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INVESTING AND PROTECTION OF INVESTOR IN STOCK MARKET

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tion of mutual life in the nations communities guided by human rights law; second, there is a justice redistribution, where as weak and poor states remained have the freedom to determine their economic policies and international economic law rules that give necessity on human rights law; and third, fair representation to eliminate the democracy deficit that has been practiced by international economic institutions. Such three issues stated by Chimni, as outlined above, have not been reflected in the current international system.

Based on the above analysis, we may conclude that international law has faced fundamental changes. Aside from the structural changes relating to state's role with its sovereignty, and the more significant role of non-state actors, international law is faced by major problems of fairness. Economic globalization creates international law regime that is not prejudiced for major countries in the world. International law is established for mutual benefit of all nations, where human dignity and values become central elements. As stated by Lung-chu Chen that "the ultimate goal should be the establishment of a world community of human dignity"⁵³ The right to development for backward countries to enjoy better life is a most important part of the international law system oriented to fairness. According to the author's opinion, the sustainability and stability of international law as a system that regulates international relation will depend on how far this fairness dimension is accomplished in the reality of transnational life. This is a process that needs great effort and time.

⁵³ Lung-chu Chen, *An Introduction to Contemporary International Law: A Policy-oriented Perspective*, New Haven and London: Yale University Press, 1989, p.4

Investing and Protection of Investor in Stock Market

Adler Haymans Manurung¹

This paper discusses three areas, namely investment, investors' characteristics, and a place of investment, which is stock market. In investing in stock market, investors need to utilize funds which are not currently used so they would not worry about the decrease value that may occur in a short term. Investors need to understand the risks which can be tolerated to invest. On the other hand, investors must be protected to prevent inappropriate transactions. Regulators must endorse rules regularly revised to suit the existing condition that can satisfy many parties.

Keywords: Investment, investor's characteristics, capital market.

I. Introduction

The last two years, the television and the newspapers have been reporting news many investors suffering financial losses, because of the ignorance or greed of investors themselves, or bad faith of bidders investment products. Institutions that inflicted financial loss to the investors in Indonesia are not only local investment institution but also international institutions such as experienced by Vincent Lingga, a customer of Citibank, which bought Lehman Brothers products from Citibank. The deceivers always offer a brilliant result. When using the interest rate, the interest is large enough and nearly equal to the interest rate for bank loans offered to rural. Table 1 shows the institutions or individuals who offer investment products and losses incurred.

There are many methods used by the institutions or individuals to funds that will not be returned to its owner. Fraud causes many investors suffered large and varied losses from Rp 2,4 billion to Rp800 billion.

This article presents three discussions: investing, investor characteristics,

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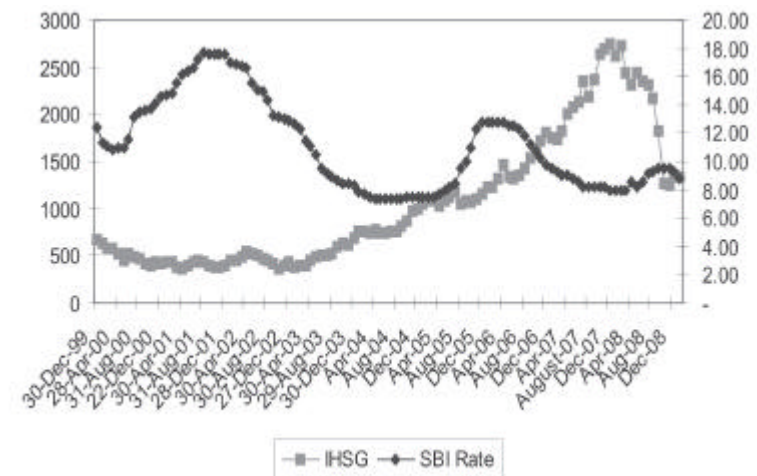
Table 1. Embezzlement Case in Indonesia

