Jurnal Manajemen Bisnis dan Kewirausahaan
http://ejournal.umm.ac.id/index.php/jamanika
June 2021 Vol.01 No.02

Share Market Response to the Announcement of Dividend Payment Plan in the Food and Beverage Sector Registered in Indonesia Stock Exchange

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Abstract
The purpose of this study is to determine investors' reactions to the announcement of the 2017-2019 dividend payment plan in the food and beverage sector listed on the Indonesia Stock Exchange. This type of survey is an empirical survey using the event survey method which aims to investigate the market reaction to events whose information is published as announcements. The data used in this study is secondary data, namely data taken from other data sources, not collected by the researcher himself. Data obtained from the Indonesia Stock Exchange Corner. The data analysis method is to calculate the actual daily stock return for each stock during the event and use the expected model to estimate the expected return. When we tested the comparison of the average rate of return (AAR) of stocks during the pre-announcement period, the average rate of return was -0.065813, but seven days after the announcement, the average rate of return was -0.000720. We tested the difference between 15 days before the announcement and 15 days after the announcement and found that the t-value was 2.996 and the significance was 0.001.

Keywords*— Stock market response, the dividend payment plan*

Abstrak
Tujuan dari penelitian ini adalah untuk mengetahui reaksi investor terhadap pengumuman rencana pembayaran dividen 2017-2019 pada sektor makanan dan minuman yang terdaftar di Bursa Efek Indonesia. Jenis survei ini merupakan survei empiris dengan menggunakan metode event survey yang bertujuan untuk mengetahui reaksi pasar terhadap peristiwa yang informasinya dipublikasikan sebagai pengumuman. Data yang digunakan dalam penelitian ini adalah data sekunder, yaitu data yang diambil dari sumber data lain, bukan dikumpulkan oleh peneliti sendiri. Data diperoleh dari Pojok Bursa Efek Indonesia. Metode analisis data adalah dengan menghitung return saham aktual harian untuk setiap saham selama event dan menggunakan model yang diharapkan untuk memperkirakan return yang diharapkan. Ketika kami menguji perbandingan rata-rata tingkat pengembalian (AAR) saham selama periode pra-pengumuman, tingkat pengembalian rata-rata adalah -0,065813, tetapi tujuh hari setelah pengumuman, tingkat pengembalian rata-rata adalah -0,000720. Kami menguji perbedaan antara 15 hari sebelum pengumuman dan 15 hari setelah pengumuman dan menemukan bahwa nilai t adalah 2,996 dan signifikansi 0,001.

Kata Kunci*: Respon pasar saham, rencana pembayaran dividen*

Article info
Received (17/06/2021)
Revised (25/06/2021)
Accepted (29/06/2021)
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INTRODUCTION

The volatility in stock prices on the Indonesian capital market is influenced by several factors, including external (external) information and internal company information, including dividend distribution announcements. Dividends are part of the company's profits distributed to shareholders according to the number of shares they own, and capital gain is the difference between the number of shares sold and the amount purchased when investors sell their shares. investors get from. Investors who want to own shares in the short term can sell these shares to get capital gains if the selling price of these shares is high. The announcement of dividend distribution is one of the company's internal actions and is an important factor that can affect investors' investments. Husnan (2012) uses this to forecast earnings because dividends from accounting reports can be affected by different accounting methods in situations where investors face uncertainty in investment returns. To encourage the growth of a company, it is often difficult for management to decide whether to pay dividends or hold profits and reinvest in profitable projects. In addition, dividend announcements also contain information on management's perceptions of the company's prospects. In other words, is it related to the profit and cash flow that the company expects to pay dividends? Information regarding the ups and downs of cash dividends distributed by companies is one of the most important information for investors.

The decision to determine the number of dividends to be distributed to investors is called the dividend policy. This policy stems from how management treats company profits. Generally, part of the net profit after tax (EAT) is distributed to investors in the form of dividends and part of it is reinvested in the form of retained earnings. The dividend distribution policy depends on the decision of the General Meeting of Shareholders (GMS). Dividends distributed by the company can be fixed (unchanged) or changed from dividends previously distributed (there may be an increase or decrease).

