ABSTRACT

This study to analyze market reaction to the cash dividend announcements on listed companies LQ-45 from February and August 2014. The research method used is Event Study Method. Ex-dividend date is one form of corporate action that is used as an event of this research. With the event window for 31 days and 15 days the researchers tried to see if there is a difference of abnormal return before and after the ex-dividend date.

This study uses secondary data including historical daily closing stock price, market index LQ-45 and the schedule of cash dividends. The research sample are 45 companies, taken by using purposive sampling technique. Data analysis method used in this study are Paired Samples T-test.

Results of research on the 15-day observation period showed the market reacted negatively, and there are significant differences in abnormal return between 7 days before and 7 days after the cash dividend announcements on the company listed in LQ-45. It is based on the results of the test Paired Samples T-test which generate significant value for 0.048<0.05. While the 31-day observation period showed the market reacted negatively and there is no difference between the abnormal return 15 days before and 15 days after the cash dividend announcements on the company listed in LQ-45. It is shown on the results of the test Paired Samples T-test which generate significant value for 0.127> 0.05 with a significance level (α = 0.05). Thus the negative abnormal return obtained by investors after the date of the announcement rated investors as a signal of bad (bad news) because investors believe stock prices will fall after the announcement. However, the market is no longer reacting above 7 days after the ex-dividend date.

Keywords: Cash Dividend Announcements, Abnormal Return, Stock Returns, Market Adjust Model, Event Study, and the Ex-Dividend Date.