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Negative Corporate Disclosure and Stock Price Decline: A Normative Legal Analysis of Investor Protection in Indonesia's Capital Market

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Abstract

This study examines the impact of negative corporate disclosure on stock price movements and investor protection in Indonesia's capital market. The primary objective is to analyze how negative information disseminated through the Indonesia Stock Exchange (IDX) affects investor behavior and market performance. Using a normative legal research approach, this study relies on library-based data collection and employs both statutory and conceptual analyses. The case of PT X, a publicly listed company, and its subsidiary PT Y, an eSAF frame manufacturer for motor vehicles, serves as an illustrative example. The findings demonstrate that negative publicity—particularly related to product concerns such as weight and corrosion resistance—can significantly influence investor perception, even when the product is generally considered to have good quality. The circulation of adverse information triggers investor panic and leads to widespread share sell-offs, ultimately resulting in a decline in PT X's stock price. This confirms that stock prices tend to move rapidly in response to negative news, reflecting the sensitivity of market behavior to reputational risk and information flow. From a legal perspective, these dynamics raise important

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questions regarding the adequacy of disclosure obligations and investor protection mechanisms within Indonesia's regulatory framework. This research contributes by bridging capital market law and investor behavior, highlighting the relationship between corporate news, investor decision-making, and stock market activity. It underscores the need for stronger transparency standards and more effective legal safeguards to mitigate the impact of negative disclosures, offering practical insights for regulators, corporations, and investors in emerging markets.

KEYWORDS *Negative Corporate Disclosure; Investor Protection; Stock Price Volatility; Capital Market Law; Indonesia Stock Exchange (IDX)*

Introduction

The capital market is fundamentally built upon the principle of information efficiency, where publicly available information is expected to be promptly reflected in stock prices.[1] In practice, however, especially within emerging markets such as Indonesia, information is often interpreted through sentiment and behavioral responses rather than purely rational valuation.[2] As a result, negative corporate disclosures can trigger disproportionate market reactions, leading to volatility that may not always correspond to the underlying economic fundamentals.[3]

This issue is illustrated by the case of PT X, a publicly listed company on the Indonesia Stock Exchange (IDX), and its subsidiary PT Y, a manufacturer of eSAF motor vehicle frames. Although the product is generally associated with acceptable quality standards, public concerns regarding certain attributes—particularly weight and corrosion resistance—generated negative publicity. This information, once disseminated, contributed to a decline in investor confidence, triggering widespread share sell-offs and a subsequent drop in PT X's stock price. The case demonstrates

[1] Itay Goldstein, "Information in financial markets and its real effects." *Review of Finance* 27, no. 1 (2023): 1-32; Xiaohua Fang, Jeffrey Pittman, and Yuping Zhao. "The importance of director external social networks to stock price crash risk." *Contemporary Accounting Research* 38, no. 2 (2021): 903-941.

[2] Divya Aggarwal, "Defining and measuring market sentiments: A review of the literature." *Qualitative Research in Financial Markets* 14, no. 2 (2022): 270-288; Puput Tri Komalasari, et al. "Herding behaviour in the capital market: what do we know and what is next?." *Management Review Quarterly* 72, no. 3 (2022): 745-787.

[3] Sansaloni Butar Butar, and Monika Palupi Murniati. "How does Financial Reporting Quality Relate to Stock Price Crash Risk? Evidence from Indonesian Listed Companies." *Jurnal Dinamika Akuntansi dan Bisnis* 8, no. 1 (2021): 59-76.

how reputational risk and negative disclosure may directly influence market behavior, regardless of whether the information meets the threshold of material accuracy or proportionality.

From a legal standpoint, this phenomenon raises significant issues under Law No. 8 of 1995 on Capital Market, particularly concerning the obligation of issuers to disclose material information (Article 86) and the role of transparency in maintaining fair, orderly, and efficient markets. Furthermore, the Financial Services Authority Regulation (OJK Regulation No. 31/POJK.04/2015 on Disclosure of Material Information or Facts by Issuers or Public Companies) provides specific standards for disclosure obligations, yet remains limited in addressing reputationally harmful but contextually ambiguous information circulating in the market.[4] Additionally, Law No. 21 of 2011 concerning the Financial Services Authority (OJK) establishes the regulatory mandate for investor protection, although its enforcement mechanisms are largely reactive rather than preventive in mitigating sentiment-driven market panic.