Investors respond positively and significantly to announcements of dividend increases on the third and fourth days after the announcement of t + 3 or t + 4, according to research by Marpuah (2006). Investors do not react on the day before the dividend increase and when the dividend increases, imagining a positive investor reaction to the dividend announcement. It can be seen that the number of companies that declared dividends from 2017 to 2019 was 19 in 2017, 21 in 2018, and 22 in 2019 (www.IDX.co.id). Mirdah and Solikhin (2012) investigate the information content of the company's dividend announcement and semi-strong market efficiency in the Indonesian capital market. Pramana (2017) argues that ASAR reacts negatively for a certain period (t-7 days to t + 7 days) at the time of dividend announcement, showing signs of a slight abnormal return.

LITERATURE REVIEW

Event research is also known as residual analysis or unreasonable performance index testing or market response testing. Bowman (2003 defines an event survey as a survey that includes the analysis of the price behavior of securities before and after the event or information release (Jogiyanto, 2010: 4). The event survey analyzes the impact of an event on firm value. It is used to reflect related information. Important information about what is happening in the capital market. Without capital market information, it could be stagnant. Doing nothing due to a lack of information means there are no factors driving investors' expectations to remain mute. Information shapes investor expectations. From there, he decided to develop his portfolio or vice versa (Hanafi, 2008). The type of information varies from mild to severe. From information about companies to macro information, both economic and political. For example, information about changes in management, poor performance, dividend distribution, stock splits, M&A, changes in the forex index, changes in exchange rates, economic growth, and others. This information passes from publisher to publisher (Satiti, Novita Ratna., & Sa'diyah, C., 2020). There are many other examples. Information about price increases (BBM), world oil prices, inflation, interest rates and more have created mixed expectations in the minds of all investors (Sa'diyah, 2021). There are many examples that you can see, how important information is to change stock prices. The market quickly reacted positively when information spread that Indonesia's economic growth reached 4.4% in the first quarter of 2009. It is difficult to say that the existence of information always has a major effect on stock price fluctuations. In essence, negative information lowers stock prices, while positive information motivates market participants to buy. Every piece of information has the power to continuously raise investors' expectations. These expectations encourage buying and selling interest as well as changes in market prices, including dividend announcement policies.

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Formally, an efficient capital market is defined as a market in which the price of securities reflects all relevant information (Husnan, 2009: 260). The faster the standard information is reflected in the price of a security, the more efficient the capital market will be. An efficient (weak) form of the capital market implies that stock prices reflect all information in historical price records. In such a situation, an investor cannot obtain an extraordinary return by investigating past price movements of the security and predicting the security's price movement and direction for the next period. Since security price fluctuations are random (random walk), it is very difficult to predict the direction of future price fluctuations. A semi-strong form of efficient capital markets implies that prices reflect all publicly available information, not just previous prices. Public information is reflected in share prices quickly and impartially. This means that investors cannot get extraordinary returns (abnormal return) by buying shares that are published. An efficient and robust form of the capital market implies that all relevant information available is reflected in share prices. Therefore, public and non-public information (non-public information) is reflected in the share price.

There are several reasons why an efficient market analysis is important (Jogiyanto, 2000). An efficient market can be triggered by the following events: 1) Investors are price makers. This means that a single investor as a market participant cannot influence the price of securities set by many investors which are determined by many investors who determine supply and demand. 2) Information is widely available to all market participants at the same time, the prices for obtaining this information are cheap and even freely available via radio or television. Players in the market receive information both through printed and electronic mass media, so they can receive information at the same time. Due to the efficient market, the prices and information obtained are relatively cheap for the general public. 3) Information is generated randomly (random), and each information announcement is random from one another. Randomly generated information means investors cannot predict when the issuer will release new information. 4) Investors react by using information adequately and quickly, and securities prices change accordingly, reflecting that information to reach a new balance.

