Abnormal Return, Volume Activity Trading, and Their Signification of Indonesia Stock Exchange Index Share Prices Before and After the Ex-Dividend Date

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Abstract

The stock market plays a critical role as a means of finance for the business community as an agency that promotes the execution of national growth. On the other hand, a capital market is also a place of investment for the community, including medium and small investors. This research uses a qualitative research type. Stock values, irregular returns, and trading volume behavior in members of the Indonesia Stock Exchange Index are the focus of this study. Primary data from the IDX was used as the database. Secondary data are used in this analysis. Closing values, the Indonesia Stock Exchange stock index, daily stock trading volume, and the number of outstanding shares were among the data sources used in this analysis. A paired sample t-test was used to test hypotheses. The results indicate a significant increase in overall stock price and market volume before and after the ex-dividend period, but no difference in the average abnormal return.

Keywords: Dividend, Ex-Dividend Date, Stock Price, Abnormal Return, Trading Volume Activity.

A. INTRODUCTION

It is accumulating funds to increase public participation in mobilizing funds to support national development financing. Various studies have also stated that the capital market has an essential role in the country's financial system and economy because the capital market is an indicator that can be used to measure a country's economic progress and support the country's economy (Cherkasova, 2017). The capital market, which has experienced an increase or decline, can be seen from the ups and downs of share prices reflected in the index movement. The stock price index is a measure of stock price fluctuations and guides investors looking to invest in the stock market (Bailey & Kang, 1999).

Therefore, the capital market needs to be supported by adequate infrastructure, a robust legal framework, and a professional attitude from capital market players (Diaraya & Damayanti, 2017). All three complementary components will work together to create a more organized, fair, and efficient trading system, resulting in greater stock market confidence and productivity (Dananjaya & Sedana, 2019). The stock exchange is the entity that organizes and maintains a method or system for bringing together the buying and selling transactions of other parties for them to swap securities (Conelly, 2008).
The capital market is a marketplace for long-term financial transactions such as debt securities (bonds), equity (stocks), mutual funds, derivative instruments, and other instruments that can be exchanged (Dsouza, 2013). The stock market serves as a finance and investment source for businesses and other organizations (such as the government) (Munir, 2019). Many firms have sold their shares to the public due to Indonesia’s stock market (Komenkul, 2016). As a result, the financial market makes different services and equipment available for buying and sale and other associated operations. Shares are financial instruments that can be exchanged on the stock exchange (Nurfadillah & Nuzula, 2019).

In investing, shareholders have two advantages: dividends and capital gains (Poornima & Chitra, 2016). The capital benefit would be realized after a stock market sale in which the selling price of the stock is higher than the buying price. On the other hand, dividends are the company’s incentives for issuing the shares in exchange for the revenues earned by the company (Puspitaningtyas, 2019). Before deciding to buy shares in a company, the main thing that investors will look at is the share price (Papanastasopoulos, 2014). The share price reflects the financial performance of a company. Stock price fluctuations are influenced by market supply and demand. The more investors who want to buy or keep a stock, the price will increase, and vice versa; if more investors sell or release shares, it will impact the decline in stock prices (Putra & Robiyanto, 2019).

In stock investment, the price can be considered significant because, from the stock price, investors can adjust the funds they own and provide an objective measure of the company’s value (Radikoko, 2015). After all, the stock market price is formed based on the strength of demand and supply to increase along with increasing demand (Qoyum & Sakti, 2018). The high demand for these shares can be caused by the listed companies' improved performance (Romero, 2017). Apart from the demand and supply of shares, many other internal and external factors affect share prices (Ruhani & Quddus, 2018).

The following is the performance of the stock index for 2018-2019 on the IDX, which is presented in the table below:

**Table 1 Stock Index Performance Comparison 2018-2019**

| Indeks                  | 2018  | 2019  | Decline |
|-------------------------|-------|-------|---------|
| Indonesia Stock Exchange| 946,226 | 910,008 | -3.82%  |
| IHSG                    | 4,316,687 | 4,274,117 | -0.98%  |
| LQ45                    | 735,042  | 711,135  | -3.25%  |

Source: [www.idx.co.id](http://www.idx.co.id)

As an investment asset, publicly held business securities are categorized as high risk because they are vulnerable to adjustments that arise, either from outside or within the world, changes in politics, monetary economy, laws or regulations, and changes
that happen in the industry and companies that issue shares themselves (Tsai, 2013). Investors in buying shares need thinking based on data from the company in question.

The selected issuers are those from manufacturing companies. Industry stocks were chosen because the number of companies in this sector shows the largest Indonesia Stock Exchange population (Wachira, 2013). If the shares’ selling price is higher than the purchase price, the purchaser will get a higher yield. If an investor wants a high return, he must be willing to take on more risk; conversely, if he wants a low return, he must be willing to take on more risk.

