International Journal of Economic, Technology and Social Sciences
e-ISSN 2775-2976

International Journal of Economic, Technology and Social Sciences
url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 3 Number 1 page 255 - 258

A Comparative Analysis of Stock Returns Before and After Stock Split in Companies Listed on the Indonesia Stock Exchange

Vhasco AG. Siagian, Rahima Br. Purba, Soulthan Saladin Batubara

Email: vhascosiagian@gmail.com
Universitas Pembangunan Panca Budi

ABSTRACT
This study aims to analyze the comparison of stocks return before and after the activity of a stock split. The data used in this study are secondary data from the Indonesia Stock Exchange (IDX). Using purposive sampling method with certain criteria obtained a sample of 75 companies, this study uses event studies with observation periods 7 days before and 7 days after stock split to determine the information content contained in an event. Hypothesis conducted in this study uses the normality test and the Wilcoxon signed rank test. The results of testing the hypothesis in this study indicate that there are no differences in stocks return between before and after the activity of a stock split.

Keywords : ***Corporate Action, Event Studies, Investor, Stock Prices, Stock Returns, Stock Splits***

INTRODUCTION

The main reason people invest is to earn a profit which is known as return. It is a very natural thing if investors demand a certain level of return on the funds they have invested (Tandelilin, 2018: 6). In the capital market, investors choose companies that are considered to have high future profit prospects so that they can provide returns as desired or even exceed expectations. To avoid risk when investing in the capital market, information is needed in the selection of a stock portfolio to be purchased, one of which is the announcement of a stock split. This corporate action has quite an impact on the market, because the stock price drops due to the stock split, it will attract new investors. With the cheaper price of the shares traded, it will increase the market reaction in buying shares. In line with that, the stock price will increase which will generate returns to the company and investors.

Although in theory, a stock split is just a cosmetic or beautifying action where the company makes accounting changes, namely changing the par value per share. The stock split has no effect on cash flow, the value of the company as a whole or its total assets, and for investors or shareholders it is not better or worse than before the stock split. In fact, the stock split is a corporate action that is quite popular and relatively often carried out by companies because many managers and investors think that stock splits are very beneficial. Not a little literature that expresses the view that the decline in stock prices can help increase the interest of investors, especially for those who have limited capital it will be easier to own the split shares.

Research on the effect of stock splits on stocks has been widely carried out, one of them by Febriansyah, Fraternesi and Deta (2021) which shows that there are significant differences in stock returns before and after the stock split. This is also supported by Hendra and Irawati (2021), Togi and Pratomo (2014) and Zahra (2021) who shows the same result. Meanwhile, research conducted by Akhmad and Damayanti (2021), Mardiyaningsih and Andhitiyara (2020), Satria and Adnan (2018), Sululing, Rasyid and Indrijawati (2022) showed contradictory results, namely there was no significant difference in stock returns before and after stock returns. splits. The existence of a research gap in previous research that underlies this research was conducted to analyze the comparison of stock

International Journal of Economic, Technology and Social Sciences
e-ISSN 2775-2976
International Journal of Economic, Technology and Social Sciences
url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 3 Number 1 page 255 - 258

returns before and after the stock split.

LITERATURE REVIEW

Investment is a commitment to a number of funds or other resources made at this time, with the aim of obtaining a number of benefits in the future. An investor buys a number of shares today with the hope of profiting from an increase in stock prices or a number of dividends in the future, in return for the time and risk associated with the investment (Tandelilin, 2018: 3). Generally, investments are categorized into 2 types, namely: real assets (real assets) and financial assets (financial assets). Real assets are tangible such as buildings, vehicles and so on. Meanwhile, financial assets are documents (letters) of the holder's indirect claim to the real assets of the party issuing the assets. Similar to investing in other fields, to invest in the capital market apart from the need for funds, it also requires sufficient knowledge, experience, and business sense to analyze which securities or securities to buy, which to sell, and which securities to sell. still held (Ahmad, 2018: 2).

METHODS

This study uses a quantitative approach with a comparative design. Comparative research is a type of research conducted to compare between two or more groups of a certain variable. This type of research is an event study. The purpose of event study research is to determine the effect of an event. In this case the effect of stock split on stock returns. The population in this study are companies listed on the Indonesia Stock Exchange. The sample used in this study was obtained by purposive sampling method with the following criteria:

1. Companies listed on the Indonesia Stock Exchange for the period 2015 – 2021.
2. Companies that carry out a stock split policy.
3. Companies that have complete data for data analysis needs.

RESEARCH RESULTS AND DISCUSSION

Research result

Table 1. Normality Test Results

One-Sample Kolmogorov-Smirnov Test

		Before Stock Split	After Stock Split
N		75	75
	mean	24.35	-3.77
Normal Parameters, b	Std. Deviation	210.103	46,245
	Absolute	.305	.223
Most Extreme Differences	Positive	.305	.223
	negative	-.275	-.180
Kolmogorov-Smirnov Z		2,639	1,930
asymp. Sig. (2-tailed)		.000	.001

a. Test distribution is Normal.
b. Calculated from data.

