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Share Price Performance of Banking Issuers After Dividend Cum-Date

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Abstract: The primary objective of this analysis is to examine the fluctuations in stock prices post dividend distribution, and to evaluate how dividends affect stock performance over a one-year period following their allocation. Statistical analysis using the Paired Sample T-Test is employed to assess time series data in this study. The sample used consists of seven banking issuers, namely BBCA, BBNI, BBRI, BMRI, BTPN, MEGA, and BNGA. The study findings suggest that there is a slight decrease in the performance of banking stock prices the day following the dividend cumdate, though not enough to be considered significant. However, a noticeable difference in share price performance among banking issuers is evident between three months and a year. This was obtained after conducting a paired sample t-test with a result of 0.032. The contraction of stock price performance at cum date in some companies at a certain time, resulting in stock prices falling within a few days. Some of the decline in stock prices after the cum date occurred only a few days or even less than one month, but there were several companies that experienced a longer decline or tended to experience a negative trend for a long time.

Keyword: Banking, Dividend, Stock, Price.

INTRODUCTION

Banking plays an important role in maintaining economic conditions and maintaining financial system stability. Therefore, various steps are needed to maintain banking stability and health, both from maintaining the stability of bank performance indicators and maintaining the intermediation function so that the allocation to the real sector and productive sectors is not disturbed. Healthy banking will have an impact on the smoothness and effectiveness of monetary policy in controlling financial system stability.

Shares according to Sutrisno (2009) are Evidence of owning or being involved in a business in the shape of a PT company with limited liability, while according to the Veale (2014) shares are tangible evidence of someone having a stake in a business or physical ownership of a company. Where the form of shares is in the form of a piece of paper with legal force which explains that the owner of the paper participates in the company's capital participation.

The major impact on the global economy, especially the Indonesian economy, is the covid-19 pandemic phenomenon that occurred in 2020 to 2021. Economic growth in Indonesia took a sharp dive to -5.6 per cent, sparking panic selling in the country's capital market sector and leading to a significant drop in the Composite Stock Price Index. Various sectors of the economy were affected, especially the banking sector, which is one of the sectors that plays a major role in the value of the JCI.

As stated by Putri (2020), the fluctuations in stock prices are directly tied to how the market perceives changes in company value. Stock price volatility and performance is one of the considerations for investors in determining their choice to invest or not.

During the Covid-19 pandemic, banking stocks like those of Bank Mandiri, Bank BTN, Bank BCA, and Bank BRI were significantly impacted, with a noticeable reduction in their stock prices.