**Investment**

Investment may be described as an undertaking in which investors invest directly or indirectly in the hopes of receiving a return from the investment over time. Another concept of investing is "the practice of putting money into one or more assets over some time in the expectation of gaining profits or increasing the worth of the investment." As a result, the investment may be described as using someone's assets for more practical purposes to maximize or boost the well-being of the capital or asset owner. There are two types of investments: physical estate and financial support (Vitasari, 2019). Physically observable investments, such as property, homes, precious metals, and so on, are known as real estate.

Financial assets are charges made by a corporation against the asset's owner. These statements are sometimes expressed in certificates or shares that demonstrate possession of the financial asset. The research content for this thesis is non-real or economic properties for review. The profits gained from increases in equity values that generate dividends (returns) in the form of capital gains or capital losses are the object of this investment. The disparity between a financial instrument’s sale and purchasing prices is referred to as capital gain or a capital loss. If the sale price of the stock you hold is better than the buying price, you'll get a net capital gain. Meanwhile, a capital loss happens when the shares’ sale price is less than the original buying price, resulting in a loss.

Investors' decisions are often believed to be based on logical considerations, which necessitates collecting a variety of data types (Yusrina & Sukmaningrum, 2019). In general, investors’ information consists of essential knowledge and technical information (Sulaiman, 2011). Through these two information approaches, it is hoped that investors who make investments will get significant profits or avoid losses that must be borne (Wu & Lin, 2017).

**Signaling Theory**

According to the signaling principle, high-quality businesses would purposefully send signals to the consumer in the form of details, allowing the market to distinguish between excellent and poor companies. To be reliable, these signals must be caught by the consumer and viewed as nuanced and complex to copy by low-quality
businesses. For investors and businesspeople, knowledge is critical because it summarizes a company’s history, current and future operating circumstances, and how the stock market operates.

As an analytical method for making investment decisions, capital market investors need complete, appropriate, precise, and timely information. Investors may be prompted to make investment decisions based on a statement released as an advertisement. If the announcement provides a value unfamiliar to investors, the data will be evaluated to determine if the data is a positive or negative signal. If the information provides a positive indication, the market is likely to respond as the announcement is made, with the market’s response manifested in a shift in share sales levels.

Investors may access information from a range of sources, including business management, which issues or voluntarily offers accounting information in the form of financial statements. Companies disclose freely to the securities exchange so that buyers can spend their money. According to signaling theory, managers can have alerts by correctly reporting financial information so that the equity valuation rises. Apart from corporate managers, there is also input from external firms that can be used as a measurement for investors to judge investment, such as government policy (changes in executive officers, for example), national security (related to investment security), economic policies, natural disasters.

Fundamental considerations provide shareholders with a detailed and insightful picture of the company’s management’s accomplishments in controlling the company they are responsible for. The rising share price indicates that the company’s valuation has risen or that management’s success in handling its market has improved significantly. Improved management performance can be achieved if the use of owned capital effectively and efficiently; optimal results will be achieved using the entire company capital invested in assets to generate profit or profit.

B. METHOD

A qualitative approach was used in this research, using an analysis-descriptive system and purposive sampling methodology. The descriptive and comparative research methods were used in the analysis. Stock values, irregular returns, and market volume behavior in companies that are members of the ISE. The secondary data used were collected and analyzed from the IDX. This analysis's population is all business data that has been regularly available on the Indonesia Stock Exchange Index from 2015 to 2019.

The criteria to be used are: (1) Companies that are consistently included in the Indonesian Stock Exchange Index for the period 2015 to 2019; (2) Companies that consistently and continuously pay dividends during the 2015 to 2019 period; (3) Data
on the date of dividend announcement during the period published in the mass media; (4) Complete data on share prices and dividends per share distributed during the 2015 to 2019 period from companies distributing dividends; and (5) The research period used is 31 days, consisting of 15 days before the announcement of dividend distribution, one day at the time of dividend distribution announcement, and 15 days after dividend distribution announcement.

C. RESULT AND DISCUSSION

Before testing the multiple regression equation, the data met the normality criteria and were free from deviations from classical assumptions (multicollinearity, heteroscedasticity, and autocorrelation). The effect of the independent variable on the dependent variable was determined using the results of multiple linear regression analysis.

Table 2 Average Share Prices

| Period | Average Share Price After EDD (Rp) | Period | Average Share Price Before EDD (Rp) |
|--------|----------------------------------|--------|-----------------------------------|
| t+1    | 7.616,20                         | t-1    | 7.645,30                          |
| t+2    | 7.717,20                         | t-2    | 7.650,00                          |
| t+3    | 7.788,60                         | t-3    | 7.676,80                          |
| t+4    | 7.774,90                         | t-4    | 7.681,90                          |
| t+5    | 7.724,23                         | t-5    | 7.690,30                          |
| t+6    | 7.855,70                         | t-6    | 7.657,10                          |
| t+7    | 7.833,50                         | t-7    | 7.678,50                          |
| t+8    | 7.839,50                         | t-8    | 7.691,40                          |
| t+9    | 7.870,00                         | t-9    | 7.689,70                          |
| t+10   | 7.827,00                         | t-10   | 7.763,90                          |
| t+11   | 7.889,80                         | t-11   | 7.743,80                          |
| t+12   | 7.958,30                         | t-12   | 7.788,80                          |
| t+13   | 7.960,00                         | t-13   | 7.732,30                          |
| t+14   | 7.927,50                         | t-14   | 7.781,30                          |
| t+15   | 7.883,00                         | t-15   | 7.821,60                          |
| **Total** | **117.465,43**   | **Total** | **115.692,70**                   |
| **Mean** | **7.831,03**               | **Mean** | **7.712,85**                       |

