AD HI (PT Adhi Karya (Persero) Tbk was given the code xa 08.

3.4. Data collection
3.4.1. Data Type

Data collected and analyzed in this study are sourced from primary and secondary data. Primary data was collected from research instruments namely questionnaires which are the main instruments in this study and collection of qualitative information through in-depth interviews with some selected investors associated with investment patterns applied in the lives of people in Bali when linked to local wisdom values.

The secondary data is obtained from the Indonesia Stock Exchange publication and the Bali Representative Capital Market Information Center which is used to complete the data needed in this study.

3.4.2. Data collection technique

All primary data collected through the experimental stage and questionnaire were conducted on all experimental participants, where data was collected under controlled, in situ or laboratory based conditions and carried out on selected investors based on established criteria.

Data collection techniques in this study were also carried out by observations conducted by observing what was done, listening to what was said by participants who participated in the activity under study. While the documentation technique is carried out by recording secondary data owned by the Indonesia Stock Exchange Denpasar Bali Representative.

3.5. Validity and Reliability Test

The instrument validity test used is the Spearman correlation. The criteria for the use of this correlation is when the correlation coefficient between the indicator scores of all indicators has a total value > 0.3 or a significance value (p value) < 0.05, which means a significant correlation in the instrument or statement can be said to be valid (Solimun, 2010). Reliability testing is carried out on instruments used to ensure consistency if measurements are repeated under the same conditions. Reliability testing in this study uses Alpha Cronbach. An instrument can be said to be reliable (reliable) if it has reliability coefficient reliability of 0.6 or more.

3.6. Data analysis method

Analysis of Variance (ANOVA) is used to test whether there are significant differences in demographic characteristics among the four groups formed. Chi-square test (chi-square test) is
generally used to do a test or check manipulation, test whether the variable manipulation is done (framing dividend payment information) or not successful participants.

The research hypotheses were tested by using chi-square test, two-way ANOVA test (two way ANOVA - main effect and interaction) and paired sample t test (t test - paired samples test). Hypothesis testing is carried out at a significance limit of 5%. Chi-square test is used to test whether there is a difference in effect between positive-framing and negative-framing on investor behavior in decision making and examine differences in the effects of disposition effects on investor behavior in decision making.

The final stage is to test the research hypothesis by comparing the magnitude of the reaction of investors to make a decision in each group of four existing groups using independent sample test. Hypothesis testing is done at a significant limit of 5%.

3.7. Qualitative Information

In-depth interviews conducted with investors and capital market practitioners to explore more information about investor behavior are associated with the absorption and understanding of information and conditions for the development of Indonesian capital markets, especially in the representative Indonesia Stock Exchange of Denpasar.

CHAPTER V
RESULTS AND EXTENSIONS ACHIEVED

5.1 Results

Based on the analysis carried out, the results of the study are as follows.

5.1.1 Effect of Framing Information on Dividend Payments against Investment Decision Making

The results of this study succeeded in proving that framing information B has a significant effect on investor behavior in making investment decisions. Framing information in this study uses dividend information framed in both positive and negative forms. These findings support the concept and Framing Theory (Tversky and Kahneman, 1981) which states that an information presented with a different frame will cause a person to behave differently and make decisions.

Framing Theory (Tversky and Kahneman, 1981) emphasizes that when information is presented in a positive frame, investors assume that information is encouraging information (good news) because it is believed to reduce investment risk and increase stock prices so that they tend to behave positively. Conversely, when information is presented in a negative frame, investors
assume that the information is bad news so investors who get information on a negative frame will be more likely to behave negatively because they believe the information received can increase investment risk and reduce stock prices.

5.7.2. Test Differences PGR investor groups and PLR investor groups that receive positive and negative framing information

The results of this study indicate that groups of investors with PGR tendencies who were given a positive dividend information framing did behave more positively than the group of investors with PGR tendencies that were given a negative dividend information framing. Likewise the results of this study indicate that groups of investors with PLR tendencies who were given a positive dividend information framing were more positively reacting than groups of investors with PLR tendencies who were given a fraction of negative dividend information.

The test results obtain empirical evidence that hypothesis 2 (H2) and hypothesis 3 (H3) are supported. This means that there are differences in making investment decisions when the information conveyed is in a positive or negative form and it is proven that investor behavior is significantly greater if the dividend payment information is framed in a positive form both for the group of investors who tend to PGR and PLR. This indicates that when a group of investors as participants are given dividend payments with a positive frame, they tend to react positively. This condition occurs because participants interpret positive frames as good and profitable news, as a result participants take risk-free decisions which are characterized by predicting stock prices tomorrow above today's real stock prices. Conversely, when a group of participants is informed of dividends with a negative frame, they tend to react negatively by predicting stock prices tomorrow below today's real stock price.

5.7.3. Disposition Effects on Investment Decision Making

Based on the proposed hypothesis and the composition of stock investment decision making for the disposition effect variable consisting of Gain Realized Proportion (PGR) and Proportion Loss Realized (PLR). Investors affected by the effects of disposition in this study were separated into the PGR group and PLR found a significant difference in the group that received information on framing dividends in positive and negative forms. This is because investors tend to realize profits faster than losses. Investors who have a PGR tendency will be more likely to react positively. Conversely, people who have a PLR tendency will be more likely to react negatively.
In other words, this research shows there is a significant effect of the disposition effect on investor behavior in decision making that is marked by stock price predictions.

Confirmation of this research is supported by research instrument data and descriptive empirical data using questionnaires that show that investors tend to sell profitable stocks faster than selling stocks that suffer losses. They do not like the realization of losses, so that the stocks that are lost remain on hold.

5.2 Outcomes achieved

The outcome achieved in this study is that the behavior model in investment decision making that is associated with religion, culture and local wisdom in this case is the values of local customs in Bali.

