

The Analysis of Dividend's Influence to Stock Price on Mining Company Registered in Indonesia Stock Exchange

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Abstract

This research aims to know the extent of increasing dividend and decreasing dividend's announcement will affect market reaction, in this case investor. The presence of market reaction can be seen from the change of stock price around dividend announcement's date by issuer from the mining companies registered in Indonesia Stock Exchange. This research use secondary data, sample retrieval use purposive sampling method. The period of research conducted over three years (book year 2009—2011) by using research sample of 6 companies. Increasing dividend group consist of 3 companies on 2009, 4 companies on 2010, and 3 companies on 2011. Meanwhile decreasing dividend group consist of 3 companies on 2009, 2 companies on 2010, and 3 companies on 2011. This research use observation window for 5 days before dividend announcement and 5 days after dividend announcement. The method used in this research is event study by observing the fluctuation of stock price in Indonesia Stock Exchange. Furthermore to test whether market reaction is present, abnormal return test was conducted, in this case cumulative average abnormal return concerning the increasing dividend and decreasing dividend around dividend announcement's date using T-test. In statistic test result, overall group whether increasing dividend announcement group or decreasing dividend announcement group didn't have the information that can affect market reaction which can be seen from stock price around dividend announcement's date. The absence of significant relation between increasing dividend announcement and decreasing dividend announcement to stock price indicating that investor lack of using dividend as the only factor to be considered. In sense of other factors believed to be more important to be taken into consideration than dividend announcement.

Keyword : dividend announcement, stock price and cumulative average abnormal return.