Source: Processed Data

The gross average stock, at Rp. 117,465.43, or 1.532 percent higher than the previous Rp. 115,692.70, according to Table 2. The regular average share price amount is also included in the mean result obtained after the ex-dividend date, which is higher than the IDR 7,831.03 received.

http://internationaljournal.net/index.php/endless
Table 3 The Average Return Pre and Post Day of the Ex-Dividend

| Period | Average Abnormal Return After Ex-Dividend Date (Rp) | Period | Average Abnormal Return Before Ex-Dividend Date (Rp) |
|--------|-----------------------------------------------------|--------|-----------------------------------------------------|
| t+1    | 0.00449164                                         | t-1    | 0.00449164                                         |
| t+2    | 0.00039219                                         | t-2    | 0.00039219                                         |
| t+3    | 0.00057826                                         | t-3    | 0.00057826                                         |
| t+4    | 0.00838748                                         | t-4    | 0.00838748                                         |
| t+5    | -0.0051147                                         | t-5    | -0.0051147                                         |
| t+6    | 0.0010991                                          | t-6    | 0.0010991                                          |
| t+7    | 0.00968567                                         | t-7    | 0.00968567                                         |
| t+8    | 0.01377925                                         | t-8    | 0.01377925                                         |
| t+9    | 0.00189919                                         | t-9    | 0.00189919                                         |
| t+10   | -0.0059849                                         | t-10   | -0.0059849                                         |
| t+11   | 0.01269745                                         | t-11   | 0.01269745                                         |
| t+12   | -0.0110101                                         | t-12   | -0.0110101                                         |
| t+13   | 0.00276984                                         | t-13   | 0.00276984                                         |
| t+14   | 0.00089859                                         | t-14   | 0.00089859                                         |
| t+15   | -0.0077411                                         | t-15   | -0.0077411                                         |
| Total  | 0.02682787                                         | Total  | 0.03394473                                         |
| Mean   | 0.00178852                                         | Mean   | 0.00226298                                         |

Source: Processed Data

Table 3 reveals that the net average erratic return for 15 is 0.02682787, a 20.9 percent decline from the 0.03394473 for 15 days before the ex-dividend date. The magnitude of the gap is also shown because the mean value after the ex-dividend date is 0.00178852, which is smaller than the mean value.

Investors typically expect that share prices can depend on dividend payout. This forecast is founded on the rational reasoning that investors are losing the right to return. Investors who want to make a return prefer not to be expanded. As a result, the share price decreases in proportion to the profit lost.

When dividends are declared, this idea will cause the stock price or valuation in the market to fall. The findings of statistical tests conducted on share prices for 10 sample companies the EDD is advertised in the Indonesia Stock Exchange Index, as seen in table 4, show a significant difference in stock prices before and after the case.

According to the findings of comparative tests conducted for the moderate trading volume operation of 10 samples of companies that disclose the ex-dividend date. There will be plenty of action both before and after the launch. So, based on data analysis, modest trading volume activity has risen in the timeframe leading up to and following the ex-dividend date; this occurrence is sufficient to influence market participants to increase their capital market activities.
Research with the object of stock prices, abnormal returns, and trading volume activity of companies that are included in the Indonesia Stock Exchange Index was carried out using the event study method using a research period spanning. This demonstrates that this case includes knowledge that allows market investors to respond to an event that they had expected. The information that has been expected is instantaneous, and its effect will be felt immediately at the time of the incident or after the adventure.

The SPSS software calculated an F count of 11.798 as a result of the calculations. And a 0.000 chance value. The comparative results reveal that the likelihood value (0.000) (0.05) and F count (11.798 > 2.37) are higher than those found in the F graph. A positive result can be said to affect stock returns in manufacturing firms that list on the IDX and follow the suit criterion.

The coefficient of decision (Adjusted R Square) is 0.079 based on the calculations. This means that the stock return metric in industrial firms on the IDX has a significant difference of 7.9%, which the variation will reflect in the variables. On the other hand, other factors affect the remaining 92.1 percent outside of the study model.

D. CONCLUSION

Dividend distribution is one of the activities of corporate action issuers that has a significant impact on the interests of investors because it will affect the number of shares outstanding, share ownership, and its effect on stock price movements, especially when approaching the ex-dividend date. The company must continue to improve its performance with the ability to monitor, plan control and increase supervision of all company activities intensively and more professionally so that the company's condition is more in line with the company's objectives.

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