ABSTRACT

TESTING THE MARKET REACTION IN RESPONSE TO ANNOUNCEMENTS OF DIVIDEND INCREASES

By

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Companies that pay dividends have increased compared to last year, that is, companies are trying to give a good signal for the prospects of the company in the future. Dividend changes contain information that enables investors to revise their predictions about the prospects of the company, so the stock price adjustment when the dividend change was announced. This study aims to determine the investor response to announcement of dividend increases.

This study used samples of companies listed in Indonesia Stock Exchange and make announcements of dividend increases in 2008. The analytical tool used was SPSS non-parametric test Mann-Whitney test.

Results for all samples indicate that investors do not react to the announcement of dividend increases both before and after the announcement. Similarly, the announcement of dividend increase granted by the company to grow. While the announcement of dividend increase granted by the company did not grow up shows the differences in reaction to investors before and after the announcement.

Keyword: dividend increases, dividend increases