

MARKET REACTIONS TO DIVIDENDS ANNOUNCEMENT: AN EVENT STUDY OF BRIS AND BTPS

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ABSTRACT

Introduction: A dividend announcement is an information disclosed by a public company regarding the distribution of its corporate profits, whether in the form of dividends or retained earnings to strengthen the company in funding future investments. Dividend announcements might have either a positive or negative effect on the market.

Methods: This quantitative research uses the event study method in the data collection period of 20 days, ten days before and ten days after the ex-dividend date. The analysis used is a descriptive statistical test, Shapiro-Wilk normality test, and hypothesis test.

Results: The study results indicate that the market reaction is a change in the share price of PT. Bank Syariah Indonesia Tbk (BRIS), there is no significant difference between before and after the ex-dividend date but at PT. National Sharia Pension Savings Bank Tbk (BTPS) changes stock prices before and after the ex-dividend date, and there is a significant difference. Furthermore, for abnormal returns at PT. Bank Syariah Indonesia Tbk (BRIS) and PT. National Sharia Pension Savings Bank Tbk (BTPS) before and after the ex-dividend date, there is no significant difference, as well as the trading volume activity of PT. Bank Syariah Indonesia Tbk (BRIS) and PT. National Sharia Pension Savings Bank Tbk (BTPS) before and after the ex-dividend date, there is no significant difference.

Conclusion and suggestion: This is because the dividend policy is not a factor of investor interest in investing in the company but is determined through the earning power of the company's assets

INTRODUCTION

The capital market can contribute to a country's fiscal instability based on the function of the capital market as a system for conducting commercial transactions that can promote economic growth. The capital market plays an essential role in spreading income among company owners and the general public when a country's economy grows more slowly (Al Islami & Mawardi, 2019). The rapidly growing capital market activity has brought about essential changes in the demands for information quality so that the disclosure of information available to companies in the capital market can be seen through the market reaction to an announcement (Wijyantini, 2015). If an announcement contains new and relevant information, the market is expected to react according to the information received. Market reactions cause changes in stock prices which cause fluctuations in daily trading volume. This reaction can be measured through returns or abnormal returns and parameters of the movement of trading volume activity (Delphinea et al., 2016; Hartono, 2004). One of the pieces of information used by investors is corporate action. According to Darmadji & Fakhruddin (2011), issuers carry out corporate actions that directly affect shareholders. Corporate action activities include stock splits, issuance of rights issues, share buybacks, mergers and acquisitions, and payment of dividends in stock dividends or cash.

Corporate action is closely related to investors because investors seek company information before deciding to invest in companies (issuers) in the capital market. Therefore, investors will observe certain information the company announces (Saragih, 2015). The only information concerning the internal state of a company is the movement of stock prices on the stock exchange. The increase in stock prices is caused by information that also affects investors' perceptions. So that it impacts trading volume, abnormal stock returns, and changes in stock prices, especially when approaching information regarding dividend policy. This condition allows investors to make the right decisions regarding buying or selling these shares because dividend announcements are information that must be considered (Hariyanto & Murhadi, 2021).

Information related to the announcement of a company's dividend policy is the company's decision, whether the profit earned by the company will be given to shareholders in the form of dividends or retained earnings to strengthen investment financing in the future. However, dividends are profits that can be obtained as long as the shares are still owned and are the issuer's responsibility as feedback on the use of capital used for the company's operating activities. For investors, dividend announcements are a signal to estimate company earnings and expected earnings (signalling theory) that affect price changes in the short term. rising stock prices affect abnormal returns positively; this is in line with research (Khoiruddin & Faizati, 2014; Maxwell & Stephens, 2003; Nishikawa et al., 2011; Rasbrant, 2012; Saragih, 2011). This is under signalling theory, indicating that

the announcement of dividends causes a significant market reaction observed through the abnormal return through the cumulative average abnormal return, which is positively significant around dividend information and trading volume, which has increased significantly. Although there are several companies listed on the stock exchange that pay dividends regularly, some companies pay dividends that they did not distribute a year earlier but do distribute a year later. Companies are also paying dividends larger than the previous year or vice versa. This information will generate positive or negative signals from investors, indicated by changes in stock prices, abnormal returns and trading volume activity.