These conditions reveal several normative legal gaps, including ambiguity in defining "material information," insufficient regulatory guidance on managing negative but non-material disclosures, and limited preventive mechanisms to protect investors from panic-driven trading behavior caused by information asymmetry and market sentiment.[5] Consequently, the interaction between disclosure regulation, investor protection, and market behavior remains insufficiently addressed within the current legal framework.[6]

In the further context, stocks are a popular and enticing investment product that attracts many individuals due to the promising returns they offer.[7] This is because stocks provide attractive benefits, including

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4 *See* Emmi Rahmiwita Nasution, "Investor protection in indonesia: A legal analysis of securities regulation." *International Journal on Social Science, Economics and Art* 13, no. 2 (2023): 126-135; Rizaldy Anggriawan, "Unravelling financial wrongdoing: A regulatory perspective on crimes in the Indonesian capital market." *Indonesian Journal of Criminal Law Studies* 8, no. 2 (2023): 151-172.

5 Gress Gustia Adrian. "Full Disclosure and Material Information Principle for Back Door Listing Companies." *Russian Law Journal* 11, no. 3 (2023): 110-122. *See also* Erna Pah Setiany, and Djoko Suhardjanto. "Disclosure, Information Asymmetry and the Cost of Equity Capital: Evidence from Indonesia." *Recent Developments in Asian Economics International Symposia in Economic Theory and Econometrics*. Vol. 28. Emerald Publishing Limited, 2021.

6 *See* Ghiffary Akmal Alija Pohan, FX Joko Priyono, and Ery Agus Priyono. "Application of Principle Full Disclosure and Legal Protection for Investor Due To Market Manipulation of Shareprices By Issuers in Capital Market." *CREPIDO* 5, no. 1 (2023): 104-115.

7 Aris Munandar, Sudiarto Sudiarto, and Lalu Wira Pria Suhartana, "Kedudukan Saham Atas Nama Dalam Perkawinan," *Jurnal Risalah Kenotariatan* 2, no. 2 (2021), https://doi.org/10.29303/risalahkenotariatan.v2i2.53; Kukuh Dwi Kurniawan et al.,

dividends, which are a distribution of company profits, and capital gains, representing the profit from the difference between the purchase and sale prices of stocks. Furthermore, stock trading aids companies in acquiring additional capital for performance enhancement.[8] However, stock investments are considered to have high risks, often referred to as "high risk, high return." The difference is that stock prices are never stationary and can go up or down by the minute since they depend on the supply and demand for stocks.. Continuous fluctuations in stock prices, both upward and downward, are common, and this phenomenon is known as stock price volatility. It is this high volatility that contributes to the elevated risks associated with stock investments. The abrupt and drastic changes in stock prices, even after reaching high levels, can result in substantial losses.[9] Therefore, investors need to analyze the factors causing changes in stock prices.

The capital market price includes a high price, low price, and close price for the stock. High and low prices are the maximum or minimum values, provided they are observed on one trading day on the exchange.[10] The final price occurred at the closing time of trading hours.[11] The final price occurred at the closing time of trading hours. Stocks never go up in reality, not on the stock exchange market. Share prices are dynamic; they change according to the demand and supply of shares and can vary at any time. Because stock prices are always changeable or fluctuate, stocks have high-risk return characteristics, which means that it has profit potential that is also very large but also has the possibility of loss that is equally large. To cut a long story short, shares are certificates proving ownership of the company and rights to demand income or assets from that company by those

"The Role of Indonesian Notary in the Transfer of Stock Through the Waqf Mechanism After the Covid-19 Pandemic," *KnE Social Sciences* 2022, no. 5 (2022): 479–91, https://doi.org/10.18502/kss.v7i15.12120.

8 Ayu Widyastuti, Lastuti Abubakar, and Kartikasari, "Perlindungan Hukum Terhadap Investor Atas Pelanggaran Prinsip Keterbukaan Informasi Oleh Emiten," *Literasi Hukum* 4, no. 2 (2020).

9 Iwan Harimurti, Bangun Patrianto, and W. Danang Widoyoko, "Perlindungan Hukum Terhadap Kerugian Investor Atas Pelanggaran Laporan Keuangan Emiten Di Pasar Modal," *Anima Legis* 1, no. 1 (2022), https://doi.org/10.55840/al.v1i1.11.

