



**THE EFFECT OF DATA BREACH ANNOUNCEMENT ON SOCIAL MEDIA
TOWARDS FIRM'S REPUTATION:
EMPIRICAL EVIDENCE FROM MARKET EFFICIENCY**

**NORAZIRA BINTI AG.ISMAIL
2015856946**

**BACHELOR OF BUSINESS ADMINISTRATION WITH HONOURS (FINANCE)
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA KOTA KINABALU
SABAH**

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ABSTRACT

Data breaches is a security incidents in which confidential data is being transmitted, copied or stolen by an unauthorized individual that would resulted negative consequences on the affected firms such as loss of market value, loss of customers and reputational damage. As corporate reputation is among the valuable assets, organizations need to be efficient in measuring the best techniques to manage it. Nowadays, social media such as Twitter, Facebook and Weblogs has become very popular communication tools among the internet users where people can share information, pictures and opinions on different aspects of daily life such as working or family events. Therefore, data breaches through social media could contribute to the reputational risk. The purpose of this study is to investigate the impact of data breaches through social media that could contribute to the firm reputational risk. The reputational effect of data breaches measured based on content by applying a novel approach which is the sentiment-based event study by taking samples that consist of 6 different companies within the year 2013 to 2016. The independent variables are the actual return to identify whether the company's return are affected due to the data breach incidents and the trader sentiment from the social media. The dependent variable represented as reputational risk will be measured by the abnormal return of the affected companies. The data for actual return are collected from Yahoo Finance and Stock Analysis on Net website. The collected data are examined by using time series which is EViews 8th Edition. The actual results from this study showed that actual return and trader sentiment had significant positive relationship towards abnormal return at 99% confident level while trading volume showed there is no relationship towards abnormal return.

Keywords: *Data Breaches, Reputational Risk, Social Media, Sentiment Analysis.*