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Political connections, opaque financial reports and stock price synchronicity

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Abstract: From the perspective of corporate governance, stock price synchronicity can be understood as a lack of disclosure. This study investigates the effect of political connections, government ownership, and the opacity of financial reporting on the stock price synchronicity of public companies in Indonesia. Our analysis shows that political connections and government ownership increase stock price synchronicity. The synchronicity of stock prices is also positively affected by the opacity of financial reports. Furthermore, when the opacity of financial reports increases, the influence of political connections and government ownership on stock price synchronicity tends to increase. These results imply that political ties impede disclosure of firm-specific information, and poor quality of financial reporting exacerbates this impediment.

Keywords: stock price synchronicity; firm-specific information; political connections; government ownership; opaque financial reports.

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