Based on the table above, it is known that the Asymp value. Sig. (2-tailed) is smaller than (0.005). This shows that the research data is not normally distributed, therefore the next test

Injects International Journal of Economic, Technology and Social Sciences
e-ISSN 2775-2976
International Journal of Economic, Technology and Social Sciences
url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 3 Number 1 page 255 - 258

cannot use the Paired T test. So the test used is the Wilcoxon Smith non-parametric alternative test.

Table 2. Wilcoxon Signed Rank Test Results

Test Statistics

	After Stock Split
Z	-2,460b
asymp. Sig. (2-tailed)	.014

a. Wilcoxon Signed Ranks Test
b. Based on Positive Ranks

Overall Asymp value. Sig. (0.140) >(0.014) then H0 is accepted.
So it can be concluded that "there is no effect of stock split on stock returns".

Discussion

The test results in this study indicate that there is no effect of stock split on stock returns. These results are in line with previous research by Akhmad and Damayanti (2021), Mardiyaningsih and Andhitiyara (2020), Satria and Adnan (2018), Sululing, Rasyid and Indrijawati (2022).

CONCLUSION

From the results of this study it can be concluded that the stock split does not have a significant effect on stock returns. This reinforces the theory that the stock split is only a cosmetic action in this case beautifying the shares carried out by the company to attract investors to buy shares. Based on the results of this study, it is recommended for issuers to consider internal and external factors that can influence market reactions because stock splits do not guarantee that stock returns will be positive in accordance with the purpose of doing so.

REFERENCE

Ahmad, Kamaruddin. (2018). Fundamentals of Investment and Portfolio Management. Revised Edition. Third Printing. Jakarta: Rineka Cipta.

Akhmad, IM, & Damayanti, CR (2021). Differences in Blue Chip and Non Blue Chip Stocks: Analysis of Trading Volume and Stock Return on Stock Split Policy. STRATEGY Business Journal. 30 (2). 139-153.

Bodie, Z., Kane, A., & Marcus, AJ (2018). Portfolio and Investment Management. Edition 9. Book 1. Jakarta: Four Salemba.

Budiman, Raymond. (2020). Stock Investment Portfolio Management Strategy. Jakarta: grammar.

List of Companies that do *stock split*. Accessed December 23, 2021 from www.idx.co.id/ usaha-tercatat/ aksi-korporasi/ Febriansyah, E., Fraternesi, & Deta, MRE (2021). Comparative Analysis of Stock Liquidity, Stock Return and Stock Price Before and After the Stock Split Announcement. JAKTIA: Journal of Accounting, Finance and Accounting Information Technology, 2 (1). 244-254.

Hendra, & Irawati, W. (2021). Effect of Stock Split and Financial Performance on Stock Returns. EkoPreneur, 2 (2). 169-179

Share price of companies that do *stock split*. Accessed January 24, 2022 from

International Journal of Economic, Technology and Social Sciences
e-ISSN 2775-2976
International Journal of Economic, Technology and Social Sciences
url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 3 Number 1 page 255 - 258

www.idx.co.id/data-pasar/ringkasan-perdagangan/ringkasan-saham/

Khajar, I. (2016). Stock Split Analysis of Stock Prices and Trading Volume of LQ-45 Index Stocks for the 2010-2016 Period. Journal of Finance and Banking, 20 (3). 395-406.

Lumban Tobing, Togi, & Pratomo, WA (2014). Analysis of the Impact of Stock Split on Stock Prices and Trading Volume on Companies Listed on the IDX. Journal of Economics and Finance, 2(7). 448-462.

Mardiyaningsih, E., & Andhitiyara, R. (2020). Comparative Analysis Before and After Stock Split with Stock Liquidity Level, Stock Price and Stock Return on the Kompas 100 Stock Index 2014-2018. Journal of Information Systems, Applied, Management, Accounting and Research. 4 (1). 1-13.

ProfileCompanies that do *stock split*. Accessed January 6, 2022 from www.idx.co.id/ enterprise-tercatat/ profile-firm-tercatat/ Satria, K., & Adnan. (2018). Stock Split Comparative Analysis of Stock Prices, Stock Liquidity and Abnormal Returns (Case Study on Manufacturing Companies listed on the Indonesia Stock Exchange 2011-2015). Scientific Journal of Accounting Economics Students. 3 (3). 364-384.

Sululing, S., Rasyid, S., & Indrijawati, A. (2022). Corporate Action Studies on Stock Returns. Scientific Journal of Accounting and Finance. 5 (1). 401-409.

Tandelilin, Eduardus. (2018). Investment Analysis and Portfolio Management. First Edition. Yogyakarta: BPFE.

Zahra, RF (2021). Analysis of the Effect of Abnormal Return and Trading Volume Activity (TVA) on Stock Split Events. Journal of the University of Muhammadiyah Magelang. 737-747.