In addition, increases and decreases in dividend payments are also monitored as "good or bad" signals by investors. Research [Mubaraq \(2013\)](#) said dividend payments that increased from the previous year were interpreted as a positive signal by the market because this information raised investor expectations about company profits in the future. However, dividend payments that have decreased from last year are interpreted as a negative signal because investors speculate that the company will experience a decrease in profits in the future. It is proven by research ([Al Qudah & Yusuf, 2015](#); [Gebka, 2019](#)) that an increase in dividends is a stronger company signal than a dividend cut, so the market reaction is more potent at that time than the last. Conversely, when the cost of paying dividends is relatively low compared to the previous year, the signal for market reaction also decreases because investors are more wary of the company's future.

In connection with the explanation above, this study aims to determine the market reaction to the announcement of dividends before the ex-dividend. After the ex-dividend, by applying the event windows method within (-10) days before the ex-dividend and (+10) days after the ex-dividend, researchers focused explicitly on issuers of the Indonesian Sharia Bank and the Sharia National Pension Savings Bank. Market reaction variables used by researchers are changes in stock prices, abnormal returns and trading volume activity.

LITERATURE REVIEW

Signaling Theory

According to [Karasek & Bryant \(2012\)](#), the Signaling theory is an action taken by company management that provides information to investors about how the management oversees the company's prospects. According to [Eugene & Houston \(2013\)](#), investors can compare companies with relatively high and low values. A company is motivated to present or submit financial reports to internal parties based on information asymmetry between management and external parties [Bergh et al. \(2014\)](#). This theory assumes that not all companies provide the same information as other companies ([Saputra, 2018](#)). Quality information sources, including accuracy, relevance, completeness

and timeliness of information, can be used to determine financial reports (Connelly et al., 2011).

According to Jogiyanto (2010), emphasized that information presented in announcements will help investors understand their investment objectives. When the announcement contains a positive value, the market will react when the announcement is received. According to research Budiarto dan Baridwan (1999), Managers use dividend payment announcements as a signal of changes in expectations of the company's prospects. If the dividend announcement is meaningful to investors, it will affect stock prices, returns, abnormal returns, and trading volume activity. An increase in trading volume activity signals that stocks are increasingly liquid so that they can provide feedback to investors in the form of increased investment liquidity.

Event Study

An event study is an essential and popular methodological approach used to conduct research in finance, economics, accounting, marketing, politics, information systems and other social sciences (Jogiyanto, 2010). Event study aims to determine the market reaction to an event, for example, to test market reaction to events Right issue, stock split, cash dividend/stock dividend, merger or acquisition, company name change, profit announcement, natural disaster, terrorism, change of president, increase decrease in macroeconomic variables and furthermore.

Shares

Shares or securities are certificates that prove ownership of an issuer and also have the authority to claim ownership of the company's income and assets (Sudirman, 2015). One of the factors in the stock price is the supply and demand for shares. Stock prices are numbers traded in the market simultaneously (Yusra, 2019). An increase in the demand for a share will result in an increase in share price which encourages the creation of capital gains. In contrast, when shareholders sell many shares, it results in a decrease in share prices, which leads to capital losses. In addition, indicators of changes in stock prices include stock splits, rights issues, mergers and acquisitions, warrants, dividend payments, January effect and insider information.

Dividend

A dividend is the distribution of a company's profits to stockholders in the amount of shares owned. Investors highly anticipate dividend information. According to Horne & Wachowicz (2009), in a book entitled Fundamentals of Financial Management, policy and making corporate financing decisions are interrelated relationships. The quantity of income of a company is determined by the distribution of income between the use of income that can be distributed to shareholders in the form of dividends, or the income is

reused for company needs (Riyanto, 2002). However, before distributing dividends to shareholders, a General Meeting of Shareholders (GMS) will be held, at which a decision will be made regarding the benefits generated by a company to be distributed in the future in the form of dividends or the form of retained earnings as additional capital to finance its investment. According to Kaźmierska-Jóźwiak (2015), several things influence dividend payments, including leverage, liquidity, profitability, size, and risk.

