ANALYSIS OF ABNORMAL RETURN AND STOCK TRADING VOLUME BEFORE AND AFTER STOCK SPLIT ON NON-PRIME CONSUMER SECTOR COMPANIES ON THE IDX IN 2018-2021

Kadek Ayu Indri Prabawati [1*], Ni Made Ayu Dwijayanti [2], Putu Adi Suprapto [3]

[1] Managerial Accounting Undergraduate Study Program, Accounting Department, Bali State Polytechnic
[2] Managerial Accounting Undergraduate Study Program, Accounting Department, Bali State Polytechnic
[3] Managerial Accounting Undergraduate Study Program, Accounting Department, Bali State Polytechnic
indripraba23@gmail.com [1*], ayu.dwijayanti@pnb.ac.id [2], adisuprapto@pnb.ac.id [3]

Abstract. Stock prices that are too high can reduce investor interest in buying shares of a company which will have an impact on decreasing stock liquidity and stagnant stock prices. Therefore, not a few companies carry out stock split policies so that stock prices are more affordable and at a price range that is equivalent to similar companies. In addition, the stock split is also one of the company's efforts to attract investors to buy company shares so that it has an impact on increasing stock liquidity. This research aims to analyze and find out whether there are differences in abnormal returns and stock trading volume before and after the stock split in non-primary consumer companies on the Indonesian Stock Exchange in 2018-2021. The population in this study was 34 companies that carried out a stock split in 2018-2021. By using the purposive sampling method, the research sample consists of: 34 companies are classified into 13 companies. Data was obtained through the website of the Indonesian Stock Exchange and Yahoo Finance. The data analysis technique in this study used One-Sample Kolmogorov Smirnov and Paired sample t-test. The Paired Sample T-Test results from this study indicate that there are differences in abnormal returns and stock trading volumes before and after the stock split. This means that the stock split event can provide a positive signal that affects investors in making investment decisions.

Keyword: Stock Split, Abnormal Return, Stock Trading Volume

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Introduction

Stocks which is one of the investment instruments in the capital market is a business choice for the community rather than real business which is still slumped due to the pandemic due to the implementation of policies related to restrictions on community social activities. This is shown by the significant increase in the number of stock investors even though the pandemic is ongoing. Stocks are considered to be able to provide attractive profits to investors with their nature that the higher the profit, the higher the risk. Strong demand and supply in the capital market can affect fluctuations in stock prices (Fauzi and Mutasowifin, 2021). In addition, if an event is considered to contain information, it can also affect changes in stock prices (Tanayo, 2020).

The value of a company can be seen through the high or low share price of the company concerned. The high value of the company is closely related to the high stock price, and vice versa. However, investors will also be less interested and find it difficult to own shares of a company when the stock price is considered too expensive which then has an impact on the difficulty of the stock price to increase again (Alexander and Kadafi, 2018). Therefore, not a few companies carry out corporate actions in the form of stock splits. The implementation of the stock split policy will cause an increase in the number of shares at new prices that are cheaper than before and easily accessible to investors. Not infrequently stock splits are also considered as "cosmetics" which are companies' efforts to change stocks to be more attractive because investors are made as if they are more prosperous by owning shares that are more numerous than the initial number of shares (Suryanto and Muhyi, 2017). The existence of a stock split is expected to increase investors' enthusiasm, especially for retail investors in buying shares of the company concerned. In addition, with the increasing demand for shares, then stocks will become more liquid in the capital market (Alexander and Kadafi, 2018).

Generally, stock splits can be carried out by companies with performance and have good prospects in the future. This is because the management believes that after conducting a stock split, it will be able to increase the stock price again by keeping the company's performance good (Suryanto and Muhyi, 2017). The stock split does not affect the paid-up capital, but increases the number of shares by breaking down the nominal value of the shares so that they become smaller. In addition, the stock split has no effect on the company's cash flow. One of them is companies listed in the non-primary consumer sector on the Indonesia Stock Exchange. The selection of the sector companies is based on the impact of the Covid-19 pandemic on the company. Shares of non-primary consumer sector companies will rise in price and offer good returns when economic conditions improve, and vice versa. The non-primary consumer sector is a sector that is prone to financial depression because the demand for non-primary goods and services is directly proportional to economic growth. This can be seen in 2018-2019 where many companies in the sector carried out stock split policies. Even though there was a pandemic in 2020 and the effect was still felt in 2021, some companies still decided to do a stock split, so this indicates that the stock split is considered an event that has a positive influence on the company. The decline in the company's profit in the retail subsector was in line with the fluctuating share price of the company.