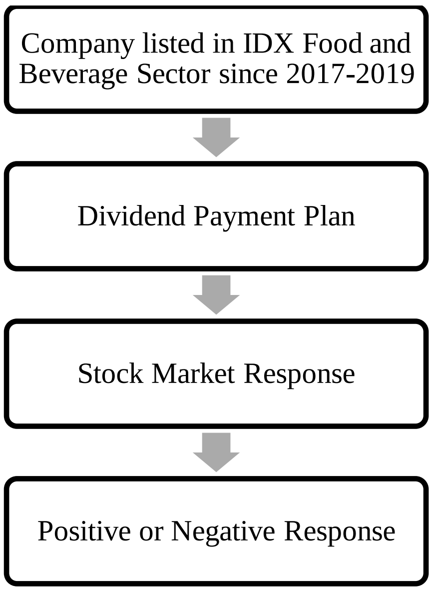


Figure 1. Conceptual Framework

Based on the survey framework, it can be seen that the stock market reaction to the dividend announcement policy is used by investors as a signal that the company's future conditions will be relatively unfavorable. The value contained in dividend announcement information is reflected in the market reaction from the perspective of stock price fluctuations. The reaction of a stock price can be measured by using the stock return as the value of the change in stock price or by using an anomalous return. An announcement of a change in dividends is said to contain information if it provides significant extraordinary returns to the market. Conversely, dividend change announcements are said to be uninformative unless they bring significant anomalous returns to the market. The increase in dividends makes the market react positively. In other words, an increase in dividends is considered a good signal for the company in the future, and conversely, a decrease in dividends is considered a bad signal for the company. future. There has been a lot of research on the impact of dividend announcements on market reactions, but the results are still inconsistent.

RESEARCH METHOD

This type of survey is an empirical survey using the event survey method which aims to investigate the market reaction to events whose information is published as announcements. The data used in this study is secondary data, namely data taken from other data sources, not collected by the researcher himself. Data obtained from the IDX Corner University of Muhammadiyah Malang. Sources of data for this study were obtained from the Indonesian Capital Markets Directory (ICMD) section of the IDX at www.IDX.co.id as the main data. This means, get publication data from the Indonesian Capital Markets Directory (ICMD), www.idx.co.id. The data analysis method is to calculate the actual daily stock return for each stock during the event. On the other hand, the expected profit is the estimated return.

RESULT AND DISCUSSION

The stock return during the window period is from 7 days before the dividend announcement decreases to 7 days after the dividend announcement drops, and there is a period when the stock return becomes negative and the period becomes positive.

