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Analysis of the Effect of Stock Split and Dividend Policy on the Stock Liquidity of Go Public Companies

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ABSTRACT

The purpose of this study is to analyze the effect of the stock split and dividend policy by the company on the liquidity of the shares of companies listed on the Indonesia Stock Exchange. This study used an event study design, where observations were made 10 days before and 10 days after the event. The population contained in the study are companies that carry out Stock Split and Dividend policies for the 2017-2021 period. Data analysis in this study is the Shapiro Wilk test and the Wilcoxon Signed Ranks Test. This study found that stock split policy has no effect on stock liquidity. Dividend policy has no effect on stock liquidity.

Keywords: Stock Split, Dividend, Stock Liquidity, Event Study

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INTRODUCTION

The capital market is a good place to start investing in Indonesia. Investment in the capital market has risks, therefore in choosing an investment not only the level of profit, but also the transaction process. The main purpose of the capital market is to bridge the flow of capital between investors who own capital and companies that need capital. The capital market can also be interpreted as a market for trading securities which generally have a lifespan of more than one year, such as stocks, bonds and mutual funds (Tandelilin, 2017).

According to Gumanti (2013) to reduce risk and uncertainty in investing, investors need information that meets capital market conditions. Stock price information is largely determined by the supply and demand for the number of shares. To maintain the attractiveness of the shares for investors, a stock split is carried out and dividends are distributed to increase stock liquidity (Andriyani, Paramita, & Taufiq, 2018). Stock prices that have reached their highest point and slow or less active movements that can affect the purchasing power of investors to be interested and buy these shares are the basis for the company's reasons for making decisions that can attract more investors, especially retail investors.

Companies often put forward several reasons when doing a stock split. One of them is to make stock prices affordable for investors, so that it can lead to additional shareholders and grow stock trading transactions. The second is to return the average share price and transaction standard to the target range that the company has set. Third, providing information about investment opportunities in the form of increased profits to be given and cash dividend payments (Hartono, 2017).

The implementation of the company's stock split plan can theoretically be explained by two theoretical methods, namely signals about the company's prospects to be communicated to the public, which is called the high stock price set in the signal theory and the trading range of market practitioners' behavior. Signal theory emphasizes the importance of the information issued by the company on the investment decisions of parties outside the company (Hartono, 2013). The stock split activity is not a new activity for the Indonesia Stock Exchange (IDX), the facts prove that during 2010 to 2020, as many as 76 issuers carried out stock splits.

Table 1, shows that the stock split corporate action from 2010 to 2012, the stock split was carried out by only one company. Although the stock split is still a debate between favor and not, there are still many companies doing stock splits. It is proven that the most corporate actions occurred in 2016 as many as 20 companies. In every year there are 7 companies that carry out stock splits, this incident shows the benefits that the company can provide if you pay attention to the stock split corporate action and the benefits obtained, including: (1) falling stock prices are expected to make stock trading more liquid, (2) using psychology investors about a lower price base which leads to higher profit margins to increase the attractiveness of public investment.

Table 1. Stock Split Corporate Action

Number	**Year**	**Stock Split Corporate Action**
1.	2010	0
2.	2011	1
3.	2012	0
4.	2013	4
5.	2014	2
6.	2015	10
7.	2016	20
8.	2017	14
9	2018	9
10.	2019	11
11.	2020	5

Source: idx.co.id

Many investors believe that the announcement of a stock split is a good signal even though in reality it is not always correct and correct, previous studies have supported and contra about the issue of stock splits. The results of research by Alteza et al. (2014) found that stock split corporate actions greatly affect changes in stock prices.

The difference of opinion in the research expressed by Wawerru and Mwendwa (2014) found that in general respondents were not sure that the stock split corporate action gave a good signal about the future picture of the company. Bhuvaneshwari and Ramya (2104) found that stock split corporate actions in Indian stock exchange trading could not affect stock prices. Research by Ford et al. (2012) found that there was a decline in stock prices after the announcement of the stock split. In addition to the stock split, investors also really want information about a company's dividend policy when starting their investment.

Dividend policy is something that must be taken into account and is problematic because of the involvement of both related and opposing parties, namely the purpose of investors hoping to get dividends, while the company's goal is to expect large retained earnings. The company's decision in determining its investment policy must be sure because it is the strategy of choice (Gumanti, 2013). Sudana (2015) argues that dividend policy has something to do with the size of the level of dividend payments, namely the value of net profit after tax given to investors as dividends. This is because the size of the dividend can affect the size of retained earnings. In their research, Retno and Putri Permatasari (2016) found that the amount of dividends that will be given to shareholders who are sustainable or increase in realization can increase investor confidence in issuers.