Year	Case	Modus
1987	Yayasan Keluarga Adil Makmur (YKAM)	Cooperation Savings and Loans
1992	PT Multi jaya Indovesco PT Suti Kelola	General Trade Illegal Bank with interest of 3,5% per month + 2,5% Loss of Rp 3 billion
1995	PT Sapta mitra Ekakarya (Danasonic Social Gathering)	Regular Social Gathering
1998	PT Banyumas Mulya Abadi (BMA) Koperasi Simpan Pinjam (Kospin) Sulawesi Selatan	Illegal Bank with interest 90% per 21 Days Illegal Bank, Loss of approx. Rp. 800 Billion
1999	PT Era Catur Wicaksana (New Era 21)	MLM
2000	Yayasan Misi Islam Ahli Sunnah Waljama' ah (Yamisa)	The share of ancient royal legacy
2002	PT Qurnia Subur Alam Raya (QSAR)	Agro business
2003	PT Adess Sumber Hidup Dinamika (ADD Farm) PT Probest International Indonesia	Duck Farming Agro business
2005	CV Investindo Perorangan LC, Bali	Illegal Bank with interest of 25 % Loss of Rp. 49 Billion
2006	Interbanking Bisnis Terencana (IBIST)	Illegal Bank, interest 4 % / bulan
2007	CV Mitra Wirausaha Indonesia PT Wahana Bersama Globalindo PT Sarana Perdana Inglobal PT Kharisma Tiga Sarana (KTS)	Loss of Rp. 24,8 Billion Selling agent of Dressel Investment Ltd. Loss of Rp. 3,5 Loss of Rp. 8 trillion with investment offers approximately 26% interest per annum Loss of Rp. 14 Million
2008	CV Jamina, Kab. Tegal PT Artaboga SekuritasArly, Perorangan PT Sarijaya Securities PT DBS Securities	MLM Investment to Mutual Fund Loss of Rp. 2,4 miliar Loss of Rp. 240 miliar Selling shares without investors' instruction
2009	PT Bumi Moro Artha Kencana, Purwokerto	MLM

Source: PT Finansial Bisnis Informasi

and place to invest, the capital market. The capital market is identical to the Indonesia Stock Exchange (IDX). The bond market, traded in the third markets known as over the counter (OTC), also includes capital markets. IDX is a place where investors conduct their transactions and stock indicators always use the Jakarta Composite Index (JCI). JCI has ever reached the highest level of 2800 in the early 2008, level 1250 in the present, and the lowest level of 1100. The decline was fairly sharp if compared with the incident in 1998 when Indonesia was experiencing a crisis. The decrease of JCI was influenced by several factors, namely the financial crisis in the United States and the collapse of Lehman Brothers (investment banking firm that had been operating long enough more than 100 years), factor market closure is not clear, the case of Repo BUMI, the government policies that do not help the recovery of the crisis, and last, the regulator is not on the actual position. The decrease and increase of JCI give the sense that the volatility of the stock is very high and much higher than the stock of in neighboring countries.

Graphic 1. The Movement of JCI and SBI Rate



The significant Decrease of JCI gives impact on the investment value of investors. The value of market capitalization has been experienced a sharp decline, from Rp2.000 trillion to around Rp900 trillion at the moment. In addition, investors investing in bonds in which bond prices of about 80 to 86 with the SBI interest rate of 9.5 percent and fell again in January to 8.75 percent. Previously, the price of government bonds is very far above the 100 because the

interest rate of 7.5 percent bonds. That is, investors suffered large losses from the two sides, the bond price and the expected yield increase.

On the other hand, investors also experienced significant losses due to closure of the stock at the time investors are trading. The Reason for closing the transaction is the low value of the stock, only about Rp900 billion and surpass the usual Rp2 trillion each day, and the stock has dropped more than 10 percent. Before closing the stock, there has been trading suspension of BUMI and Bakrie group stocks because they have slumped since reaching auto market rejection made by 20 percent. Closing stock and the suspension of shares of Bakrie group becomes an issue for investors because they could not sell the shares owned, caused them to suffer losses.

The three issues described are very beneficial to the interests of investors in the context of transactions in the stock exchange to gain profit and to avoid loss, especially if there is high stock volatility. This article tries to discuss the three phenomena contained in the title. The article will begin with a description of investing, then the investment objectives, the characteristics of investors and end with the concept and role of the stock exchange to protect investors invest.

II. Investing

Investing means the investment action. Brealey and Myers (2000) explained that the investment is deferred consumption while consumption is greater in the future. This means that a person or investors should reduce their consumption in order to make an investment. Consumption is a salary or income gained by investors. In connection with this, the equation, always taught in microeconomics when I first studied economics, namely:

$$Y = C + S \text{ or } Y = C + I$$

- In which: S = I
- Y = Revenue
- C = Consumption
- S = Saving
- I = Investment

That means someone who wants to invest has to reduce consumption with the assumption of unchanged income. If there is a change in income, investment

will not be occurred if the consumption is increased by an increase in income. The detail description is as follows: a person has income / salary of Rp50.000 and the next period of Rp60.000. Current interest rate is 10 percent. If the person wants to consume the salary earned, he could only consume for Rp104.545, 5, the salary of Rp50.000 this month and next month's salary by borrowing from other parties with an interest rate of 10 percent, the amount of Rp54.545, 5 (Rp 60.000 / (1 +0.1)). In Figure 1, consumption is indicated by a horizontal line. Furthermore, if the person does not make the consumption of current salary and invested at 10 percent interest rate, consumption of which can be done in the future is Rp115.000, consisting of salary for the coming period Rp60.000 and current salary to be invested for Rp55.000 (50.000 x (1 + 0.1)). In Figure 1, it is shown in a vertical line.