Figure 2 Changes in Stock Returns on Declining Dividend Announcement

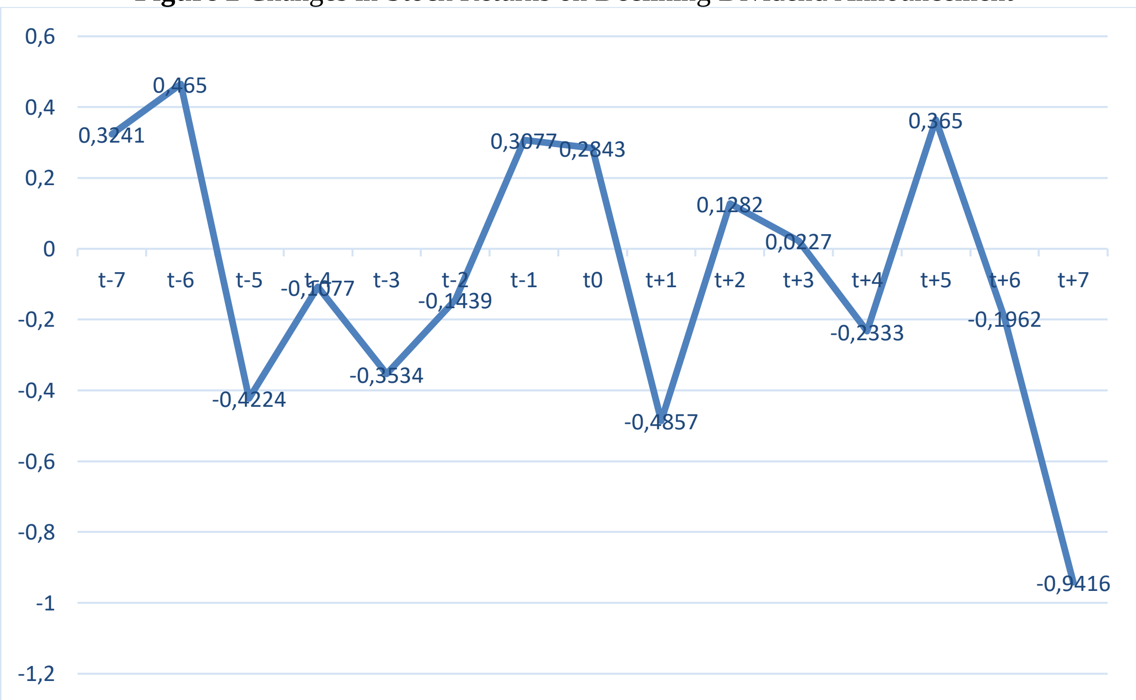
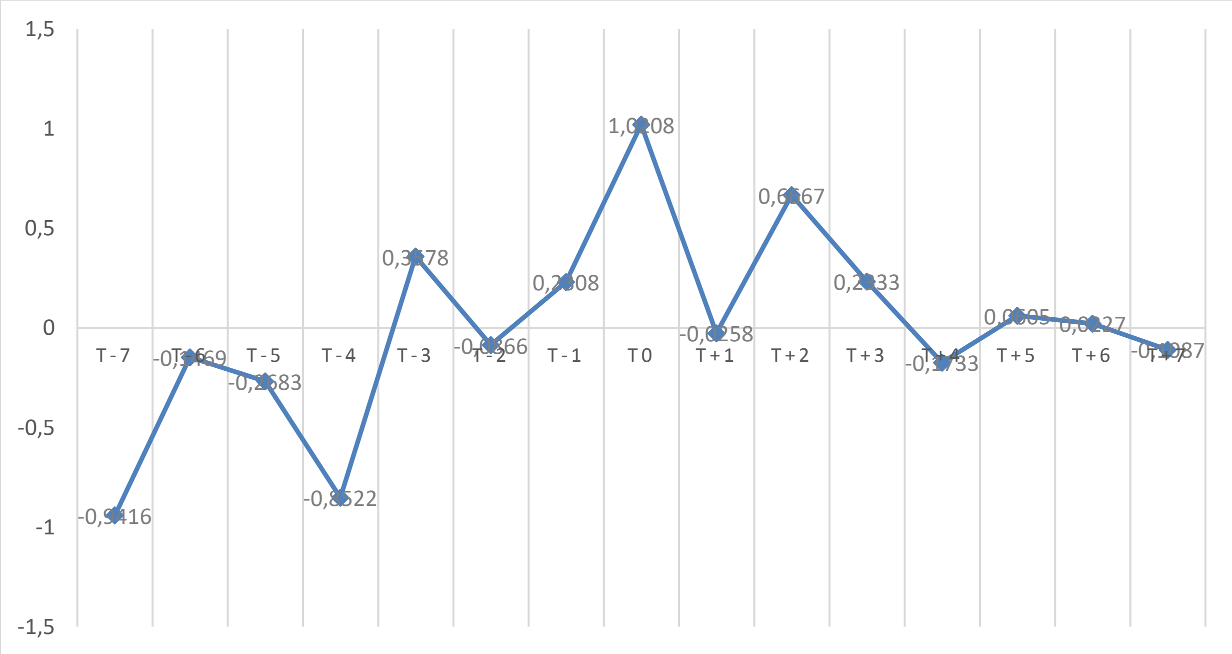