Abnormal returns

According to Hartono (2016), abnormal returns (abnormal returns) can be seen in the market performance. A market is only effective if one or more market participants can enjoy abnormal returns for a long time. The excess of the return over the expected return is called an abnormal return. The average return is the return desired by investors (expected return). It can be explained that the abnormal return is the difference between the actual return that occurs and the expected return. Investors will be interested in investing because a return is obtained as a reward to reduce the risk in the investment made (Amin, 2020). Abnormal returns can be measured using the Market Adjusted Model (Brown & Warner, 1985):

$$Arit = Rit - Rmt$$

Arit : Abnormal stock return

Rit : Actual rate of return

Rmt : Expected rate of return

Trading Volume Activity

The phenomenon of securities traded in the capital market can be detected from the transaction volume. The total quantity of securities traded during a specific period and the number of securities outstanding during that time are measured by volume activity (Rio et al., 2020). The large trading volume at the time of supply and demand for shares affects the tendency of the ups and downs of stock prices. This shows that a sizable population is interested in certain companies and that interest will increase the activity of the stock trading volume, which will increase stock prices (Rosdiana, 2019) and vice versa when the population is not interested in a particular company. Therefore, it will reduce the level of investor interest so that the shares owned are sold and will reduce the company's trading volume, which results in a decrease in the share price. Actively traded shares can be identified by indicators of stock liquidity as measured by trading volume activity (TVA). This shows investor confidence in certain stocks so they can be easily traded (Yeni et al., 2021).

Trading volume activity (TVA) can be calculated using the following formula:

$$TVA = \frac{\text{Number of Shares Traded}}{\text{Number of Shares Outstanding}}$$

Research Hypothesis

The hypothesis is widely used as a provisional prediction in decision-making problem-solving and the basis for further research. Based on the description and review of the previous literature, this research formulates the following hypotheses:

- H1= What is the stock prices change before the ex-dividend date and after the ex-dividend date.
- H2= What is the abnormal stock return before the ex-dividend date and after the ex-dividend date.
- H3= What is trading volume activity before the ex-dividend date and after the ex-dividend date.

RESEARCH METHODS

This study uses quantitative analysis with the event study method. Event studies are essential for observing market reactions (Kumar et al., 2012). Researchers conducted an event study with a period of 20 days, starting from ten days before the ex-dividend date and ten days after the ex-dividend date, because they chose the time of the event to anticipate the effect of dividend announcements on other information.

Furthermore, data collection techniques through idx.com, yahoo finance, investing.com and additional information were obtained through library studies. The test uses descriptive statistical tests, the Shapiro-Wilk normality and hypothesis testing. In testing the hypothesis of parametric statistical analysis using the paired sample t-test and non-parametric test using the Wilcoxon signed ranks test, which aims to examine the difference before and after the ex-dividend date. In addition, to determine whether the market can quickly accept the available information (Ghozali, 2012). When the data has a normal distribution, a parametric paired sample t-test will be used for analysis. If the data distribution is abnormal, the non-parametric Wilcoxon signed ranks test is used for analysis. The assessment criteria were made using a 95% confidence level with a significance threshold of 5% or a significance level (sig. <0.05).

RESULT AND ANALYSIS

After calculating all the variables of changes in stock prices, abnormal returns, and trading volume activity (trading volume activity) of Bank Syariah Indonesia Tbk. and the Sharia National Pension Savings Bank on the Stock Exchange, which pays dividends in 2022, then the researcher conducts data analysis which aims to find out the differences before the ex-dividend date and after the ex-dividend date on the variables studied. Next,

the researcher used a descriptive analysis test, Shapiro-Wilk normality test, paired sample test for normally distributed data, and Wilcoxon signed ranks test for data that is not normally distributed. The explanation is as follows:

