

ABSTRACT

MARKET REACTIONS TO SOCIAL ETHICS VIOLATION NEWS BY COMPANIES LISTED IN INDONESIA STOCK EXCHANGE

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This Research aims to investigate the market reaction to unexpected news about the social ethics violation. The news source in this research is from Kompas.com. This Research used Abnormal Return and Trading Volume Activity as variables to investigate the market reaction. This research was used Wilcoxon-Signed Rank Test method to analyze the Abnormal Return and Trading Volume Activity.

One Sample T-Test was used to find on which day the Abnormal Return occurred. The Results of this research show that there is a negative market reaction shown by Abnormal Return Variable, and it occurs at $t+3$. It indicates that the market reacts conservatively and feels overconfidence therefore the response is late. Meanwhile for Trading Volume Activity Variable does not show any market reaction after the event.

Overall market will only react to stock prices meaning news about social ethics violation contain enough information to make the market react. The contribution of this research is as an information to make managerial decisions. Managers should be more aware about the action that they take whether it will harm the company or not

Key words: Abnormal Return, Trading Volume Activity, Event Study.