On the horizontal line, it can be seen that point A is the most optimal point; the line 115 to 104.5 is a slope of the graph line IC₀. If IC₀ shift to the right into IC₁, the optimal balance does not occur. If the salary is now invested, the future results shown in line 60 to 115. Thus, the slope from point A is the determinant of the magnitude described. The salary of next month is the end result of the consumption in line 50 to 104.5. While the line 0 to 50 is equivalent with line 60 to A, which means that the line in the future become line 60 to 115.

Therefore, the horizontal lines can be said to be an illustration of the concept of consumption and investment. If the concept of consumption is used, the movement will be from 0 to 104.5 and if the concept of investment is used, the movement will be from 104.5 to zero or the opposite of consumption. The smaller the consumption, the greater the investment.

Investors can invest in two major groups, namely the real investment and financial investments. The examples of Real investment are the property, plant and other immovable goods. Meanwhile, the financial investment is an investment in intangible goods but the ownership of the immovable like bonds, stocks, derivatives, mutual funds, deposits and so on. Each financial asset has a different risk. However, nowadays these investment products are diverse because they include commodities such as coffee, palm oil, agricultural products and mining. In addition, investments in antiques and paintings have become the trend.

In investing, investment objective is a very important factor to be considered. The Understanding of the investment objective (read: the use of funds) to make investors know the funds invested to certain financial assets in accor-

dance with the investment objectives. For example, an investor has funds of 300 million used for early payment and departure to school abroad for another six months and the investors wanted only returns to normal and even lower than the current interest rate. This means that the investor-owned funds can not be reduced so that the funds should be invested in financial assets is not less than the principal value of Rp 300 million. However, investor has a goal that the fund of Rp 300 million will not be used within five years and these funds can vary for 5 years as long as in the fifth year the principal amount is fixed and there is a rate of return. Thus, investor can make investments in stocks of financial assets because these assets have a high rate of return. The Result of Information Business Financial calculation shows that stocks provide returns exceeding 100 percent for investments in stocks at the end of the period of October 2008.

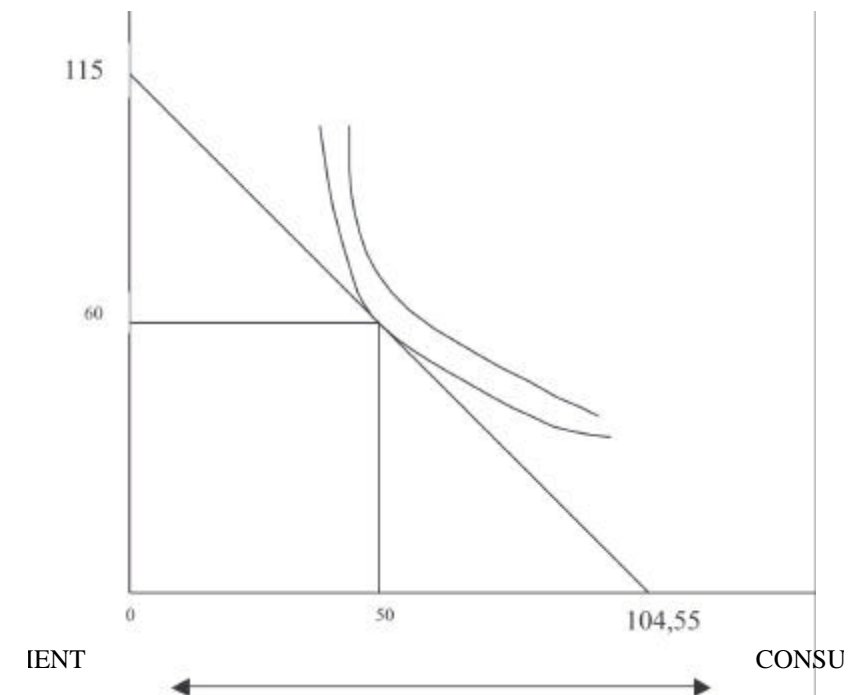
According to Bodie et al. (2009), investment objectives can be considered as options (trade-off) between return and risk. Usually, financial assets that have a high risk will provide a high return also. If investors expect low risk, the return will also be low. However, this investment are also still depends on the desired characteristics of investors. There are investors who have a desire to get the results regularly distributed somewhat differently with investments that do not want it. Even some investors who want investments made in investment instruments in accordance with their religion. Therefore, it is important to understand the desire of investors, but adjusted to the existing market conditions. Various text books or journals mentioned that an investment in derivative products is a risky investment after the shares.

