

Vol. 17 No. 3 2023

Analysis of The Capital Market Reaction To The Announcement of The Stock Split

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Submit :
13/05/2023

accept :
26/07/2023

Publish :
31/07/2023

Abstract

This study aims to determine the effect of stock split announcements on abnormal returns, stock prices, and stock trading volume of companies that carry out stock splits on the Indonesia Stock Exchange for the 2018-2022 period. The sample in this study were companies listed on the IDX that carried out stock splits, totaling 33 companies for five years. This study uses a different test analysis of two paired samples (Paired Sample t-test) with an observation period (event study) of 5 days, namely $t = -5$ (5 days before the announcement of the stock split), $t = +5$ (5 days after the announcement stock split). From the research results it can be seen that there is a significant effect of stock split announcements on abnormal returns, stock prices, and stock trading volume, both before and after the announcement.

Keyword: Stock Split, Abnormal Return, Stock Price, Stock Trading Volume, Capital Market

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<http://publikasi.lldikti10.id/index.php/jit>

DOI : <https://doi.org/10.22216/jit.v15i4>

PAGE : 597-604

doi: <https://doi.org/10.22216/jit.v15i4> 01-10

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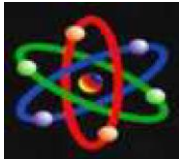


INTRODUCTION

Recently, people have been investing, especially in the capital market, namely bonds or stocks. Judging from the news "www.finensialku.com" which informs that the number of stock investors in Indonesia has increased. As of June 24, 2022, based on information from the Main Director of the IDX, Inarno Djajadi, it was revealed that the number of investors in the capital market increased by 1.57 million single Investor Identification (SID) or the equivalent of 21%. Djajadi also revealed that more than 80% of investors came from young people. The increase in the number of investors reached 3,988,341 SID. This figure increased by 15.6% or the equivalent of 536 thousand SID when compared to last year. It is undeniable that investing in stocks is in great demand by many groups, especially young people and to attract potential investors to invest, of course, the company sees one opportunity by conducting a stock split. The capital market plays an important role in investing, because the capital market is one that provides information related to stock investment and not only public information, but can provide private information. The capital market is a place or place where securities transactions occur, be it stocks, bonds or so on. The capital market is also a means that can be used by issuers or companies that need funds to increase their business size and investors who need media platforms or facilities for funding so that they can benefit from investing in the capital market (Francis Paulus Paskalis 2016: 3). Shares are a valid proof of ownership of company value. Stocks are also a long term investment. Stocks are part of the capital

market, which plays an important role for the national and international economy, shares as capital for developing a business. Investors are also involved in this matter as investors to issuers/companies to seek profit/income from returns on shares or dividends, and the difference between the selling price of the shares and the purchase price. A stock split is a split in the value/nominal value of a share so that the value/nominal value becomes smaller than before and increases the number of outstanding shares. Stock split is the act of the issuer breaking the number of shares into a larger number of shares using a lower nominal value per share proportionately (Halim, 2015: 76). The purpose of holding a stock split is to increase the number of outstanding shares and lower the share price so that it becomes busy again. The stock split was carried out because the share price was too high, causing the ability of investors to buy these shares to be very low. The breakdown of the actual value of the shares seen from the total value has not changed, it's just that the volume of shares has increased, but it can affect the value of securities or investors' decisions to invest. An issuer carrying out a corporate action in the form of a stock split will certainly have an impact on market share and investors, where does this action have a positive or negative impact. Abnormal returns occur because of the difference between the actual profits obtained by shareholders and the expected returns. positive abnormal returns after a stock split can provide above normal profits to investors, and vice versa if the abnormal returns after a negative stock split indicate that the profit level investors get is





below normal (Pramana, 2012). Abnormal returns are often used as a focus in observing price reactions or market efficiency. Because the return generated is a return that exceeds expectations (Birgham, 2012).

METHOD

Types of Research

The research design is included in the event study research category. According to Jogiyanto (2013: 585), an event study is a study that studies market reactions to an event whose information is published as an announcement.

Population

According to Sugiyono (2018: 117), population is a generalization area consisting of objects that have certain characteristics. In this study, the population is all companies listed on the IDX from the 2018-2022 period.

Sample

According to Sugiyono (2018: 118), the sample is part of the population whose characteristics are to be studied. Determination of the sample in this study using a purposive sampling technique, namely the technique of determining the sample with certain considerations.

RESULT

Descriptive Statistical Analysis

Descriptive statistical analysis is an analysis that is used to analyze data by describing or illustrating the data that has been collected by presenting the minimum, maximum,

average value and standard deviation of the variables of abnormal returns, stock prices, and stock trading volume. The data used uses 66 data where the research uses the outlier method so that extreme data values are deleted.