According to Masdupi, et. al (2017), when the market reacts quickly by forming a new equilibrium price and is accurate to an emerging information, it can be said that market conditions are referred to as efficient markets. Therefore, the sooner the price of securities reflects information, the more efficient the capital market will be (Sujana, 2017). So that the information that is known does not refer to the past information alone, but information currently received by the public such as financial statements, stock splits, and others. The event study approach can be used as a test of the information contained from an event.

There have been several previous studies on the existence of abnormal returns and changes in stock trading volumes as a result of the stock split policy published with mixed conclusions. Munthe (2017) conducted a study that resulted in an abnormal difference in returns and liquidity of stocks both before and after the stock split. Meanwhile, Alexander and Kadafi (2018) argue that the stock split event has no effect on both variables. Based on these conditions, this study is focused on finding out 1) Is there an abnormal difference in returns before and after the company conducts a stock split? 2) Is there a difference in stock trading volume before and after the company conducts a stock split?

Method

The type of research in this study is comparative quantitative using the event study method. The event window used in this study was for 20 days, namely 10 days before and 10 days after the implementation of the stock split by non-primary consumer sector companies to reduce the possibility of capital market fluctuations caused by other events. The samples used were as many as 13 companies obtained using the pusposive sampling technique. The data used is secondary data in the form of documentation and libraries obtained by accessing the official website of the Indonesia Stock Exchange, namely idx.co.id, Yahoo Finance, and Investing.com. Technical data analysis was carried out by calculating abnormal returns and stock trading volumes both before and after the stock split, followed by descriptive statistical analysis, normality test with One Sample Kolmogorov-Smirnov, and hypothesis test using paired sampe T-Test. Below are the criteria for determining the sample:

Table 1. Sample Criteria

No	Sample Criteria	Number of Companies
1	Companies that stock split in 2018-2021	34
2	Companies that carry out other corporate actions other than stock splits during the event window	3
3	The company does not have a complete closing price and stock trading volume data	18 -
	Companies that meet the criteria	13

Source: www.idx.co.id (secondary data processed, 2022)

The list of companies that became the research sample is as follows:

Table 2. Research Sample

No.	Company Code	Company Name	Stock split Date
1	MAPI	Mitra Adiperkasa	04/06/2018
2	BLTZ	Graha Layar Prima	25/06/2018
3	MINA	Sanurhasta Mitra	04/07/2018
4	GEMA	Gema Grahasarana	13/07/2018
5	MARI	Mahaka Radio Integra	17/07/2018
6	BUVA	Bukit Uluwatu Villa	01/08/2018
7	LPIN	Multi Prima Sejahtera	24/05/2019
8	CARS	Industri dan Perdagangan Bintraco Dharm	11/06/2019
9	FAST	Fast Food Indonesia	12/02/2020
10	BELL	Trisula Textile Industries	03/08/2020
11	DIGI	Arkadia Digital Media	17/11/2020
12	ERAA	Erajaya Swasembada	31/03/2021
13	SCMA	Surya Citra Media	29/10/2021

Source: Secondary data processed, 2022

Results and Discussion

1.1 Descriptive Statistical Analysis

Descriptive statistical analysis is intended to give a concise picture of the maximum value, minimum value, average value, as well as the standard deviation of the sample under study.