Investing means that there are risks faced by investors. These risks arise due to the future uncertain (uncertainty) factor. This uncertainty can be reduced through the determination of investment objectives and cash flow needed by investors (Yao et al., 2002:74). However, investors should be able to control the investment risk that they face. Fredman (1996) states that the ability of investors to control risk is always associated with individual characteristics such as age, period of investment, liquidity needs, portfolio size, income, investment knowledge and attitudes toward price fluctuations. The Understanding of the purpose of the cash flows of investment required and risk give arguments to determine the allocation of investment assets will be done.

As described earlier, the return is a primary goal in investing. To achieve this objective, Financial Analyst Journal published a study (Manurung, 2008) which states that one important factor in determining the performance of the

investment portfolio is how the investor divides its investments into various investment instruments. The study stated that allocation of assets contributed 91 percent of the performance, the selection of instruments (shares) by 5 percent and market timing by 2 percent, and other factors (including luck) by 2 percent. Thus, this study clearly states that the asset allocation is very important that the investment portfolio performance is no worse than measurement standard. Asset allocation for individual investments can be seen in Table 2. The older the age of one, the smaller the investment in the risky asset or speculation asset. This asset allocation is made according to age and risk tolerance. Generally, the older the individual has more little tolerance of risk; the younger one is braver to tolerate the risk.

Figure 1: Investment and Consumption



The allocation of investment assets can also be associated with the types of investors associated with the risk. The risk averse investor typically has little tolerance for risk so that the asset allocation will be more on fixed-income instruments and the smaller stocks. The risk neutral investors will have the allo-

cation of investment assets balance between stock and fixed-income instruments. However, the love-risk investors will make greater investments in the instruments and the smaller stocks in fixed-income instruments.

Interest in investment from these investors may be influenced by many variables that are always the subject of discussion of various parties. Diharja (2008) concluded the research results for a sample of 100 people with the dependent variable, namely the public investment interest with some variables. For categorical variables such as age, sex, status, education, employment, income, residential location, workplace location and the rest of the income, the only variable that affects earnings significantly to public investment interest are employment and income. There are nine independent variables namely, the return and risk, liquidity, time frame, taxes and fees, regulations, laws and credibility, technology and infrastructure, variety of products, markets and the availability of information associated with the investment community interest. Therefore, the return and risk variables, and variable variety of products significantly affect the public investment interest.

Table 2 - Individual Investment Asset Allocation

Age	100- age + 15 % Or -25%	Speculation Asset	Fixed Revenue
20	95	95%	5%
30	85	85%	15%
40	75	75%	25%
50	25	25%	75%
60	15	15%	85%
65	10	10%	90%

Source: Adler Haymans Manurung (2008)

III. Type of Investors

Investors can be grouped into two major groups, namely individual investors and institutional investors (Maginn and Tuttle, 1990). Institutional investor is an institution whose funds come from pension institutions, insurance, mutual funds, corporate and financial institutions, while individual investors are usually

done by individuals. Both investors have different view in investing. If individual investors are categorized based on gender, the difference in looking at risk in investing will happen. Several studies conducted Bajtelsmit and Vanderhei (1996) and Hinz et al. (1996) states that women invest more conservatively in retirement funds than men. In classifying the attitude toward risk, Jianakoplos and Bernasek (1996) states that women are more risk averse than men. Furthermore, the differences between individual and institutional investors are shown in table 3 below. The differences lie in the view of the risk, category of investment, asset goals, decisions taken and taxes.

Table 3 - Differences between Individual and Institutional Investors

Characteristic	Individual	Institutional
Risk	Financial loss	Standard deviation
Category	Psychographic	Investment Character
Asset Objective	Life-cycle	Asset and Liability
Decision	Self-decision	Team decision
Tax	Final Tax	Tax free

Individual investors can be classified into three groups based on the tolerable risk, the risk seekers, risk averter and risk neutral. The risk seekers Investors like risk and possible higher risk of obtaining results. Neutral investors are the investors whose amount of risk balanced with the amount of returns obtained. Typically, these neutral investors considered a moderate investor.

Furthermore, investors risk averse is investors who can tolerate the little risk, they are not going to accept or avoid risks. From the point of investment instruments, there is no investment with zero risk. Government bonds were still at risk despite the various parties declare zero. The Risks faced by investors in investing in government bonds, are the purchasing power risk, the risk of currency changes in the country concerned, the risk of changes in interest rates and liquidity risks of these bonds.