Table 1. Stock Movement Data

Code	Indonesian Sharia Bank			code	Sharia National Pension Saving Bank		
	Stock Price	Abnormal Returns	Trading Volume Activity		Stock Price	Abnormal Returns	Trading Volume Activity
T-10	1380	-0.0055391	5,130,990	T-10	3250	0.01478575	3,824,500
T-9	1385	-0.0049512	5,528,095	T-9	3016	-0.02025750	4,014,000
T-8	1380	0.0060795	5,315,855	T-8	3250	0.03657236	5,128,400
T-7	1424	0.0139278	14,550,263	T-7	3340	0.02720981	7,801,900
T-6	1400	-0.0202497	9,431,987	T-6	3150	-0.03484138	7,917,400
T-5	1404	-0.0156613	7,776,921	T-5	3230	0.03539860	4,917,100
T-4	1414	0.0128245	8,636,034	T-4	3220	-0.01002964	6,604,700
T-3	1453	0.0265266	26,768,034	T-3	3360	0.03726608	5,535,800
T-2	1448	0.0036924	10,101,704	T-2	3450	0.01402035	7,863,200
T-1	1424	-0.0105093	7,194,234	T-1	3260	0.00328567	7,964,900
T=0	1424	0.0038373	4,900,600	T=0	3300	0.02451928	9,740,900
T+1	1419	0.0055882	5,548,089	T+1	3300	-0.01651418	3,756,900
T+2	1409	0.0080820	10,282,384	T+2	3170	0.01949404	4,594,700
T+3	1385	0.0167928	6,536,084	T+3	3150	-0.02126051	3,944,900
T+4	1380	-0.0082402	4,594,340	T+4	3160	-0.00062742	4,031,800
T+5	1380	0.0185234	5,063,627	T+5	3160	-0.00596870	1,095,500
T+6	1385	-0.0080820	6,816,610	T+6	3070	-0.00574069	7,772,600
T+7	1361	0.0029054	7,803,477	T+7	3050	-0.02973174	5,400,300
T+8	1351	-0.0049833	8,328,336	T+8	2950	-0.01771203	6,764,800
T+9	1356	-0.0136380	4,824,421	T+9	3010	0.00965167	5,112,800
T+10	1351	0.0102922	5,640,982	T+10	2850	-0.04046860	9,591,400

Source: Processed in the Field (2023)

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Dev
BRIS Share Price	21	1,351.00	1,453.00	1395.8571	29.72253
BRIS Abnormal Return	21	-0.0202	0.0265	0.0017	0.0123
BRIS Trading Volume	21	4,594,340	26,768,034	8,132,050.80	4,920,791.20
BTPS Share Price	21	2,850.00	3450.00	3176.00	146.45
BTPS Abnormal Return	21	-0.0404	0.0372	0.0009	0.0240
BTPS Trading Volume	21	1,095,500.00	9,740,900.00	5,875,166.67	2,191,379.41

Source: Processed in the Field (2023)

As for the explanation from the table 1 above, are the movement of stock prices, abnormal returns and trading volume activity of PT. Bank Syariah Indonesia Tbk (BRIS) and PT. National Sharia Pension Savings Bank Tbk (BTPS) with an event study 10 days before

and ten days after the ex-dividend date. While table 2 is a descriptive statistic which shows the sample values (N), Minimum, maximum, mean and Std. Deviation in changes in BRIS and BTPS stock prices, BRIS and BTPS abnormal returns, and BRIS and BTPS trading volume activity.

Normality Test

Table 3. Tests of Normality

		Kolmogorov-Smirnov ^a			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	Df	Sig.
Share Price Changes							
BRIS	Before	0.140	10	0.200*	0.924	10	0.387
	After	0.178	10	0.200*	0.909	10	0.272
BTPS	Before	0.192	10	0.200*	0.956	10	0.741
	After	0.188	10	0.200*	0.963	10	0.825
Abnormal return							
BRIS	Before	0.148	10	0.200*	0.974	10	0.921
	After	0.157	10	0.200*	0.946	10	0.616
BTPS	Before	0.158	10	0.200*	0.913	10	0.301
	After	0.123	10	0.200*	0.988	10	0.993
Trading Volume Activity							
BRIS	Before	0.296	10	0.013	0.733	10	0.002
	After	0.191	10	0.200*	0.912	10	0.298
BTPS	Before	0.237	10	0.117	0.863	10	0.082
	After	0.171	10	0.200*	0.965	10	0.836

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

Source: Processed in the Field (2023)

The explanation from the table above shows the results of the Shapiro-Wilk normality test with a sample size of 20. Table 3 shows changes in BRIS stock prices with significant values before and after the ex-dividend date are 0.387 and 0.272. in contrast, changes in BTPS share price with significant values before the ex-dividend date and after the ex-dividend date are 0.741 and 0.825. Abnormal return on BRIS stock with a significance value before and after worth 0.921 and 0.272.