10 Sarifatus Sa'diyah and Sharda Abrianti, "Tanggung Jawab Pt Inovisi Infracom (Invs) Terhadap Investor Publik Atas Forcd Delisting Oleh Pt Bursa Efek Indonesia Berdasarkan Peraturan Di Bidang Pasar ModaL," *Reformasi Hukum Trisakti* 1, no. 2 (2019), https://doi.org/10.25105/refor.v1i2.7677.

11 Ifni Aqmarina et al., "Perlindungan Hukum Bagi Investor Pasar Modal Terkait Hilangnya Aset Nasabah Perusahaan Efek Di Pasar Modal," *Journal on Education* 05, no. 03 (2023): 6943, http://jonedu.org/index.php/joe.

shareholders. The benefit that will be derived from owning shares is dividends or capital appreciation.[12]

In making investment decisions in stocks, one of the factors that investors pay attention to is news related to the company, including its performance, achievements, or issues. Information published in the news provides signals for investors to determine their investment decisions. News serves as a valuable source of information that helps investors and the general public obtain specific information about a company, such as operational performance, financial conditions, and significant issues, all in a short and even instant timeframe.[13] Until now, the majority of investors base their investment decisions not only on the financial reports of a company but also on financial news and other information about the company. Therefore, news related to a company plays a crucial role in influencing the investment decisions made by investors. [14]

Several researchers have also used news about companies as a factor that can move stock prices. The analyzed prior research provides ample information on the connection between the media and volatility of stock prices but each offers something different. Jonkman et al. (2020) explore the interplay of company visibility, tone of news coverage, existing corporate perception, and how collectively they affect corporate reputation. Using automated content analysis of more than 5,200 news articles and responses from a three-wave panel survey with 3,270 participants, the authors apply agenda-setting theory. The authors show that corporate reputation gets negatively impacted by visibility and improved with a positive tone in the news.[15] Most compelling, they show that negative news is three times more impactful than positive news while strong, positive reputation serves as a buffer against harm from negative coverage. This research's contribution is engaging with the causal agenda at the individual level using large content data with longitudinal panel surveys which helps the authors isolate the impact of media attention on reputation over time as controlled for

[12] Dyah Ayu Purboningtyas and Adya Prabandari Program Studi Magister Kenotariatan, "Perlindungan Hukum Bagi Investor Pasar Modal Indonesia Oleh Securities Investor Protection Fund," *Notarius* 12 (2019).

[13] Yusuf Arifin et al., "Pengawasan Pelaksanaan Prinsip Keterbukaan Informasi Oleh Perusahaaan Publik Pada Papan Akselerasi," *Borobudur Law and Society Journal* 1, no. 2 (2022), https://doi.org/10.31603/7407.

[14] Fadilah Haidar, "Perlindungan Hukum Bagi Investor Terhadap Praktik Kejahatan Insider Trading Pada Pasar Modal Di Indonesia," *JURNAL CITA HUKUM* 3, no. 1 (2015), https://doi.org/10.15408/jch.v2i1.2311.

[15] Jeroen G.F. Jonkman et al., "Buffering Negative News: Individual-Level Effects of Company Visibility, Tone, and Pre-Existing Attitudes on Corporate Reputation," *Mass Communication and Society* 23, no. 2 (2020): 272–96, https://doi.org/10.1080/15205436.2019.1694155.

predispositions, which is an improvement considering previously conducted cross-sectional or aggregate-level studies.

Following this foundation, Usmani and Shamsi (2021) developed an innovative approach with novel contributions, creating an elaborate framework aimed at predicting stock markets with news sensitivity focused on feature engineering emphasizing extraction in the defining structures as well as the dominance of deep neural network systems mathematically capturing the intricacies of relationships between numbers and texts. The combination of analysis of the text using predefined structures with deep learning techniques represents an important novelty and a significant milestone in the predictive models for the stock market.[16]

Focusing on a different aspect, Isa, Shahidan, and Romli (2022) further illustrated how fundamental economic indicators like earnings per share, dividend yield, and size of the bank have a pronounced impact on the share prices of commercial banks on Bursa Malaysia. [17]