Figure 5.1. Investment Decision Making Behavior

Source: Analysis Results
6.1 Next Stages Plan

Based on the background of the problem, the formulation of the problem and the analysis that has been carried out, the plan to the next stage is

1) Research more deeply about decision-making behavior in the MSME sector in Bali.

2) Deepening the model of decision-making not only to market model investors but to financial actors, especially in Bali, by adopting Balinese religious values, customs and local culture to be applied to other models as well.
CHAPTER VI
CONCLUSIONS AND RECOMMENDATIONS

6.1. Conclusion

Based on the results of the discussion previously stated, it can be summarized as follows:

1. Information that is objectively accepted by investors determines the behavior of investors in making investment decisions. Information in a positive and negative frame will lead to different patterns of decision making. Investors who are given positive information framing will predict a higher share price than investors who are given negative information framing. This indicates that information framing is one of the determining factors in making investment decisions.

2. The PGR-Proportion Gain Realized group differs in making investment decisions when given information on dividend framing in a positive form compared to when given negative dividend framing information. This indicates that investors who are informed of dividend payments with positive frames tend to react positively because positive information is interpreted as good and profitable news, as a result participants take risk-free decisions which are characterized by predicting stock prices tomorrow above the real stock price. Conversely, when dividend information with a negative frame tends investors to react negatively by predicting stock prices tomorrow below the real stock price.

3. This study confirms that there are differences in the PLR investor group given positive dividend framing information compared to when given negative dividend framing information. These results indicate investor behavior is more positive if dividend information is given a positive frame compared to investor behavior in making investment decisions if dividend information is given a negative frame even though investors have a tendency to lose in making transactions. This indicates that the tendency of investors in whatever form the condition has the same perception in responding to information about market conditions.
4. This study confirms that information received by investors contributes maximally to the effects of disposition, participants sell their shares faster in a profit situation than in a loss situation. Furthermore, the effect of this disposition is influenced by framing information presented in positive and negative forms. Participants who were given information framing in a positive form sold their assets longer than participants who were given negative information framing. This indicates that framing dividend information affects individual expectations and also the behavior of investors in the market.

5. The results of this study prove that investors with PGR tendencies who are given a positive dividend information framing react more positively than investors with PLR tendencies that are given a positive dividend information framing. The unique findings of this study can be seen from the frequency of stock price predictions made by investors when investors are given information on dividend payments in a positive frame. Investors who tend to PGR have a higher average stock price prediction compared to the group of investors who tend to PLR. This indicates that framing information in a positive form that is given to investors results in the same behavior when conducting transactions in the capital market.

6. The findings in the study indicate that investors with PLR tendency given framing of negative dividend information react the same as people with PGR tendencies who are given framing negative dividend information. This tendency occurs can be described by an explanation of the differences in cognitive styles which are psychological dimensions that represent the consistency of individuals in collecting and processing information and in making decisions. This cognitive style tends to be consistent throughout a person's life. This difference in cognitive style will cause the same information to be interpreted differently. Refers to style theory This cognitive can be explained that due to the consistency of individuals in making decisions indicates there is no shift in decision making even though information is presented in a positive or negative frame and there is this tendency due to the limited ability possessed by investors in interpreting the information received.

6.2. Suggestion

1. For academics and researchers, the empirical findings in this study have shown that capital market complexity cannot be explained through just one perspective so that for certain cases researchers must combine research with other perspectives that are better able to explain the capital market phenomenon being investigated.
2. Future experimental techniques need to consider the use of more accurate *virtual trades* sourced from securities companies so that there is no need to manipulate stock price movements. *Block design* techniques for *trading* frequencies are suggested to be used to add to the research analysis and can be explored using other locations by adding personality aspects of individual investor behavior by considering the same composition between male and female participants.

3. By adding confidence level and risk level variables, *behavioral finance* research can be developed towards *neurofinance* which results in *neuro-selling behavior* and *neuro-buying behavior*. This research can be done with a multidisciplinary science including economics, accounting and psychology.

4. The actual use of capital needs to be considered in future research so that it can increase participants' risk perceptions of information or capital market events experimented.

5. It is important for investors to determine the transaction plan that will be carried out before starting to share transactions into the capital market. To be able to reduce the psychological burden in every investment decision making, a disciplined attitude is needed in implementing the transaction plan that has been made.

6. It is important for companies (issuers) to have knowledge about investor behavior. In connection with the increased understanding will be the important role of investor to the issuer. A new approach to investor relations with issuers called *investor-based finance* (IBF) that can help companies create an overview of investors, especially identifying key investors, reducing information about investor finances, investor trading patterns, and providing a basic framework for profiles including time horizons they (long, medium and short term) react to information and what kind of information they use.

7. The capital market is an accelerator of the trend of the stock index movement which comes from fear and greed. When greed behavior is more dominant, the economy will run very fast. When fear behavior dominates the economy will slow down and the perpetrators the economy tends to wait rather than create breakthrough steps. Building investor confidence and expectations by accelerating, increasing and improving the quality of capital market education programs is very important to be carried out by the authorities. Another urgent matter to do is to realize an orderly, fair and efficient capital market. Various forms of violations such as market manipulation and misinformation must be stopped by imposing severe sanctions on the perpetrators. The principle of information disclosure must be upheld both by issuers, securities
companies, especially by authorities. The realization of an orderly, fair and efficient capital market will become an oasis for investors and potential investors amid high uncertainty in the investment world. Thus public concerns that investment in the capital market will only be a speculative game will be lost or reduced. Finally, with an adequate content of capital market education and an orderly, fair and efficient (exchange) game arena, capital market players will have high confidence. Investors will make investment decisions to be rational, and no longer just acting as an act of acting psychologically driven.