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Book Review:

INVESTMENT ANALYSIS AND MANAGEMENT An Indonesian Adaptation

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"Just say no!" Investing is necessary however, and one's choices and decisions are more important. Harmful choices and bad decisions might be sourced from a lack of fundamental investment concepts and practices by which educated people (even university professors) or public officials (members of the Indonesian parliament) might be tempted to invest in scams and fraudulent offers ending in deception. Lured by the offer of higher rates of return on investments, they only lead to regret, and psychological, moral and physical torture, as evidenced in the case of some investors in Indonesia. Daily, whoever the person is, destined to invest in any form. From the very beginning, students are helped by this book to understand some principles and concepts of investment through investigations into investment disciplines written by investment managers.

This adapted-for-Indonesia version entitled: "Investment Analysis and Management, An Indonesian Adaptation" is based mainly on Charles P. Jones's work, and is similar to his previous volumes, including among others, "Investments Principles and Concepts". Charles P. Jones is a lecturer at the Department of Business Management, North Carolina State University whose main teaching interests are investments, managerial finance, risk management and money and capital markets. Co-authored by Indonesian lecturers Sidharta Utama, Budi Frensidy, Irwan Adi Ekaputra and Rachman Untung Budiman from the University of Indonesia, Faculty of Economics and Business, who have among their other interests investment as an item for research and teaching.

Basically, this book serves to provide an introduction to investments. Offering fundamental investment concepts and practice, it aims to elaborate a framework for beginners to manage their portfolio. It attempts to describe investment as one whole discipline; however, it then scrutinizes separate particular elements of investments in the capital markets. Its main goal is to unveil the confusion in international investments by illustrating foreign cases. Hence, this work offers both Indonesian and foreign evidence to explain the standard concepts.

INVESTMENT AND THE INDONESIAN CASE

Throughout the seven parts, it deals with investments as the "commitment of funds" made by an individual or institution to one or more assets, held over some future period of time that needs management of these funds (wealth). The discipline is then the study of the investment process. Thus, that definition is applied universally, regardless of the geographical and political area. Investment is for the future but decided at the present moment, it could end suddenly, or remain for a life time to guarantee our old age. Risk is one major component after return, and both need a trade-off. Investors should not forget ethical behaviour, which plays on the investment process integrity. In Indonesia, at least twenties of financial assets could be invested in the form of direct and indirect investments. This book exhibits these Indonesian tradable assets in well classified groups, which consist of non marketable securities (saving and certificates of deposit), money markets (SBI: *Sertifikat Bank Indonesia*, negotiable certificates of deposit, commercial papers, Eurodollars, repurchase agreements, banker's acceptances), capital markets [(1) fixed income, composed of bonds: from the government known as SUN: *Surat Utang Negara*, government retail or ORI: *Obligasi Ritel Indonesia*, and corporate bonds, (2) equities composed of preferred and common stocks], the derivatives markets (options and future contracts for certain commodities). As far as indirect investment assets are concerned, as reported on page 25 in the book, these are the investment companies for unit trust investments for the open end, and money market mutual funds, stocks, bonds and income funds for the close end, and exchanged-traded funds.

For educational purposes, this book is a breakthrough for institutions and universities intending to go global without losing the Indonesian evidence. This work becomes a turning point in international collaboration among academics and universities to adjust, improve and develop Indonesian educational levels and standards. The book is practical as its technical terms can be understood in the Indonesian concept, local data were explored using the Indonesian Stock Exchange (IDX), instead of the NYSE or NASDAQ (page 125). It motivates Indonesian students to be proud of their systems and the mechanisms for investment, even though they differ from those in the US, the Indonesian systems for financial assets and markets are explorable. This might be recommended reading material since not only theories are elaborated, but rubrics for checking ones understanding, and problems and summaries to practice terminate each chapter.

A NEED FOR A MORE COMPLETE, ADAPTIVE AND UPDATED VERSION

It is evidently a pedagogical oriented book, but it lacks practical guidance for investors, while intending to guide investing in Indonesia, and mostly it does not offer any suggestion for the solution to the thinking behind “just say no!” Yet, this book is devoted to investment, it provides explanations on risks, but does not offer solutions to the “other risks” that might really be faced in Indonesia which academics and practitioners, regardless of education, social class, or political party must take into account. The book only deals with the common standard risks: interest rate risk, market risk, inflation risk, business risk, financial risk, liquidity risk, exchange rate risk and provides only a snapshot of country risk (page 143). Among the above mentioned securities, no distinctive practical explanation has been made as to how an investor may approach an investment choice to avoid the detrimental effects of the offer provided.

It seems the US cases (eg. page 409-412, Coca-Cola), references, figures, illustrations and text still dominate this book while referring to the Charles P Jones “Investment Principles and Concepts” work. Indonesian references are mostly, “Indonesian style” and evidence is still lacking for this adapted version.

The title might have the words “fundamental” or “basic principle” added. There are discussions about some theories that this book does not consider. For instance Markowitz’s approach (Markowitz, 1952) in chapters 7-8 on pages 175 - 228, discussions on short sales, additional costs (brokerage fees, leverage costs, taxes and policies) are not explained in these passages (Pogue, 1970). Similar to the CAPM model; Sharpe (1964), this theory has its own limitations, as it only considers the market risk as the main factor for estimating returns, Fama and French (2004). In terms of market efficiency (Fama, 1970), the Indonesian market is not well developed for the current situation. No analysis on behavioural finance related to the Indonesian investors’ attitudes is provided. Are they risk takers? Do they share the same position of selling too soon the winning stocks, or holding on to for too long to the losing ones? Shefrin and Statman (1985) and Garvey and Murphy (2004).

This initiation is expected to revive Indonesian literature and provide material to develop educational backgrounds related to the multi dimensional context (Indonesia - US and the world). This book serves students in Indonesia (local and international students), by helping them to understand the local mechanisms for investment. Students, lecturers and investors are recommended to read this book, to get fresh ideas into the world of investment analysis and management. However, a new updated and more adaptive version is needed.

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