Investors also can be grouped by age. Investor who has aged less than 35 years is that investor can be included in high-risk groups. In this group, investors could receive a high risk without his heart beating fast. This group of age

usually risks everything to get what they want. If associated with investment instruments, this age group who are eligible to be offered shares and derivatives. Stock price fluctuations are not a problem in this age group because of the desired target, the high rate of return in long periods

The second group of age, between the age of 35 years old until 50 years old. This group of age is presumed to have a moderate risk. In this group, the risk is tolerated equally, between the risk and the level of restitution. If we put some attention to the work, this group is categorized in moderate carrier position and near its top. The investors in this group will start to decrease the stock's proportion and increase the instrument of fixed revenue. If investors from this group invest in Mutual Fund, the Mix Mutual Fund would be the most appropriate type.

The third group of age is between the age of 50 years old and after. In this group the type of investment is done extra carefully because the investors afraid that the fund they build all along will vanish if they do not careful. This group can be called as the follower of risk averse and usually they are retired or near retired from their job. In general, this group wants regular revenue to pay for their daily life. Because of that, this group does not invest their money into stocks and usually to instruments which give them revenue regularly. If they invest in Mutual Fund; the Fixed Revenue Mutual Fund which appropriate and few (maximum of 15%) in Stocks Mutual Fund. If investors have retired, it is better to invest on instrument which gives regular revenue. This act is to avoid risk and ensure regular revenue for their daily lives.

If investors are categorized according to institutions, level of return and risk tolerance, it is elaborated in Table 3.

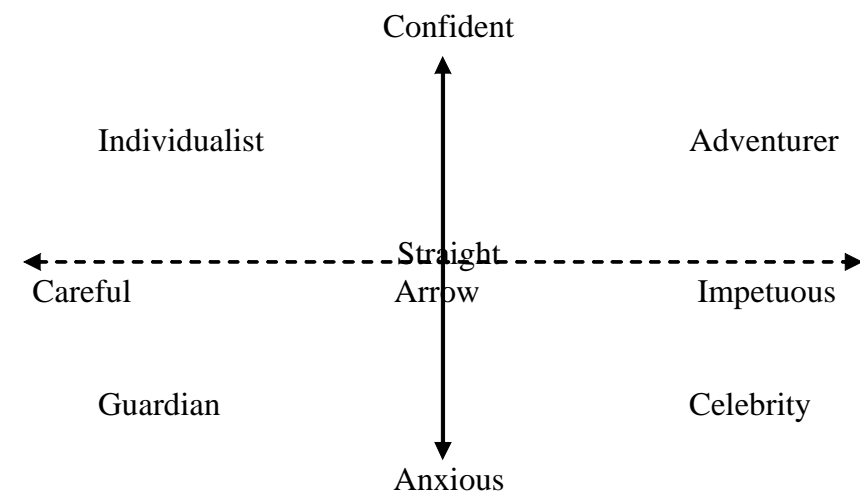
The second picture points out the 5 characteristics of investors. The 5 characteristics of investors were introduced by Bailard cs (1986). There are 2 axis, the vertical axis and horizontal axis, the vertical axis shows the psychology confident – anxious aspect and horizontal axis shows psychology careful – impetuous aspect.

There are 5 characteristics of investor, individualist, adventurer, guardian and celebrity, also straight arrow. Individualist is a person who tends to avoid an extreme volatility, and he has his own desire and believe in himself also does not want to rush. This type of investor loves to do his own research and can be considered as an ideal client and rational as an investor.

Table 3 - Risk Tolerance and Investors' Risks

Type of Investor	Return Requirement	Risk Tolerance
Individual and Personal Trusts	Life cycle (education, children, retirement)	Life cycle (younger are more risk tolerant)
Mutual Fund	Variable	Variable
Pension Funds	Assumed actuarial rate	Depends on proximity of payouts
Endowment Funds	Determined by current income needs and need for asset growth to maintain real venue	Generally conservative
Life Insurance Companies	Should exceed new money rate by sufficient margin to meet expenses and profit objectives; also actuarial rates important	Conservative
Non-life Companies	Insurance	Conservative
Bank	Interest spread	Variable

Picture 2 - The Character of Investors' Personalities



Source: Ballard cs (1986)

While adventurer is a person who loves to do the work on his own without the help of other people. He has a high confidence and usually appears like a businessman. This type of investor is really hard to accept other people's advice. He thought that he has the knowledge, and ideas to invest without any advice from other people. Beside that, an adventurer is really brave when in come to risk, in the end he put a high concentration in his gamble, very diversified and has a lot of assets.

How about an investor who has the celebrity character? This type loves to follow fashion and really afraid if he is left by the people around him. This type does not have ideas about investment but his glamour life usually become target of investment managers. This type is really hard to ask to do a contrary act to investment activities by the investment managers.