Figure 3 Changes in Stock Returns on Increased Dividend Announcement



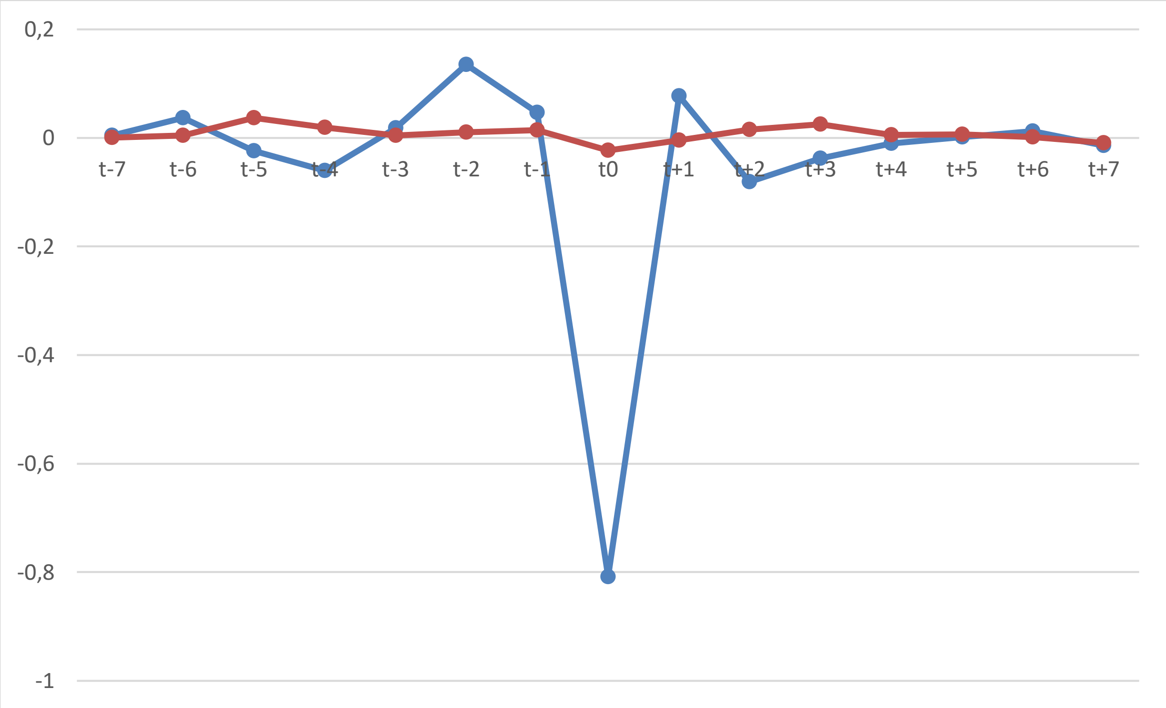
The window period, namely stock returns from 7 days before dividend announcement to 7 days after dividend increase announcement, can have a negative or positive stock return period. The stock return announcement shows the lowest position. The stock reaction value as measured by the stock's abnormal return is obtained using the market model method. In this method, the anomalous rate of return is assumed to be the difference between the price-earnings ratio and the market model estimation using the α and β parameters of the stock. The average rates of return for the sample stocks during the survey period are as follows:

Table 1 Average Abnormal Return (AR) of Shares 7 Days Before Dividend Announcement Up to 7 Days After Dividend Announcement

Period	*Average Abnormal Return*	
	Dividend is Decreased	Dividend goes up
t-7	0.005	0.001
t-6	0.037	0.005
t-5	-0.024	0.037
t-4	-0,060	0.019
t-3	0.018	0.005
t-2	0.135	0.010
t-1	0.047	0.014
t0	-0,808	-0.023
t + 1	0.077	-0.004
t + 2	-0.081	0.015
t + 3	-0.038	0.025
t + 4	-0.010	0.006
t + 5	0.002	0.007
t + 6	0.012	0.002
t + 7	-0.014	-0.009

As a result, dividend dividends decrease during the window period, 7 days dividend shows negative abnormal return, and dividend report increases 3 days shows negative abnormal return. This suggests that investors tend to react more positively to dividend hike announcements. A comparison chart of investors' reactions to the announcement of a dividend increase and dividend reduction can be explained as follows:

Figure 3 Abnormal Return of Shares 7 Days Before Up to 7 Days After Announcement of Dividends Raised and Dividends Decreased



This study proposes two hypotheses. Hypothesis 1 test is a test of investors' reactions to the decrease in dividend announcements. The reaction of stock investors can be seen from the unusual stock return value. However, to see if there are any unusual inventory returns during the window period, search using the one-sample t-test formula. As a general rule, this test compares the average stock return to zero stock returns (no stock returns). The anomalous inventory return test results using the one-sample t-test are obtained as follows:

Table 2: Difference Test for Abnormal Stock Returns in the 7 days Before the Announcement with 7 days After the Observation of the Declining Dividend Announcement

Period	Mean	t	Sig.	Information
Before the announcement	-0.065813	-0.653	0.524	There is no
After the announcement	-0.000720			difference

When we tested the comparison of the average rate of return (AAR) of stocks during the pre-announcement period, the average rate of return was -0.065813, but seven days after the announcement, the average rate of return was -0.000720. The results of the difference test between 7 days before the announcement and 7 days after the announcement showed the t-count value of -0.653 and a significant difference of 0.524. A significance value above 0.05 indicates that there is no significant difference in the average rate of return (AAR).