Table 3. Descriptive Statistics Results

	N	Minimum	*Maximum*	*Mean*	*Std. Deviation*
AR_Before	13	-0,40	0,18	-0,1262	0,19910
AR_After	13	-0,27	0,44	0,1077	0,21741
TVA_Before	13	0,00	36,82	5,2738	10,06394
TVA_After	13	0,00	44,77	14,1185	16,07482
Valid N (listwise)	13				

Source: Secondary data processed, 2022

The lowest value of abnormal return before stock split of -0.4 is found in PT Mahaka Radio Integra, Tbk (MARI) while, the highest value of abnormal return before stock split of 0.18 is found in PT Surya Citra Media, Tbk (SCMA). The lowest value of abnormal return after the stock split, namely -0.27, was found in PT Arkadia Digital Media, Tbk (DIGI) while the highest value of abnormal return after the stock split was 0.44, namely PT Fast Food Indonesia, Tbk (FAST). The trading volume of shares with a very low value before the stock split of 0.00 was found in PT Graha Layar Prima, Tbk (BLTZ) while the highest value before the stock split of 36.82 was found in PT Erajaya Swasembada, Tbk (ERAA). The lowest value of the share trading volume after the stock split, which was 0.00, was found in PT Graha Layar Prima, Tbk (BLTZ) which was the highest value after the stock split of 44.77 was found in PT Mahaka Radio Integra, Tbk (MARI). Through the average value and standard deviation abnormal return before and after the stock split, it illustrates that the average value and standard deviation after the stock split are higher than before the stock split. Likewise with the variables of stock trading volume, the average value and standard deviation value of stock trading volume before the stock split and after the stock split also increased.

1.2 Normality Test

The classical assumption test used in this study is only a normality test because this study is aimed at identifying whether there is a difference between two paired samples which only requires the data to be tested whether the data distribution is normal or not (Ghozali, 2018).

Table 4. Normality Test Results

	N	Minimum	*Maximum*	*Mean*	*Std. Deviation*
AR_Before	13	-0,40	0,18	-0,1262	0,19910
AR_After	13	-0,27	0,44	0,1077	0,21741
TVA_Before	13	0,00	36,82	5,2738	10,06394
TVA_After	13	0,00	44,77	14,1185	16,07482
Valid N (listwise)	13				

Source: Secondary data processed, 2022

Table 4. Normality Test Results illustrates the significance values of the variables used above 0.05. Starting from the abnormal return before the stock split of 0.471, the abnormal return after the stock split of 0.864, then the stock trading volume before the stock split of 0.108 and the stock trading volume after the stock split with a value of 0.406. This means that each variable already has normally distributed data.

1.3 Hypothesis Test Results

Hypothesis test uses parametric statistical test or Paired Sample T-Test, which is hypothesis testing that is specifically used to determine the difference between two paired samples, for example before X and after X on the condition that the data is normally distributed.

Table 5. Hypothesis Test Results

		df	*Sig. (2-tailed)*
Pair 1	AR_Before-AR_After	12	0,047
Pair 2	TVA_Before-TVA_After	12	0,041

Source: Secondary data processed, 2022

Through table 5. The Results of the Paired Sample T-Test Test, it is illustrated that the significance value produced for pair 1 (abnormal return before and after the stock split) is 0.047. Then there is a significant difference between the abnormal return before doing a stock split and after the stock split, then H1 is accepted. Pair 2 (stock trading volume before and after the stock split) in the table of test results Paired sample t-test also showed a significance value of 0.041. So there was a significant difference between the two samples in pairs, so that regarding the stock trading volume, the difference, significant in the stock trading volume before and after the stock split, then H2 was also accepted.

Conclusion

Through the results of hypothesis tests and discussions related to the Analysis of Abnormal Returns and Stock Trading Volumes Before and After the Stock Split in Non-Primary Consumer Sector Companies on the Indonesia Stock Exchange in 2018-2021, it can be concluded that:

1. There is an abnormal difference in returns before and after the announcement of the stock split policy, H1 is accepted. This shows that the stock split gives a positive signal to the market so that it can influence investors' investment decisions to buy shares of companies that issue stock split policies.

2. There is a difference in stock trading volume before and after the stock split, H2 is accepted. This illustrates that the stock split is able to increase stock liquidity and the company's goal to make the stock price to be at a price that is easily accessible to investors can be achieved.

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