Information about capital market conditions is definitely needed by capital market players in making investment decisions. The information needed includes company performance, dividend distribution announcements, stock splits and so on. Appropriate information, investor assessment is carried out on the issuer's performance prospects so as to provide a general understanding of investors about the risks and expected returns from their investment funds (Baridwan, 2013).

Based on previous research regarding stock splits and dividend policies by the company, there are still many differences of opinion on the results obtained by one company with another company. This difference is caused by opinions that support and do not support the stock split, then the researchers are interested in studying more deeply the changes that occur.

With the above background, it is necessary to study further how the influence of Stock Split and Dividend policies on the Liquidity of the Shares of Go Public Companies, the authors formulate the research problem: Does the stock split affect stock liquidity before and after the announcement, and does dividend policy affect stock liquidity before and after the announcement. The purposes of this study include the following: to prove and analyze the effect of stock split on stock liquidity before and after the announcement. To prove and analyze the effect of dividend policy on stock liquidity before and after the announcement.

METHODS

This research is an event study because it examines the impact of an event on firm value. In this study, the impact of valuation on an event is also measured by testing how stock prices react before and after the event. Another meaning of event study is a study that tries to measure the effects of valuation on an event by examining the response of stock prices around the occurrence of an event. If in a study the data produced is not normally distributed, then non-parametric testing must be carried out with the Wilcoxon signed ranks test. The paired sample difference test is used to find out that the stock split and dividend variables contained have an influence on stock liquidity by using the measurement of the average trading volume before and after the stock split, dividends.If the probability value > 0.05 then H0 is accepted and H1 is rejected, meaning that there is no relationship between the independent variables and the dependent variable. Conversely, If the probability value < 0.05, then H0 is rejected and H1 is accepted, meaning that there is a relationship between the independent variable and the dependent variable (Paramita, Rizal, & Sulistyan, 2021). The study was conducted on all companies in all industries that implement dividend and stock split policies listed on the Indonesia Stock Exchange for the period 2017 to 2021. The sample companies selected were companies that met the complete requirements to be used as research samples, namely companies with complete data for analysis. and active stock trading during the observation period.
The design of testing the hypothesis in this study is to test the independent variables of stock split (X1), and dividend policy (X2) on stock liquidity (Y). The null hypothesis (H0) and the alternative hypothesis (Ha) contained in this study.

RESULTS AND DISCUSSION

The description or description of the data can be seen from the mean of the processed data, the standard deviation, the maximum and minimum values contained in the output table. In Table 2 which is processed using SPSS (Statistical Package for the Social Sciences) there is a descriptive statistical table of data that has been processed according to the research criteria.

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ATVA_StockSplit_Before	31	110	284145	22954	53138
ATVA_StockSplit_After	31	325	192575	19492	36813
ATVA_Dividend_ Before	31	19	92456	13836	22505
ATVA_Dividend_ Before	31	110	364853	25737	67174
Valid N (listwise)	31				

Source: Data Processed (2022)

Based on Table 2, there is a sample of 31 listed companies that announced stock split events and dividend announcements during 2017-2021, the average trading volume activity (ATVA) of shares before dividends was 13836 with a standard deviation of 22505 and a maximum value of 92456 and a minimum of 19. The mean trading volume activity (ATVA) after the dividend announcement is 25737, the standard deviation is 67174, the minimum value is 110 and the maximum value is 364853.

The average mean trading volume activity (ATVA) before the stock split was 22954, the standard deviation was 53138, the minimum value was 110, and the maximum value was 284145. The average mean Trading Volume Activity (TVA) after the stock split was 19492, the standard deviation is 36813, the minimum value is 325, and the maximum value is 36813.

In parametric analysis, normally distributed data is an absolute requirement that must be met. At the same time, if the data are found to be not normally distributed, nonparametric statistical analysis methods are used to test the hypothesis. One way to test for normality on data less than 50 can use the Shapiro-Wilk technique.