Guardian is a group of very cautious and less confident to speculate on investment offer and like a safe course more to protect and develop wealth for the future. This means that this group does not like high volatility, does not have the ability to predict what will happen in the future that requires referral to invest.

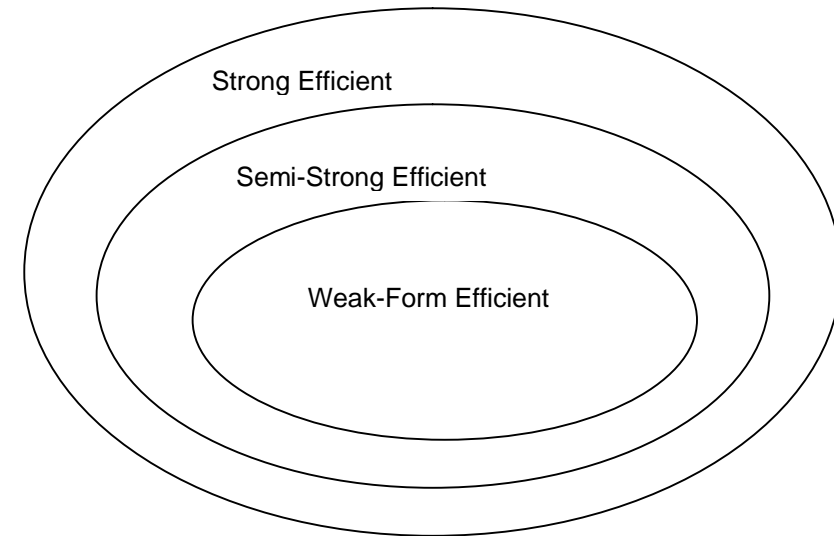
Meanwhile, straight arrow is a group that is not included in the four above groups. This group is a group of average investors and is considered relatively balance of the four characteristics were. This group usually understands the investment risks he's taking. Therefore, understanding the characteristic of investors is really important because it beneficial to build a portfolio.

Understanding the personal characteristics of investor and the risk that will be tolerated will provide investment asset allocation in accordance with the investor. Often the investors were deceived because they do not understand the investment objectives, risk tolerance and personal characteristics so investors invest without calculation, and not only tagging along.

IV. Stock Exchange Efficiency

Fama (1970) gave his opinion about efficient market and how to divide that market into 3 big groups, such as weak form efficient market, semi-strong efficient market, and strong efficient market. Picture 3 below shows the relation of 3 basic type of efficient market which elaborated by Fama.

Picture 3 - The Form of Market Efficiency



Source: Fama (1970)

Weak-Form Test is a test to see the effectiveness of past restitution level to predict the restitution level in the future. Semi-Strong Efficient is a test to see the speed level of stocks movement to reflect the announcement for public information. Strong Efficient form is a test to see if there is an investor who has private information and does not reflect it in market's price. Later Fama (1991) change the three efficient forms: weak-form efficient was changed into Test for Return Predictability; Semi-strong Form Efficient was changed into Event Studies and Strong Form Efficient was changed into Tests for Private Information. This change was to state the test that was really been done.

Efficient market according to the decision made developed by Hartono (2001 and 2005) who pointed out 2 factors which caused efficient market according to the decision, which is provided information and the cleverness of market's actors. The elaboration about efficient market according to a decision is a development of semi-strong efficient market, according to Fama (1970).

Market's actors must be clever in using all of the public information which was provided by the emitter in making their decision because the given information gave signal to the market's actors about companies. The decision made

must be done carefully.

Table 4 - Research on the Market's Efficiency of Some Stock Markets

Stock Exchange	Researcher	Sample	H0 Received (Random)	H0 Denied (Not Random)
BEJ	Manurung (1995)	30	26 (86,7%)	4 (13,3%)
	Jasmina (1996)	32	21 (66%)	11 (34%)
	Suha (2004)	45	28 (62,3%)	17 (37,7%)
Kuala Lumpur	Laurence (1986)	16	10 (62,5%)	6 (37,5%)
Singapore		24	7 (29,2%)	17 (70,8%)
Kuwait Saudi Arabia	Butler and Malaikah (1992)	36	22 (61,2%)	14 (38,8%)
		35		35 (100%)
Johannesburg	Roux and Gilberson (1978)	24	1 (4,2%)	23 (95,8%)
Norway Sweden	Jennergren and Korsvold (1975)	15	1 (6,7%)	14 (93,3%)
		30	27 (90%)	3 (10%)
New York	Fama (1965)	30	22 (73%)	8 (27%)

Source: Manurung (2006)

The problem which occurs from this elaboration is, if an investor was already clever enough but does not followed by proper law enforcement, the investors will not get what they want. Because of it, an efficient market has a characteristic, which is a smart investor, provided information, law enforcement, and order inside the market.