While grasping the financial fundamentals of the issue based on fundamentals, the novelty of the study lies in the empirical correlation between performance of corporate finances—something that is often reported though the media—and stock price fluctuations during highly volatile economic periods. Sofyan, Putra, and Aprayuda (2020), from a different angle, studied the unintentional stimulus provided by internet mass media and social networks towards investment in emerging markets, demonstrating further information marketed by such media encourages illogical investment behavior. The importance of this research is in placing the concepts of behavioral finance within the context of information overload and providing richer explanations of volatility on the market in the era of the internet.[18]

These available strategies in mind, Sawaliana and Rahman (2010) looked into how companies manage their relations with the media and how public relations done in advance may company stock market performance by portraying the company in a favorable light through the media and so

[16] Shazia Usmani and Jawwad A. Shamsi, "News Sensitive Stock Market Prediction: Literature Review and Suggestions," *PeerJ Computer Science* 7 (2021): 1–36, https://doi.org/10.7717/PEERJ-CS.490.

[17] Aflah bt Isa@ Darami, Aina Syazwina Bt Shahidan, and Nurulashikin bt Romli, "The Determinants of Share Price on Commercial Bank in Bursa Malaysia," *International Journal of Academic Research in Business and Social Sciences* 12, no. 9 (2022): 569–81, https://doi.org/10.6007/ijarbss/v12-i9/14647.

[18] Rita Sofyan, Defriko Gusma Putra, and Riyadi Aprayuda, "Does the Information on the Internet Media Respond to the Stock Market?," in *Proceedings of the 5th Padang International Conference On Economics Education, Economics, Business and Management, Accounting and Entrepreneurship (PICEEBA-5 2020*, vol. 152, 2020, 510–20, https://doi.org/10.2991/aebmr.k.201126.057.

stock market performance would be favorable, therefore shaping perception and expectation of the market.[19] While the emphasis of this study is corporate communications with no direct linkage to stock exchange activities, its uniqueness lies in capturing the indirect influence, how powerful the influence may be from media relations towards the financial markets.

From this research, we can conclude that news related to a company comes under either of two categories: Positive News and Negative News. The positive news is the most relevant statement, sentence, or words and signaling expressions that express support, approval, and favorable judgment. Negative news means any statement, sentence, phrase, or attributive term (negative judgment).[20]

Offering stock to shareholders can be a solution if a company intends to raise funds internally. On the other hand, stocks are held by many investors for capital appreciation and are thus intrusive by nature. Shares represent a fraction of a person's (or a company's) interest in an enterprise or a joint-stock company. In this situation, the party owes capital for the income and property of the firm and has a right to the capital of RUPS.[21] More specifically, PT X was the company that issued shares. PT X Initial Public Offering (IPO) on April 4th, 1990, with the company code PT X — IDN Financial 2023. The Automotive division is one of the 7 business divisions of PT X a holding company. For example, a subsidiary of PT X is in the DHs form of PT Y : Pioneer of the motorcycle industry in Indonesia Established June 11, 1971 at first named PT Z is the Major Share Holder.[22]

In 2019, PT X launched a product, namely the eSAF frame through the launch of one of the motorcycle products made by PT X. The frame is claimed to be more stable when used cornering.[23] Even the motorbike is also easier to drive because the steering wheel becomes lighter and more

[19] Sawaliana and Rahman, "Strategi Media Relations PT Excelcomindo Pratama, TBK (XL) Membangun Hubungan Dengan Wartawan Dalam Rangka Mensukseskan Program Rp 1 /Detik," *Jurnal Komunikologi* 7, no. 1 (2010): 60.

[20] Emeralda Putri Anjani, Nyulistiowati Suryanti, and Deviana Yuanitasari, "Tinjauan Yuridis Terhadap Influencer Yang Merekomendasikan Saham Tertentu Berdasarkan Hukum Pasar Modal Di Indonesia," *Reformasi Hukum* 26, no. 2 (2022), https://doi.org/10.46257/jrh.v26i2.467.

[21] Rico Bayu Wiranata and Arif Djunaidy, "Optimasi Hyper-Parameter Berbasis Algoritma Genetika Pada Ensemble Learning Untuk Prediksi Saham Yang Mempertimbangkan Indikator Teknikal & Sentimen Berita," *JATISI: Jurnal Teknik Informatika Dan Sistem Informasi* 8, no. 3 (2021).

[22] Lionel Priyadi and Yoshi Takahashi, "The Dynamics of the Toyota-Astra Hybrid Structure Partnership," *Institutions and Economies* 11, no. 1 (2019): 85.