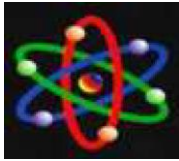
	N	Minimum	Maximum	Mean	Std. Deviation
Abnormal Return	66	-6.57944922	-2.38285744	-4.577597086	0.7798060893
Harga Saham	66	-0.7527048	5.40660632	2.195348782	1.4369737134
Volume Perdagangan Saham	66	-0.9284166	6.68835475	4.199594441	0.0496939099
Valid N (listwise)	66				

Table 1. Descriptive Statistics

Based on above it can be described as follows:

- In the Abnormal return variable there is a minimum value of -6.5794492 at PT. Mulia Industrindo Tbk in 2022, the maximum value is -2.3828574 at PT. Sanurhasta Mitra Tbk in 2022, the average value is -4.577597086 and the overall standard deviation is 0.7798060893.
- In the variable stock price there is a minimum value of -0.7527048 at PT. Erajaya Swasembada Tbk in 2021, the maximum value is 5.40660632 at PT. Distribution of Nusantara Tbk Vouchers in 2021, the average value is 2.195348782 and the standard deviation value is 1.4369737134 overall.
- In the share trading volume variable, there is a minimum value of -0.9284166 at PT. Mitra Adiperkasa Tbk in 2018, the maximum value is 6.6883547 at PT. Gema Grahasarana





Tbk in 2018 and PT. Multi Prima Sejahtera Tbk, the average value is 5.419959444 and the overall standard deviation value is 1.0496939099.

Abnormal Return Analysis

The average share of companies using the sample during the observation period can be presented in table III.1.1. The average abnormal return before the stock split is -4.531091770 and after the stock split is -4.624102403. It can be said that the abnormal return before the stock split is higher than after the stock split.

• Stock Price Analysis

The average share of companies using the sample during the observation period can be presented in table III.1.2. The average stock price before the stock split is 1.498632900 and after the stock split is 2.892064663. It can be said that the average stock price after the stock split is higher than before the stock split.

• Stock Trading Volume Analysis

The average share of companies using the sample during the observation period can be presented in table III.1.3. The average stock trading volume before the stock split was 5.811659640 and after the stock split was 5.028259248. It can be said that the average stock trading volume after the stock split is lower than before the stock split.

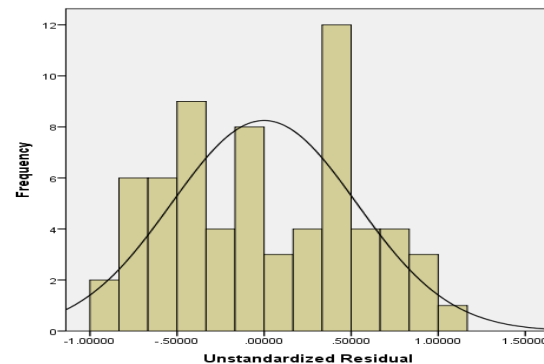


Figure 1. Histogram graph normality test

Judging from Figure III.2a, a conclusion can be drawn, namely that the data is confirmed to be normally distributed because based on the graph, there is no more skewed to the left or right and the graphs tend to be symmetrical.

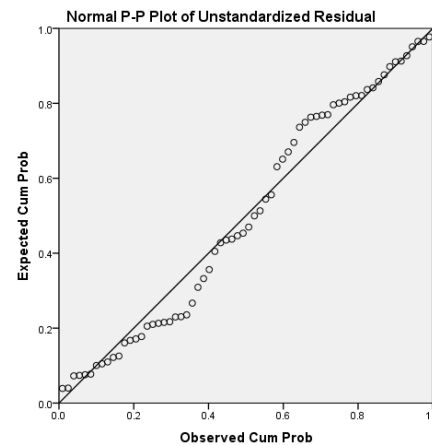
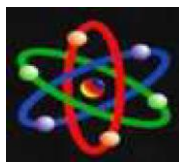


Figure 2. Kolmogorov-Smirnov One-Sample Normality Test

Figure above describes that at the points following one-way roads parallel to the diagonal line, it can be concluded that the data used has contributed normally.