Table 3. Tests of Normality

	Shapiro-Wilk		
	Statistic	df	Sig.
ATVA_StockSplit_Before	.427	31	.000
ATVA_StockSplit_After	.514	31	.000
ATVA_Dividend_Before	.610	31	.000
ATVA_Dividend_After	.384	31	.000

Source: Data Processed (2022)

Based on Table 3 the results of the normality test of the average trading volume activity (ATVA) data using the Shapiro-Wilk Sig value. Bbefore stock split is 0.000 and after stock split is 0.00. The average trading volume activity (ATVA) before dividend is 0.00 and after dividend is 0.00. Based on table 3, it can be concluded that the Shapiro-Wilk normality test is that the value of Sig. < 0.05) the average stock data both before and after the stock split and dividend announcements are not normally distributed. Therefore, the paired sample test with data that is not normally distributed will apply the Wilcoxon Signed Rank Test different test.

Table 4. Wilcoxon Signed Ranks Test

	ATVA_After_StockSplit - ATVA_Before_StockSplit
Z	-.020[b]
Asymp. Sig. (2-tailed)	.984
a. Wilcoxon Signed Ranks Test	
b. Based on negative ranks.	

Source: Data Processed (2022)

The calculation results in table 4 using the Wilcoxon Signed Rank Test show that the Sig value for ATVA before and after the stock split is 0.984 > 0.05 and the z count is -0.020, it can be determined that H0 is accepted and it is stated that the individual stock split corporate action does not affect the rise and fall of stock liquidity.

The determination of this study is in line with research Hadiwijaya and Widjaya (2018) and research by Zein et al. (2009) which states that there is no significant difference in stock liquidity before and after the stock split. However, this conclusion contradicts the results of research Sanusi and Khel (2018) which found that the stock split caused a decrease in TVA, the cause of the significant decrease was an increase in the outstanding share of shares placed in the Indonesian capital market.

Table 5. Wilcoxon Signed Ranks Test

	ATVA_After_Dividen - ATVA_Before_Dividen
Z	-1.450^{b}
Asymp. Sig. (2-tailed)	.147
a. Wilcoxon Signed Ranks Test	
b. Based on negative ranks.	

Source: Data Processed (2022)

Based on table 5 The results of calculations using the Wilcoxon Signed Rank Test show that the Sig value for ATVA before and after dividends is 0.147 > 0.05 and the z count is -0.1450, it can be concluded that H0 is accepted and declared dividend announcement does not affect liquidity share. This study agrees with the research of Novitasari and Widyawati (2015), the research of Sapitri and Suryani (2017) which found that dividend policy should not have a positive impact on stock prices or stock liquidity.

However, a different opinion was expressed by Jiang et al. (2017) that a positive relationship was found between stock liquidity and dividend payments and stock liquidity provided information and increased people's incentives to pay dividends. In other words, dividend payment information does not contain information that will reduce investors' expectations of the company's prospects in the future. Another reason for this to happen is that investors expect to pay dividends which is an obligation of the company when earning a profit.

Investors, both new and old, in carrying out investment activities do not make the company's economic condition a reference for making decisions in investing in the capital market. Investors tend to consider other people's opinions, foreign market conditions, social power and influence as well as personal and external information from the company. This is a factor why the results of the study are not significant.

CONCLUSION

Based on the results of data analysis and discussion using stock splits and dividends in the previous chapter, the conclusions drawn are as follows: 1) The first hypothesis that the stock split affects the liquidity of a stock does not come true before or after the announcement. This is evidenced by the absence of differences in trading volume activity before and after the stock split as measured by trading volume activity. Testing this hypothesis does not support the theory of trading scope which states that stock splits increase the liquidity of a stock, 2) The second hypothesis that dividend policy affects stock liquidity does not occur. The dividend announcement event is not considered a good signal by investors, which means the news is not seen as important news. Investors feel uncertainty in the distribution of dividends because not every company pays dividends regularly, besides that there is positive information outside of dividend announcements that can influence investors' decisions to invest/buy shares of a company.

Based on the research findings, several suggestions were made to interested parties, including: 1) Especially for investors, in making investment decisions, investors should pay attention to existing policy news/information such as stock splits, dividend announcements issued by companies, because with stock split and dividend news, investors can use them to make the right investment decisions for benefit. Equally important, investors need to consider external factors such as economic and political factors as well as market conditions. This is because these factors indirectly affect stock prices in the market. 2) For issuers, the results of this study provide evidence that stock splits and dividend policies do not guarantee that stock prices will continue to rise according to their target. This is due to political and economic instability and other factors behind it. In addition, because this policy is proven not to increase the volume of stock transactions, issuers are not allowed to take corporate actions only in the form of stock splits to increase the liquidity of stock transactions.

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