SUSTAINABLE AND RESPONSIBLE INVESTMENT IN INDONESIA AND MALAYSIA: AN EVENT STUDY ON SRI KEHATI AND FTSE4GOOD INDICES

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Abstract
The purpose of this research is to examine the effect of SRI index on abnormal return of added to and deleted stocks of two countries, Indonesia (SRI KEHATI) and Malaysia (FTSE4GOOD). The effect was examined using CAR of the stock around index announcements. This research was conducted using event study methodology. The samples used in this research are all the stocks that were added to and deleted from SRI KEHATI index on 2009-2018 announcements and FTSE4GOOD index on 2014-2018 announcements. The result of hypothesis test shows that SRI index announcement has negative significant effect to the added stocks to SRI KEHATI’s CAR before announcement, after announcement and cumulative period and to added stocks to FTSE4GOOD’s before announcement and cumulative periods. and to deleted stocks from FTSE4GOOD’s after announcement and cumulative periods. SRI index announcement has positive significant effect to the deleted stocks from SRI KEHATI’s CAR before announcement. Information on SRI index announcements has effects to the decisions made by investors. Indonesian investors reacted negatively toward added stocks but not choosing deleted stock either after announcement. Malaysian investors reacted negatively toward both added and deleted stocks, added stocks are perceived better even if positive CAR are insignificant after announcements.

Keywords
Abnormal returns, CAR, SRI index

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