	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 Abnormal Return - Stock Split	6.0775970861	.9026200240	.1111048445	6.2994687829	5.8557053892	54.701	65	.000
Pair 2 Harga Saham - Stock Split	.6953487817	1.7395902375	.2141287560	.2677041257	1.1229934376	3.247	65	.002
Pair 3 Perdagangan Saham - Stock Split	3.9199594441	.9787630487	.1204774030	3.6793494555	4.1605694327	32.537	65	.000

Figure 3. Table Of Sample Test

Based on the table data above, the value of t table = 1.66980 at degrees of freedom $66 - 3 - 1 = 62$

After testing the SPSS results, the researcher can conclude as follows:

Abnormal return with a t count value of 54,701, t table 1.66980 and a significant $0.000 < 0.05$, it can be concluded that H1 is accepted so that there is a significant difference/effect of abnormal return on Stock Split. Stock prices with a t count of 3.247, t table of 1.666980 and a significant $0.002 < 0.05$, it can be concluded that H2 is accepted so that there is a significant difference / effect on stock prices on Stock Split. Stock trading volume has a t count value of 32,537, t table 1.66980 and a significant $0.000 < 0.05$. It can be concluded that H3 is accepted so that there is a significant difference/effect of stock trading volume on Stock Split.

DISCUSSION

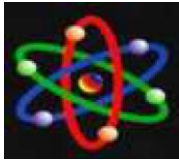
Abnormal Return has an effect on Stock Split

Based on the results of the hypothesis testing that has been carried out with SPSS, a significant value of $0.00 < 0.05$ can be concluded that abnormal returns have a significant effect on stock splits on the IDX in 2022. The results of this study are in line

with or the same as the research conducted by Puspita, N. V., & Yuliari, K. (2019). But meanwhile, the results of this study are different from the results researched by A'la, N., & Asandimitra, N. (2017). Based on the results of the research discussion, abnormal returns on stock splits are significant where they can give a positive signal and provide prospect information for the company to the public. Thus, issuers and companies can provide information in the form of good performance in the future. And for the manager can provide prospect information for the public. Stock splits can also provide information to investors and potential investors regarding increased returns or company returns in the future. so that it can help investors and potential investors in analyzing the expected return and return expectations on issuers and companies. Stock prices have an effect on Stock Split Based on the results of the hypothesis testing that has been carried out with SPSS, a significant value of $0.02 < 0.05$ can be concluded that stock prices have a significant effect on stock splits on the IDX in 2022. The results of this study are in line with or the same as research conducted by Puspita, N. V., & Yuliari, K. (2019).

Based on the results of the research discussion, it can be explained that there is a positive signal to investors and potential investors and will be able to analyze how important and to what extent a stock split can affect stock prices on the IDX. So that later it can benefit company managers, investors and potential investors, both individual and group stock investors through predicting stock returns and better stock





return opportunities arising from stock splits and being able to see comparisons on the 5th day after the announcement of the stock split. Where later potential investors will get broader insights, so that they can make decisions in purchasing the stock price. And with a stock split, the share price will have a lower nominal value, which will attract potential investors, so that the value of the share price will also increase.

Stock Trading Volume has an effect on Stock Split

Based on the results of the hypothesis testing that has been carried out with SPSS, a significant value of $0.00 < 0.05$ can be concluded that stock trading volume has a significant effect on stock splits on the IDX in 2022. The results of this study are in line with or the same as the results of research conducted by NINGSIH, CICI SETIYA (2019). But meanwhile, the results of this study are different from the results researched by A'la, N., & Asandimitra, N. (2017).

Based on the results of the research discussion, it can show and provide a positive signal to investors and potential investors, that an issuer or company holding a stock split can significantly support the volume of stock trading in the capital market as a form of either giving an indication of a stock split event which policy is awaited by the market and gave a great response to investors. The large volume of stock trading can attract potential investors to invest.

CONCLUSIONS

From the results of the research conducted, it is concluded that:

1. Stock split announcements have a significant effect on Abnormal Return. This is shown from the negative value after the stock split.
2. The stock split announcement has a significant effect on the stock price. This is shown by the comparison between stock prices before and after the stock split, where the stock price after the stock split is higher than before the stock split.
3. The stock split announcement has a significant effect on the Stock Trading Volume. This indicates that there is a change in trading volume activity caused by stock split activity.
4. From the research that has been done, Abnormal Return, Stock Prices, and Stock Trading Volume have a significant effect on Stock Split Announcements.
- 5.

Suggestion

1. For Shareholders
From the results of this study, it is known that split stock lacks information that can be used as material for consideration for investors to invest in the capital market.
1. For Investors and Potential Investors
Investors and potential investors should consider the policies issued by the company in order to minimize investment risk.
2. For Further Researchers
The researcher hopes that in the future the next researcher can choose other variables that affect the



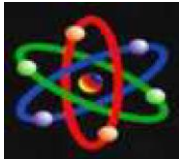


stock split in order to know the market reaction and its effect on other variables.

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