[23] Yustisio Mahendra, Winserly Tan, and Rufinus H Hutauruk, "Motorcycle Consumer Protection in Indonesia : An Analysis of ESAF Frame Implementation on Honda Matic Motorcycles" 13, no. 1 (2024): 126, https://legal.isha.or.id/index.php/legal/index.

comfortable to use when maneuvering in the midst of traffic jams that often take place in urban areas and provides more capable capabilities in various conditions. But in August, the public was shocked by the case of PT X's product, the eSAF frame which is not resistant to corrosion.[24] This is because the drain hole located under the frame has the potential to be clogged due to dirt that does nmot come out completely which will cause water to pool in the frame. As well as on the inside of the frame that is not coated with a coating layer perfectly causing corrosion. Based on this, the researcher will raise issues about factors that affect stock prices and issues that have an impact on the decline in PT PT X'sshare price.

The purpose of this research is to determine factors that affect stock prices, particularly the decrease in PT Y share price attributable to product problems. The research problem concerns the effect of news on investors and their approaches to stock valuation as a sub-component of the financial markets. The outcome of this study will be instrumental in closing an existing gap in the literature on the impact of corporate news on stock price movements under volatile market conditions, particularly in emerging economies. Investments in stocks are indeed an attractive investment avenue, and this brings in many people owing to the belief that there are high returns in the form of dividends and capital gains, amongst others. These securities not only contain opportunities for making some returns but also entail liquidity as they allow companies to utilize the funds raised to remodel their activities fully. This description emanates from a regular stock market whereby price distinctions of stocks change daily due to variations in demand and supply. This kind of instability can lead to sudden shifts in price and most of the time; this leads to severe losses on the part of the investors. Therefore, knowing what makes these changes is also necessary to make sound investment judgments.

In the capital market, stock prices are generally discussed under three standard classifications: the highest price, the lowest price, and the closing price. These variables describe the minute ways of instilling how stocks are traded in stocks since the buying and selling activities depend on price changes. So, shares entail a unique categorical arrangement of having a return on investment, not leaving out the risks embedded in them. Shareholders are relevant in any corporation, and PT X is a typical example. For example, after the initial public offering (IPO) held on April 4, 1990, this company managed to penetrate various market segments, including the

[24] Muhammad Alfito Prawidiya Utama and Muthia Sakti, "Consumer Protection for Honda Vehicle Users with Frame ESAF Damage Based on the Principles of Consumer Safety and Security," *Journal of Law, Politic and Humanities* 4, no. 5 (2024): 1327, https://doi.org/https://doi.org/10.38035/jlph.v4i5.

motor vehicle production market.[25] But still, the recent problems, especially on eSAF frame issues of the motorcycle, have bothered the market for consumers and investors. Public sentiment and stock prices have been affected negatively by publicity related to design defects resulting in corrosion.

Against this backdrop, this study adopts a normative legal approach using statutory and conceptual analysis to examine the relationship between negative corporate disclosure, investor response, and stock price dynamics. The study aims to identify regulatory weaknesses and contribute to strengthening legal certainty, disclosure governance, and investor protection within Indonesia's capital market system.

The research was carried out through a comprehensive analysis of the capital market law by employing a normative legal approach with both the Statute Approach and Conceptual Approach.[26] This research primarily uses secondary data in the form of literature review. Secondary data includes legal materials such as journals, books and expert analysis, which are further interprets the primary legal materials as secondary and are based on normative and statutory legal provisions. Methods of collecting legal materials in this legal research are documentary study or literature study.[27]

Legal Protection for Investors in the Capital Market

Based on Law No. 8 of 1995 regarding the Capital Market of Indonesia the capital market operates through a particular framework. In particular, Article 4 stresses the position and functions of Bapepam (now Financial Services Authority (OJK)) regarding market integrity and stakeholder protection. This legislative provision empowers Bapepam with comprehensive powers inclusive of overseeing, regulating, and monitoring market activities based on the law under Article 3. These regulatory functions aim to create a capital market with order, honesty, and efficiency while protecting the rights and the general welfare of the investors and the public. This responsibility includes possible enhancement of trading processes through surveillance of market actors and overseers of securities, and these coordinators investigate market operations and ensure

[25] Jessica Coria, Gunnar Köhlin, and Jintao Xu, "On the Use of Market-Based Instruments to Reduce Air Pollution in Asia," *Sustainability (Switzerland)* 11, no. 18 (2019): 19, https://doi.org/10.3390/su11184895.