Some research which was done showed that BEJ in general could not accept Fama's theory (1970), which stipulated that Stock Exchange has to follow the three basic efficiency forms. Husnan (1991) did a research on BEJ about the efficiency by using the 1990 data. The test was done by testing the

auto-correlation of price and runs test technique on 24 stocks which was registered before deregulation was done on 1988. The result said there was an increase of efficiency in a weak form. Moreover, Husnan (1992) wrote an article about the efficiency of Capital Market in Indonesia which was seen in micro and macro point of view by using 1990 data.

The conclusion stipulated that an increase has happened in weak efficiency, but not for semi-strong efficiency. Manurung did a research on the efficiency of BEJ market and gave a conclusion that BEJ did not reach efficiency in weak-form efficient and also in semi-strong efficient. Moreover, Affandi and Utama (1998) did an investigation on BEJ by using cumulative average abnormal return to test the announcement of profit by stock return which was also known by efficient market in the form of semi-strong for the 1996 and 1997 period.

The research stated that BEJ has not reached the semi-strong efficiency form. Hermanto (1998) also stated the same result for the un-efficiency of BEJ by using co-integration and adding an additional changer, that is macro monetary changer such as USD rate of exchange towards Rupiah and revolving money (M2). Jasmina (1999) did an investigation toward the efficiency of BEJ in a weak form and by using run test, autocorrelation test and variance ratio test since January 1990 until December 1996. The conclusion was BEJ did not fulfill the market in weak efficiency form. Moreover, Suha (2004) also did a research on BEJ by using data from January 1999 until May 2004. The result was daily IHSG did not posses a random characterization and also correlated between times until BEJ was stated that it did not meet the weak efficiency form of the market.

The empiric result stated that Stock Exchange has not efficient; Stock Exchange management has to put more efforts to make their Stock Exchange more efficient. If the Stock Exchange has become efficient, investors have been protected by from transaction done by clever investors. Stock Exchange manager should keep making regulations to avoid investors making a transaction which could make them suffer from loss which resulting them do not want to invest anymore in the Stock Exchange. Stock Exchange Regulations is an instrument of Stock Exchange management to protect investors from a third party act in transaction or the spread of information. One of the concrete example which need to be done by Stock Exchange management is to make a careful short selling regulation to prevent a huge selling which only make profit for one party. The REPO transaction made the Stock Exchange shocked because the

management did not anticipate all transactions in Capital Market and those which has relation with the Stock Exchange.

The Minister of Finance has requested a haste investigation toward the short selling player case that was unable to be catch. But, this matter still invites a lot of comments. The request of the Minister of Finance can not be fulfilled as long as the regulation has not been made. Even if the regulation has been made, it is impossible for a regulation to prevail backward. If it prevails backward, there shall be a problem in our law system. Means, what has been done by the board of directors all along? Have not they existed to protect investors or just because they were close to the entrepreneurs so they worked as they wish.

V. How to Invest in Stock Exchange Market

There are some techniques which can be used to invest in Indonesian Stock Exchange (BEI). Manurung (2004) stated that there are some techniques to play stocks in BEI, such as:

- a. Contrarian Strategy
- b. Random Strategy
- c. Filter Strategy
- d. Market Timing Strategy
- e. Value Strategy

Contrarian strategy is stock transaction which is contrary with its habits. Investors who use this strategy buy some stocks while market is low in which other investors are happily selling their stocks and they sell their stocks while market is high, in which other investors is trying to enter by buying stock.

What was meant by random strategy is investors do a random transaction which was not predicted and even do a short selling. Investors bought stocks which have the possibility to increase in short term period and investors could get profit from it. But, investors will also face a high risk by holding on to the stocks. Usually investors sell their stocks if an increase of 5% to 15% has happened in short term period.

Filter strategy is a strategy that uses a filter in stocks transaction which will be done. The concept used is investors will buy stocks if the price of the stocks go up as high as the target filter and then sell them if it decreases as low as the filter. If the stocks price keep increasing and never decrease as low as the targeted filter, the stocks will be kept by the investors. Filter meant is a percent-

age, example 1%, 3% and etcetera, also filter shall be different for every stock. Filter for Telkom stock will be different with Indosat stocks' filter.

Market timing strategy is a stock exchange movement to buy and sell or doing a transaction of stock in Stock Exchange market. Market timing strategy uses the Stock Exchange movement to buy and sell or doing a stock transaction in the Stock Exchange market. If stocks are predicted to bullish, investors will buy the stocks and sell them if the Stock Exchange bearish. This technique is used only to buy stocks altogether or stocks that has the same movement with stock exchange market (beta = 1).