Meanwhile, abnormal return BTPS with a significance value before and after a value of 0.301 and 0.993. BRIS trading volume activity with before and after significance values of 0.002 and 0.298. while trading volume activity BTPS with a significance value before and after worth 0.082 and 0.836.

Regarding the basis for decision-making, if the significance value is higher (Sig. > 0.05), then the research data is usually distributed. Conversely, if the significance value is more minor (Sig. <0.05), then the research data is not normally distributed. Thus it can be concluded that normally distributed research data are stock price changes before and after BRIS and BTPS, abnormal returns before and after BRIS and BTPS, trading volume activity after BRIS and before and after BTPS, and research data is not normally distributed is trading volume activity prior to BRIS.

Testing The Hypothesis

Parametric statistical analysis paired t-test and non-parametric analysis Wilcoxon signed ranks test were used to test the hypothesis. Paired t-test is used if the research data is usually distributed, while the Wilcoxon signed-rank test is used for research data that is not normally distributed. Both tests aim to discover the differences in price changes, abnormal returns and trading volume activity before and after the ex-dividend date. The hypothesis test is as follows:

Table 4. Paired Samples Test

		Paired Differences					t	df	Sig. 2-tailed
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Share Price Changes									
BRIS	Before - After	33.50	47.84	15.12	-0.72	67.72	2.21	9	0.05
BTPS	Before - After	165.60	205.15	64.87	18.84	312.35	2.55	9	0.03
Abnormal Return									
BRIS	Before - After	0-.0021	0.0217	0.0068	-0.0176	0.0134	-0.30	9	0.76
BTPS	Before - After	0.0212	0.0334	0.0105	-0.0026	0.0451	2.01	9	0.07
Trading Volume activity									
BTPS	Before - After	950,620	2,882,567.2	911,547.8	-1,111,444.4	3,012,684.4	1.04	9	0.32

Source: Processed in the Field (2023)

Table 5. Wilcoxon Signed Ranks Test (TVA)

Ranks		Test Statistics ^a				
		N	Mean Rank	Sum of Ranks	Before - After	
BRIS	Negative Ranks	7 ^a	6.14	43.00	Z	-1.580 ^b

Positive Ranks	3 ^b	4.00	12.00		
Ties	0 ^c			Asymp. Sig. (2-tailed)	0.114
Total	10				

Source: Processed in the Field (2023)

Based on the table above, the results of the Paired Samples Test (Table 4) and the Wilcoxon Signed Ranks Test (Table 5) were obtained from Bank Syariah Indonesia (BRIS) and the Sharia National Pension Savings Bank (BTPS) within ten days before the ex-dividend date and ten days after the ex-dividend date. The test results show that changes in BRIS and BTPS stock prices before and after the ex-dividend date show a Sig value. (2-tailed) of 0.054 and 0.031. then the BRIS and BTPS abnormal returns before and after the ex-dividend date show the value of Sig. (2-tailed) of 0.766 and 0.075. the next trading volume activity of BRIS and BTPS before and after the ex-dividend date shows a value of Sig. (2-tailed) of 0.114 and 0.324. The basis for decision-making is the Paired samples test, and the Wilcoxon signed ranks test. If the value of Sig. (2-tailed) < 0.05, there is a significant difference between before and after the ex-dividend date. Conversely, if the value of Sig. (2-tailed) > 0.05, then there is no significant difference between before and after the ex-dividend date. Thus it can be concluded that changes in BRIS stock prices, abnormal returns on BRIS and BTPS stocks, and trading volume Activity of BRIS and BTPS shares do not have significant differences before and after the ex-dividend date. In comparison, there is a significant difference in the price of BTPS shares before and after the ex-dividend date.

What is the stock price before and after the ex-dividend date

Shares are proof of ownership of a person's equity participation in a company (issuer) in the capital market (Samsul, 2015). The share price is the share value that occurs on the stock exchange at closing (closing price), formed at the end of each stock trading. The rise and fall of stock prices is an investor's trading activity in the capital market. However, this price will change according to the issuer's actions related to these shares, such as risk issues, share splits, warrants, dividend announcements, etc.