[26] Irwansyah Irwansyah, *Penelitian Hukum, Pilihan Metode & Praktik Penulisan Artikel*, ed. Ahsan Yunus, Cetakan 4 (Yogyakarta: Mirra Buana Media, 2021), 47.

[27] Peter Mahmud Marzuki, *Penelitian Hukum* (Jakarta: Kencana, 2005), 133.

regulation. While discharging these responsibilities, Bapepam targets a safe, competitive financial environment that encourages investment in both foreign and local environments for economic development in Indonesia. The trust in the market gained by the regulatory agency is due not only to protect investors from scams but also to enhance the reputation of the Indonesian capital market in the international arena, thus fostering long-term economic progress and stability.[28]

It is stipulated and regulated in the regime of Law Number 8 of 1995 concerning the Capital Market (from now on referred to as UUPM) that Bapepam-LK has regulated the capital market authority. It functions under the aegis of the Ministry of Finance in developing, controlling, and supervising the capital market. Bapepam-LK is operated under the supervision and accountability of the Ministry of Finance. The Capital Market Supervisory Agency (Indonesian: Badan Pengawas Pasar Modal, Bapepam-LK) has the authority to conduct preventive and repressive legal protection of the capital market.[29] During the UUPM period, Bapepam-LK was the institution of a market security guard to lift public trust in the market, which had been depressed after some Asian countries experienced economic crises due to financial reasons. This will be one of the triggers that led to the establishment of Otoritas Jasa Keuangan (OJK) as a Financial Services Authority in Indonesia.[30]

To protect investors, issuers of securities in a Public Offering are required by the SEC to provide an opportunity for investors to read the Prospectus (before or at the time of ordering) describing the issuer and its business operations. Later, the publication of a Public Offering Issuer Documents to be Made Available in Relation with Principle of Transparency in Capital Market will still refer to the following principle: it is not complete and clear until Bapepam-LK has considered it. This is important because it marks the preliminary point when investors decide whether to buy the securities. Similarly, a preventive measure taken by Bapepam-LK is to regulate that the Prospectus for securities includes neither misleading facts or false information relating to Material Facts nor provides information revealing all the pros and cons of offered securities. In reality, Bapepam-LK

[28] Haidar, "Perlindungan Hukum Bagi Investor Terhadap Praktik Kejahatan Insider Trading Pada Pasar Modal Di Indonesia."

[29] Rizky Noor Fajrina and Waspiah Waspiah, "Supervision by the Financial Services Authority on Investment-Based Life Insurance (Unit Link)," *Unnes Law Journal* 7, no. 1 (2021): 4, https://doi.org/https://doi.org/10.15294/ulj.v7i1.38802.

[30] Vidya Noor Rachmadini, "Perlindungan Hukum Bagi Investor Dalam Pasar Modal Menurut Undang-Undang Pasar Modal Dan Undang-Undang Otoritas Jasa Keuangan," *Pena Justisia: Media Komunikasi Dan Kajian Hukum* 18, no. 2 (2020): 89–96, https://doi.org/10.31941/pj.v18i2.1093.

stipulates the regulations in preparing prospectuses of securities to be issued. Protective actions such as this are taken when Bapepam-LK allows SROs and Mutual Funds to short securities under a margin account, protecting investors from unfair manipulation or malpractices.[31]

Nevertheless, after the 2011 process concerning the development of the culture, the government sought to implement specific reforms in the financial sector. Fortunately, the government and the People's House of Representatives (DPR) resolved to constitute the OJK. Then came Law Number 21 in the Law of the Republic of Indonesia on Financial Comparatively Services Authority of November 22, 2012. It was an autonomous structure that commenced operations on 31 December 2102, replacing confederating the administrative functions, powers, and responsibilities hitherto administered by the Ministry of Finance via Bapepam-LK and FSA. Actual management of capital markets has been taken over by an authority known as the OJK. The authority is entitled to issue licenses, including revocation, surveillance, inspection of the financial service industry, and investigation of malpractices served under the Financial Services Authority Law No 21 of 2011.

There was a provision for establishing them in compliance with structural adjustments in the financial institutions of the OJK:

1. To organise in a regular, fair, open and accountable manner;
2. To contribute to a sustainable and stable financial system;
3. To protect consumers and the public.

