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Do Mass Media News Affect Market Value?

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ABSTRACT: This study aims to analyze the influence of mass media coverage on the market value of banking companies in Indonesia. In the context of financial markets, mass media plays an important role in disseminating information that can affect investors' expectations regarding the future performance of companies. Using signal theory, this study assumes that positive media coverage can serve as a signal that enhances investors' positive perceptions, thereby impacting an increase in the company's market value. This study uses panel data from 28 banking companies listed on the Indonesia Stock Exchange during the period 2019–2023. News data were collected from five major news portals in Indonesia, namely Detik.com, Kompas.com, Liputan6.com, Tribunnews.com, and CNNIndonesia.com. The dependent variable in this study is the market value, calculated based on the stock closing price multiplied by the number of outstanding shares. Meanwhile, the main independent variable is the amount of positive or neutral mass media coverage, and control variables include net income and the company's total assets. The panel data regression analysis results show that positive mass media coverage has a significant positive effect on the company's market value. Additionally, net income and total assets also have a significant positive effect on market value. However, the relatively low coefficient of determination (R-squared) indicates that the model still needs to be developed by adding other relevant independent variables. This study provides empirical evidence that mass media coverage, financial performance, and asset structure are important factors influencing the market value of banking companies in Indonesia. These findings have practical implications for company management in designing effective communication strategies and open opportunities for further research on the influence of media on company value.

KEYWORDS: mass media, market value, banking companies, signal theory, investors

I. INTRODUCTION

The main purpose and function of the company is to increase and maximize shareholder wealth by increasing the market value of the company (Kustono et al., 2022). Mass media news is one of the main ways stakeholders learn about organizations (Einwiller et al. 2010). In financial markets, the media spread information and expand the information pool (Graf-Vlachy et al. 2020).

A stream of research has examined the impact of media coverage on the market value of companies. This literature argues that in the context of financial markets, the media plays a key role in disseminating information about companies (Graf-Vlachy, Oliver, Banfield, König and Bundy, 2020). This disseminated information can change investors' expectations of the company's future performance, which in turn can trigger changes in the company's valuation.

In general, the literature agrees that the market value of a firm depends on investors' expectations of its future performance (Lane and Jacobson 1995; Solomon 2012). Investors form these expectations based on their knowledge and external information.

The media is important to investors because it selects, reorganizes and disseminates information. Organized press information also facilitates investors in reducing complexity and ambiguity. Regarding company attributes and characteristics. In addition, the press promotes attention to specific individuals, thereby reducing their expenditure on search (Barber and Odean 2008; Drake et al. 2012; Fang et al. 2014).

To provide empirical evidence, we use 5 years of data on market value, and mass media news from a sample of 28 banking companies operating in Indonesia. The results allow us to assess the impact of news on market value.

The role of mass media in everyday life has grown rapidly, especially with advances in information technology that allow the dissemination of news quickly and widely. One area that is heavily influenced by news broadcast by the mass media is the financial markets. The information that investors receive from the mass media can influence investment decisions and, ultimately, the market value of various financial assets.

II. METHODS

For this study, we compiled a sample by first obtaining banking data from the Indonesia Stock Exchange, consisting of 28 companies, and then collecting news coverage data from leading mass media platforms in Indonesia, namely Detik.com, Kompas.com, Liputan6.com, Tribunnews.com, and CNNIndonesia.com. The data used covers the period from 2019 to 2023 and was collected annually at the end of each year. This research is based on signal theory, which explains how companies can reduce information asymmetry between management as the internal party and investors or the public as external parties. In a financial context, this theory states that companies can send signals to the market through various actions or disclosures that reflect their condition and performance prospects. These signals may include financial statement disclosures, dividend announcements, profit declarations, or even positive media coverage. The information communicated is then interpreted by investors and used as a basis for investment decision-making, ultimately influencing the company’s stock price and market value. Signal theory was first introduced by Spence (1973) in the context of the labor market and later applied to finance by Ross (1977), who stated that capital structure or financial policy can also serve as a signal to investors. Therefore, in this study, positive news coverage in the mass media is considered a form of signal that can enhance investors’ positive perception of a company, which in turn impacts the increase in the company’s market value (Brigham & Daves, 2013).

A. Dependent Variable: Market Value

We obtain the market value from the financial statements, which is calculated by multiplying the number of outstanding shares issued by the closing stock price of the company at the end of each semester. We chose market value as the dependent variable for two main reasons. First, since it depends on the stock price, market value serves as a forward-looking performance metric that reflects investors' expectations regarding the firm's future cash flow prospects (Kumar and Shah, 2009; Luo, 2008). Second, prior research extensively uses market value as a measure of firm valuation (e.g., Kim, Boyd, Kim, and Cheong, 2016; Luo et al., 2012). Calculation of the market value is below:

Market Value = closing price x number of shares outstanding

B. Independent Variable: Mass Media News

We searched for mass media news through the best news platforms in Indonesia, namely Detik.com, Kompas.com, Liputan6.com, Tribunnews.com, CNNIndonesia.com. According to Zhang (2016), this method is the most suitable for describing corporate media coverage. When operationalizing positive news, we also include neutral news. This is in line with the idea that exposure to an object will increase familiarity with the object, which then leads to an increase in liking for the object (Fang et al., 2007).

C. Control Variables

To control for factors that influence investors' expectations about firm financial performance, we include firm- and industry-specific variables. To control for firm resources and financial strength, we collect from the firm's financial statements, net sales, and total. To control for the market value of the company over time.