Hypothesis 2 test is a test of investors' reaction to the announcement of dividend increase. The reaction of stock investors can be seen from the unusual stock return value. However, beforehand, we would look at using a one-sample t-test to see if there were any unusual inventory returns within the window period. As a general rule, this test compares the average stock return with zero inventory returns (no stock returns). The results of the anomalous inventory return test using the one-sample t-test are obtained as follows:

Table 3: Difference Test for Abnormal Stock Returns in the 7 days Before the Announcement with 7 days After the Observation of the Observed Dividend Raised Announcement

Period	Mean	t	Sig.	Information
Before the announcement	-0.046800	2,996	0.001	There is a difference
After the announcement	0.007333			

The result of the comparison test on the average stock return (AAR) for the period before the announcement was -0.046800, but the average stock return for 7 days after the dividend announcement was 0.007333. We tested the difference between 15 days before the announcement and 15 days after the announcement and found that the t-value was 2.996 and the significance was 0.001. A significant value less than 0.05 indicates a significant difference in mean abnormal return (AAR).

Analysis of the average equity return anomaly on the decline in dividend announcements shows that there is no cumulative reaction from investors between t-7 and t + 7. However, if we review it every day, it will be obtained for two days, especially dividend reduction announcements, and there is a very good response. from investors, and investors announce it on the day of the ex-dividend announcement. These results indicate that the reduction in dividend announcements only gives investors two days, the short response is negative and positive reactions. This result is reinforced by testing the difference in the average return anomaly between 7 days before the announcement and 7 days after the announcement, but there is no significant difference. On the other hand, the announcement of the dividend increase showed a strong reaction in the form of a cumulative negative reaction. If reviewed every day, there were significant reactions, all of them negative. This situation suggests that investors reacted negatively in the short-term trading of seven days of stocks, with even more dividend announcements. If the dividend announcement increases and the dividend decreases, it tends to be in the same direction as the negative reaction, regardless of whether the reported dividend is higher or lower than the dividend previously distributed (Sa'diyah, C., & Widagdo, B., 2020). This indicates that investors refuse to declare ex-dividends. regardless of whether reported dividends are higher or lower than previously distributed dividends. This indicates that investors refuse to declare ex-dividends. regardless of whether reported dividends are higher or lower than previously distributed dividends. This indicates that investors refuse to declare ex-dividends.

This result is confirmed by testing the difference between the 7-day observation period and the mean abnormal return 15 days after publication. This shows that the difference in mean AAR after the announcement is as follows. Before the announcement. If the results are not as hypothesized, the behavior of investors towards dividend announcements indicates that they are likely to adopt a tax incentive theory that appears to dislike large cash dividends. This is due to the large tax burden on dividends paid. In addition, there is an assumption that dividend policy can have a negative impact on the company's growth, because most of the company's cash is provided to fund cash flow, thereby reducing the company's working capital. This can reduce the company's activities to get profit next year.

CONCLUSION

From the analysis and considerations so far, it can be concluded that the stock prices for the period of 7 days before the dividend announcement up to 7 days after the dividend announcement shows a positive sign. Even if the announcement of a stock return shows an increase in dividends, some periods of negative stock returns, and several days of positive stock returns. The results of the difference test between 7 days before the announcement and 7 days after the announcement showed a significant difference. A significant value less than 0.05 indicates a significant difference in mean abnormal return (AAR). The suggestions submitted to the results of this survey are as follows. It is hoped that the company will distribute cash dividends to investors. These efforts maintain investor confidence in the company and keep the company well maintained. Dividends can be paid several times a year and are expected to be a good alternative to improve the company's performance and the end of the financial year.

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