Although in recent years, the capital market activities were directly supervised by OJK, but its presence is still not broadly recognized by the community. Thus, it is necessary to know the transfer of supervisory authority moved from the Capital Market Supervisory Agency (Bapepam-LK) and towards the Financial Services Authority particularly in securities transactions. Then, if there are securities companies that are in carrying out securities trading activities such as cheating with the issuance of misleading reports or not complying with business disclosure requirements and not offering their securities on the capital market. These things however should already be monitored. Investor comfort is understandably derived from existing regulation dictating that securities companies or brokerages do business in no other way.

[31] Aishwarya Pandey, "Consumer Protection in the Era of E-Commerce: Issues and Challenges," *International Journal of Legal Science and Innovation* 4, no. 1 (2022): 632, https://doi.org/https://doij.org/10.10000/IJLSI.111355.

Overview of PT X

PT X was founded as PT Y Incorporated on February 22, 1957.[32] Previously known as Startup Kolektif, X HQ is situated at Jl. ABC, Jakarta 14330 Indonesia PT X Tbk. The biggest shareholder is Jardine Cycle & Carriage Ltd, a subsidiary of Bermudian-based company Jardine Matheson Holdings Ltd. X contains a number of its subsidiaries and affiliated, still publicly traded on the Indonesia Stock Exchange (BEI), which are (G) Tbk (AALI), (H) Tbk (ASGR), (I) Tbk (AUTO) and (J) Tbk. PT X is stated in the Company's Articles of Association that PT X is engaging in General Trading, industry, mining services, transportation, agriculture/plantation, Construction and Consulting Services. X's activities are conducted through over 200 subsidiaries operating in six business segments: automotive, financial services, heavy equipment and mining, agribusiness, infrastructure and logistics, information technology (IT), and property. In 1990, PT X received an effective registration letter from BAPEPAM-LK to conduct the Initial Public Offering (IPO) of shares at Rp.14,850- with a nominal value of Rp 1,000 per share on May 18, 1990, public for a maximum of 30.000.000 shares. The shares were first listed in the Indonesia Stock Exchange (BEI) on April 4, 1990.[33]

Impact Negative View Product Production To PT X Stock For Investor

These factors contributing to the fluctuations in a company's stock price can be broadly categorized into two groups: internal and external factors.[34] Internal factors originate from within the company and are linked to its performance, while external factors are associated with the overall economic conditions of the country. Internal factors encompass aspects directly tied to the company's performance, including corporate actions,

[32] A Febriannisa et al., "Pengaruh CR, DAR Dan LTDE Terhadap Kebijakan AaDEVIDEN Pada PT. Astra Internasional TBK (ASII), Tahun 2017-2021," *Jurnal Pendidikan …* 6, no. 2 (2022):90, https://www.jptam.org/index.php/jptam/article/view/4540%0Ahttps://www.jptam.org/index.php/jptam/article/download/4540/3829%0Ahttps://jptam.org/index.php/jptam/article/download/4540/3829.

[33] Shara Ariesta Syaputri and Pandu Adi Cakranegara, "Comparative Analysis Of Financial Distress Methods In The Automotive Component Industry: Altman, Grover, And Zmijewski," *Jurnal Mantik* 5, no. 2 (2021): 1737.

[34] Xiaomeng Chen, Andreas Hellmann, and Safdar R. Mithani, "The Effect of Fair Value Adjustments on Dividend Policy Under Mandatory International Financial Reporting Standards Adoption: Australian Evidence," *Abacus* 56, no. 3 (2020): 436–53, https://doi.org/10.1111/abac.12180.

forecasts of future performance, capital structure, market rumors, sales growth, dividend policies, and more. Analyzing the financial statements of a company provides insights into its performance, measured through various financial ratios.