BRIS stock price changes before and after the ex-dividend date are 0.054, meaning there is no significant difference before and after the ex-dividend date. In contrast, the change in BTPS prices before and after the ex-dividend date is 0.031, which means there are differences in price changes before and after the ex-dividend date. It is evident from Table 1. The movement of BTPS shares in the stock price column from T-4 to T-2 approaching the ex-dividend T=0 has experienced an increase in share prices, while the share price after the ex-dividend starting at T+1 to T+3 has decreased stock prices; this is

in line with the signal theory which shows that dividend announcements generate signals or cues to investors.

The results of the research are in line with research [Muksal & Fajri \(2015\)](#), explaining that the results of the paired sample t-test show no significant difference between stock prices before and after dividend announcements. In contrast, research [Lani & Atmadja \(2006\)](#) states that there are differences in stock prices before and after the ex-dividend date, statistically influenced by dividend announcements in 70.8% of the research sample and annual stock portfolio.

What are the changes in abnormal returns before and after the ex-dividend date

An abnormal return is a return that is not as expected. If an announcement contains information, it will cause an abnormal return on the market. However, conversely, when it does not contain information, it will not react to an abnormal return on the market ([Jogiyanto, 2010](#)).

BRIS abnormal return before and after the ex-dividend date is 0.766 and the BTPS abnormal return before and after the ex-dividend is 0.75, which means that there is no significant difference before the ex-dividend date and after the ex-dividend date. This is because investors consider that dividend payments do not have a significant impact on the perspective of company progress in the future because the value of the company or issuer is determined by the ability to determine the company's efficiency (earning power) of the company's assets, not from dividend policy.

The results of the study are in line with research ([Jagrataraning T S, 2016](#); [Marlina, 2017](#); [Silalahi & Sianturi, 2021](#)) abnormal returns are not affected by dividend announcements; this is shown through the results of the paired t-test with a significance value greater than 0.05, which means that there is no difference in the average abnormal return before and after the announcement of stock dividends. In contrast to Dewi et al. (2018), the study's results prove that the company's average abnormal return (AAR) decreased after the announcement using a paired sample t-test. In order to obtain a significant difference in abnormal return (AR) between before and after the dividend announcement.

What are the changes in trading volume activity before and after the ex-dividend date

Trading volume activity is the number between the number of shares traded and the number of shares outstanding at that time. Trading volume activity can affect stock prices on the stock exchange because there is supply and demand, which causes stock prices to fluctuate. Fluctuating trading activity will be driven by any information that has the potential to influence investors' choices. The stock market reacts around the cum-dividend date with indicators of transaction activity ([Na'im, 2015](#)).

In the explanation above, researchers found different results. The results show that the trading volume activity of BRIS before the ex-dividend date and after the ex-dividend date is 0.114, and the trading volume activity of BTPS before the ex-dividend date and after the ex-dividend date is 0.324. It can be interpreted that there is no significant difference before and after the ex-dividend. This is because stockholders do not increase supply and demand when they receive information that the company will distribute dividends.

These results align with research [Kayana et al. \(2018\)](#) explaining that dividend announcements do not affect the trading volume or do not have essential information content for investors. The same research ([Sih et al., 2019](#); [Silalahi & Sianturi, 2021](#)) showed no difference between trading volume activity before and after the announcement of stock dividends.

CONCLUSION

Dividend announcement is information published by a public company regarding the distribution of company profits, whether company profits will be given in the form of dividends or retained earnings to strengthen the company in financing future investments. Dividend announcements can cause market reactions positively or negatively. In this study, it is explained that changes in BRIS share prices before the ex-dividend date and after the ex-dividend date there are no significant differences; however, for BTPS shares, changes in share prices before and after the ex-dividend date dividend date, there is a significant difference. Furthermore, there is no significant difference in the abnormal return of BRIS and BTPS before the ex-dividend date. There is no significant difference after the ex-dividend date and the trading volume activity of BRIS and BTPS before and after the ex-dividend date. This is because the dividend policy is not a factor of investor interest in investing in the company but is determined through the earning power of the company's assets.

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