To control for different types of industry environments and the intensity of competition in the market, we include industry growth variables, defined as the average net sales growth of all firms in the industry over the past year (Kim et al. 2016); a market instability metric, calculated as the standard deviation of the average net sales growth over five years across firms in the industry (Luo et al. 2012); and a measure of industry concentration, operationalized as the Herfindahl index based on net sales (McAlister et al. 2007).

III. RESULTS AND DISCUSSION

The initial sample of this study is banking companies in Indonesia listed on the Indonesia Stock Exchange, from 2019 to 2023. Secondary data on banking was collected from the Refinitiv/DataStream database. A large number of studies have used data sourced from the Refinitiv/DataStream database (Ioannou, 2012). The researcher used 140 data from 28 companies that published complete data. Hypothesis testing in this study uses panel data regression.

Do Mass Media News Affect Market Value?

A. Statistical Result

Table 1. (Descriptive statistics)

	Market Value	Media Massa News	Net Income	Total Assets
Mean	1.12	9.30	9.33	6.17
Median	4.88	8.00	2.51	6.23
Maximum	8.81	19.00	3.45	4.24
Minimum	2.19	0.00	2.81	-5.03
Std. Dev.	1.35	4.33	2.97	1.35

From the table above, it is explained that the average Market Value is 1.12, median 4.88, maximum value 8.81, minimum value 2.19, and standard deviation 1.35. Mass Media News has an average value of 9.30, median 8.00, maximum value 19.00, minimum value 0.00, and standard deviation 4.33, Net Income has an average value of 9.33, median 2.51, maximum value 3.45, minimum value 2.81, and standard deviation 2.97, and Total Assets has an average value of 6.17, median 6.23, maximum value 4.24, minimum value -5.03, and standard deviation 1.35.

***B.* Main Result**

Table 3. (Hypothesis Test)

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
Media Massa News	5.67	2.63	2.153942	0.0330
Net Income	0.005	0.002	2.137279	0.0344
Total Assets	1.80	0.90	2.027865	0.0445
Market Value	4.32	2.96	1.462712	0.1459
R-squared		0.091313		
F-statistic		4.555523		
Prob(F-statistic)		0.004488		

Table 4 shows that Mass Media News has a positive coefficient and is significant at the 0.05 level (t-statistic = 2.153942, Prob. = 0.0330). This suggests that positive mass media news may have an effect on the SER05 variable (the direction of the effect needs to be interpreted based on the definition of Market Value). Net Income has a positive coefficient and is significant at the 0.05 level (t statistic = 2.137279, Prob. = 0.0344). This suggests that higher net income may be associated with a higher SER05 value. Total Assets has a positive coefficient and is significant at the 0.05 level (t-statistic = 2.027865, Prob. = 0.0445). This suggests that larger total assets may be associated with higher SER05 values. Market Value has a positive but insignificant coefficient (t-statistic = 1.462712, Prob. = 0.1459). This indicates that there is no definite relationship between market value and SER05 at the 0.05 level of significance.

R-squared: The model explains about 9.13% (weighted) and 26.05% (unweighted) of the variation in the dependent variable. These low R-squared values suggest that the model needs to be improved or other relevant independent variables should be considered. The F-statistic is significant at the 0.05 level (Prob(F-statistic) = 0.004488), indicating that the overall regression model is statistically significant. This model suggests that positive mass media news, higher net income and larger total assets may have a positive influence on the SER05 variable. However, this model needs to be improved as its explanatory power over the dependent variable is still low.

IV. CONCLUSION

This study aims to analyze the impact of mass media news on the market value of banking companies in Indonesia. The data used is panel data from 28 banking companies during the 2019-2023 period.

The results showed that positive mass media news has a significant influence on the market value of banking companies. This means that positive news in the mass media can increase investor confidence in the company, which in turn can increase the company's market value.

In addition, this study also shows that net income and total assets of the company also have a positive influence on market value. This suggests that companies with good financial performance and a healthy financial structure are more attractive to investors, so their market value tends to be higher. However, the regression model used in this study still has low cruising power, so it needs to be improved by including other relevant independent variables.

Overall, this study provides empirical evidence that mass media news, net income, and total assets are important factors that affect the market value of banking companies in Indonesia. This study has several important implications for practitioners and academics. For practitioners, the results of this study can be used to understand how mass media news can affect the market value of their companies.

Thus, practitioners can formulate effective communication strategies to improve the company's image in the eyes of the public and mass media. For academics, the results of this study can be the basis for further research that is more in-depth about the factors that affect the market value of banking companies in Indonesia.

This study investigated the relationship between positive mass media news coverage and the market value of banking companies in Indonesia. The study used panel data from 28 companies over a five-year period (2019-2023). The results revealed that positive media news has a statistically significant positive impact on market value. This implies that positive media coverage can boost investor confidence in a company, ultimately raising its market value.

The study also found that a company's net income and total assets are positively correlated with market value. This suggests that companies with strong financial performance and a healthy financial structure are more attractive to investors, leading to a higher market value. However, the explanatory power of the model used in this study was limited, indicating a need for further refinement by incorporating other relevant factors.

In conclusion, this research provides evidence that positive media news, net income, and total assets are important determinants of market value for banking companies in Indonesia. These findings offer valuable insights for both practitioners and academics. Practitioners can leverage this knowledge to understand how media coverage impacts market value and develop effective communication strategies to enhance their public image. Academics can utilize these results as a foundation for further research exploring the factors influencing the market value of Indonesian banking companies.

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