External factors that affect stock prices are related to a country's economic policies such as inflation, interest rates, exchange rates, and government policies. Inflation is an economic parameter characterized by an increase in the price of goods and services in general which causes the value of the currency to fall. High inflation rates can be disruptive. The economy in general is due to the level of people's purchasing power, a decrease in the value of the currency exchange rate and can reduce people's real income. When the inflation rate is high, investors will be vigilant in investing their capital.[35]

In accordance with the explanation above about what factors affect the stock price of a company. Factors of company issues circulating in the community can affect stock prices. Company issues can be divided into 2 types, namely positive issues that will later make the stock price of a company rise, and negative issues that will reduce the stock price of a company. If viewed in the problem of PT X related to the issue of eSAF frames that are not resistant to corrosion, it can affect the share price of PT Y Tbk. Motorcycle eSAF frame corrosion cases began around mid-August 2023 with a number of consumers complaining about the damaged condition of their motorcycles on social media. The issue of easily corroded eSAF frames on motorcycles, plus investor profit taking also pressured PT X's stock performance in August 2023. Based on Investing data, during 22 trading days in August, PT X shares corrected and parked in the red zone for 12 days, rose for 7 days, and moved in place aka stagnant for 3 days.

The presence of a positive response from the PT X Stock Price Index for each shock or impact on Positive News is notable.[36] The PT X Stock Price Index only provides a positive response two days after positive news is published. The PT X Stock Price Index shows a continuously increasing positive response, even up to the thirtieth day. The rise in the PT X Stock Price Index on the second day after good news is published is a positive reaction. This positive response to what the company sees as good news is

[35] Masashi Tanaka, "Human Capital Investment, Credentialing, and Wage Differentials," *Journal of Public Economic Theory* 22, no. 4 (2020): 992–1016, https://doi.org/10.1111/jpet.12443.

[36] I Gusti Ayu Agung Istri Dinda Larasshanti Jelantik and AnakAgung Gede Suarjaya, "Analysis of Capital Market Reaction To the Announcement of the Minister of Finance Regulation (Pmk) Number 20/Pmk.010/2021 and Number 77/Pmk.010/2021," *American Journal of Humanities and Social Sciences Research* 6, no. 3 (2022): 248, www.ajhssr.com.

driven by investors and traders who view it similarly. This positive reaction is also related to the good news about financially and/or operationally better performance, awards and appreciation, and company empowerment movements.. Additionally, the positive stock price response continues until the thirtieth day, indicating that the positive news contains information about the company's fundamental conditions that can have a long-term impact.

Similarly, there is a negative response from the PT X Stock Price Index for every shock or impact on Negative News. The PT X Stock Price Index only provides a negative response two days after negative news is published. The PT X Stock Price Index continues to show a negative response and continues to decline until the sixth day. From the seventh day to the thirtieth day, the PT X Stock Price Index begins to show an increase in stock prices to return to the original equilibrium price. This negative response is due to investor behavior, interpreting negative company news as a negative signal for the company's stock, specifically those listed on the PT X Index. The negative response arises from negative news about declining financial and/or operational performance, criticism, and previous incidents affecting the company.

The decline in PT X stock continued in September 2023. Starting the month's trading at Rp6,550, PT X stock also experienced a downtrend pattern, correcting by 3.05 percent to close at Rp6,350 on Tuesday, September 19, 2023. In fact, PT X stock in October touched its lowest level at Rp5,950 per share since July 2023 or throughout the third quarter of 2023.

Conclusion

This study examined the impact of negative corporate disclosure on stock price movements and assessed the adequacy of investor protection within Indonesia's capital market framework. Using the case of PT X and its subsidiary PT Y, the findings demonstrate that negative information—particularly stemming from internal issues such as product concerns related to the eSAF frame—has a direct and immediate effect on investor behavior. The dissemination of such information, regardless of its precise materiality, generates negative sentiment, triggers panic selling, and leads to a significant decline in stock prices. These findings answer the main research question by confirming that stock price volatility in Indonesia is highly sensitive not only to formally defined material disclosures but also to reputational risks amplified through negative news flows.

From a legal perspective, this study identifies important gaps within the existing regulatory framework, particularly under Law No. 8 of 1995 on Capital Market and OJK Regulation No. 31/POJK.04/2015. The ambiguity in defining "material information," along with the lack of clear mechanisms to manage reputationally harmful yet contextually incomplete disclosures, weakens investor protection and contributes to market overreaction. Therefore, this study recommends that regulators refine the scope of material information to incorporate reputationally significant factors, strengthen disclosure and clarification obligations for issuers, and develop more preventive investor protection mechanisms to mitigate panic-driven trading. Enhancing these legal instruments is essential to improving transparency, safeguarding investor confidence, and ensuring greater stability in Indonesia's capital market.

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"If you want peace, work for justice."

Pope Paul VI

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