Value strategy gives meaning that investors have a long range view or invest in long term period. This point of view makes investors have to find stocks that have value. Value stock is stocks which price in market is lower than its book value. If a company does liquidation, investors will gain results as big as the book value in which the sum of debt could be paid with company current assets.

The stipulation of the investment strategy was also gave advice to the investors to understand the risk they face. Investors could not see the past profit as an instrument to predict future investment because doing investment is a matter of buying in uncertain future situation. Because of that, information is very important in investing because information gained is an instrument used to make a decision while making an investment (Stiglitz, 1993). The value of information (Copeland, 2005:355) mathematically can be illustrated as follow:

$$V(?) = \sum_m S q(m) * \text{Max}_e S p(e/m) * U(a,e) - V(?0)$$

In which

- q(m) = marginal probability received an m information.
- p(e/m) = conditional probability a situation e in which m was decided.
- U(a,e) = utility resulted from act a if e happened, in which must be stated as beneficial function.
- V(?0) = expected utility decision without information.

The information could be bought or gained freely and this information was used by many parties to create un-efficient market so some parties could get benefit from it. The management of information to avoid loss in investors' side is a way to protect investors.

VI. The Protection of Investors

Investors are a very important factor in doing transaction in Capital Market. Investors who do such transaction should get protection from regulations. The certainty to buy and sell goods must be gained by the related investors. This type of investors could be categorized into minority investors and majority investors. Minority investors could only control the company through the General Meeting of Share Holders (RUPS), in which majority investors have full authority in controlling the company. Protection towards the minority investors becomes so important to keep the Stock Exchange Market running. Protection towards the investors is an obligation of the State as a form to protect its citizen (Hadjon, 1987). State means Bapepam as stipulated in Law Number 8 Year 1995 about Capital Market.

This protection of investors is a manifestation of justice towards all investors. Justice is a purpose of law that has to be upheld by State and community. Rawls (1995) in his book *A Theory of Justice*, stipulated justice is also an act of fairness. Investors who purchase or sell towards the finance instruments (either stocks or obligation) should also prevail fairness. This fairness is very important in transaction. The fairness will occur if the spread of information was done equally or company provides public information.

Justice towards investors is also a protection towards them. To give the protection of law, law enforcement must be conducted. Soekanto (2004) also said that there are some factors which affected the law enforcement, such as:

- a. The law factor itself, Law, Bapepam Regulations, and Stock Exchange Regulations.
- b. Law Enforcement Factor, the parties who regulate and enforce law.
- c. Infrastructure and Facility Factor which support the law enforcement.
- d. Community Factor, environment in which the law prevails or enforces.
- e. Culture Factor, as a product of civilization which based on social life of the community.

The five factors become a standard in law enforcement which assessed from its result. This law enforcement must be done with high commitment and consistency so the investors are always protected. One of the important factors in law enforcement is the enforcement of law itself, in Capital Market case starting with Stock Exchange and then Bapepam and in the end Court. If the ending was absurd and finished in the early phase, in Stock Exchange, the next ending will not be clear and finished.

Reformation on all Stock Exchange has to be done to ensure the law enforcement. The reformation of regulation now, which is only beneficial for Capital Market's Criminal, has to be changed to ensure the protection of investors. One of the acts that have to be done immediately is giving education to the community so their understanding about investment increases. Regulations which protect investors have to be made regularly and if there is anything wrong, a haste measure has to be done. How come the regulator could punish the perpetrators if the regulation itself is uncertain?

The settlement in Stock Exchange market has to be changed into T+1 and not T+3 anymore. T+1 create a more efficient Stock Exchange market and investors could be protected. With the existence of T+1 every investor must have an account in central custody, which are PT KSEI and PT KPEI. Every investor could make a transaction in every securities firm, not only in one company. Investors have PIN which can open their account in KSEI and KPEI, so transaction could be done and the possibility of short selling will not happen anymore.

This action is impossible to be done because of the desire to control the Stock Exchange market or there is a mafia in the market. On the contrary, regulators put aside the Stock Exchange Mafia so the Stock Exchange market could become efficient like in theory introduced by Fama.

VII. Conclusion

In investing in Stock Exchange Market, investors must use unused fund so that investors will not paying too much attention to the decrease of price which happen in short term period. Investors who invest in Stock Exchange market always have a long term goal. Investors should also understand risks which can be tolerated in investing. But, investors should also be protected so there will not happen a transaction which should not happen. Regulators have to create rules to keep the protection toward investors going and those rules has to be updated periodically as the situation call for the benefit of the majority party.

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