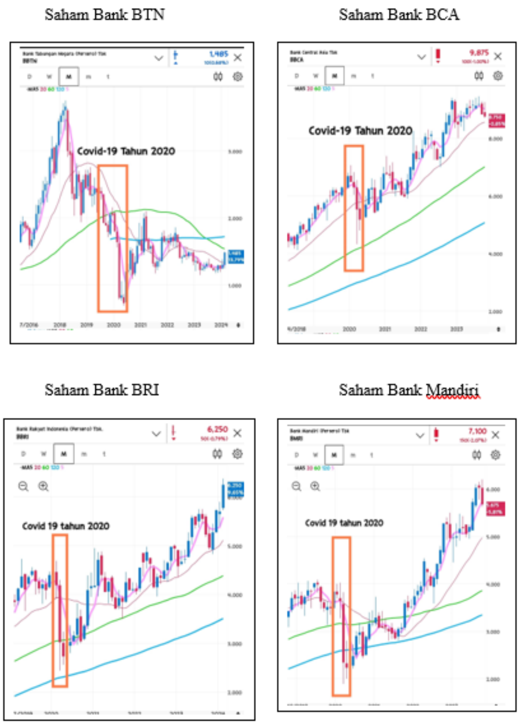

Figure 1. Shares of Bank Mandiri, Bank BTN, Bank BCA, and Bank BRI

The data obtained from the Mandiri Sekuritas application related to the banking stock prices during the COVID-19 pandemic in 2020 is described in Figure 1 above. Figure 1 shows a comparison of the stock charts of several banks in Indonesia during the COVID-19 pandemic period in 2020. Each graph reflects the bank's stock performance from mid-2018 to 2023, with orange highlighted sections indicating significant declines or volatility that occurred during the pandemic. In the case of Bank BTN shares, there is initial volatility with a fairly drastic drop, followed by a gradual recovery. Meanwhile, Bank BCA shares showed a strong upward trend with slight declines that were quickly recovered from, reflecting resilience and positive market performance post-pandemic. Bank BRI shares had a similar pattern, experiencing an initial decline but then showing a significant recovery. On the other hand, Bank Mandiri shares also showed a slight decline during the pandemic but still followed a positive trend, signalling strong growth. Overall, most banks showed a recovery trend after COVID-19, reflecting the resilience of the banking sector and the market's confidence in these banks despite the huge challenges. This data can also serve as a reference for investors to evaluate growth opportunities in the Indonesian banking stock market.

The role of banking as an intermediary institution, its activities depend on the level of trust or trust from its consumers, which in this case are its customers as owners of funds. If the level of trust is reduced, banks will experience difficulties in carrying out their activities. So that the process of collecting and distributing funds can be disrupted. As one indicator of a healthy bank, it can be seen from the performance of its stock price. Banks that have good financial reports and have a positive PER level are able to distribute dividends to investors as part of the capital owners in the company. Musfitria (2017) states that the dividend distribution policy which results in an increase in dividends from year to year increases the level of investor confidence.

Kamaruddin (2004) states that dividend policy is the payment of company profits to shareholders. Dividend policy is a financial decision, namely by considering whether dividend payments will increase shareholder prosperity (Simajuntak, 2022). Dividends according to Zaki Baridwan & Msc (2005) are company profits to shareholders in proportion to the number of shares owned. This dividend distribution is carried out periodically, but it does not rule out the possibility of dividend distribution at a certain time out of habit. Dividend distribution can make a reason for investors to invest in a company. Companies that pay dividends are companies that have a positive PER level, but if on the contrary, the company will not pay dividends to shareholders.

Several observational studies have been carried out to examine the correlation between financial factors and stock values in banking firms within Indonesia. Indriani and Dewi (2016) in her studies have revealed that the risk profile has a detrimental and noteworthy impact on the value of bank stocks, as determined through an analysis involving multiple linear regression. This indicates that as the risk increases, the corresponding share price decreases. In contrast, Putri (2020) investigated how the COVID-19 outbreak affected banking stocks by utilising the T-test approach. The findings highlighted a substantial disparity in stock prices pre and post the pandemic, demonstrating the significant influence that a worldwide crisis like a pandemic can have on stock price fluctuations.

In addition, Istanti (2018) investigated how dividend policies impact stock prices in LQ 45 companies. She discovered that stock prices are not solely influenced by dividend policy, as both macro and micro economic factors also contribute significantly. Rasyid (2018) Studied the correlation between financial results and dividend strategy in the banking sector listed on the Indonesia Stock Exchange. The research indicated that financial performance tends to have a detrimental impact on the Dividend Payout Ratio (DPR), even though the effect is not statistically significant. Another study by Sujana (2003) demonstrated through quantitative analysis that the occurrence of Ex-dividend days exerts a considerable impact on the stock prices of both banking and non-banking firms. Finally, Rachman (2017) research delves into how dividend policies impact stock prices of banking firms listed on the IDX. The findings indicate that the Dividend Payout Ratio (DPR) influences stock prices, whereas the Dividend Yield (DY) does not. This research illustrates that a range of factors, internal and external, are significant in shaping the fluctuations of banking stock prices in Indonesia. There is an interesting phenomenon when the announcement of dividend distribution until the cum date occurs. There is a contraction in stock price performance on the cum date of some companies at a certain time, resulting in stock prices falling within a few days. Some stock price declines after the cum date occur only a few days or even less than one month, but there are some companies that experience a longer decline or tend to experience a negative trend for a long time. This study aims to analyse the share price performance of banking issuers after the cum dividend date. Specifically, this study focuses on two main things, namely identifying whether there is a significant change in stock price performance after the cum dividend date, and analysing the impact of dividend distribution on the stock performance of banking issuers within one year after the dividend distribution. The results of this study are expected to provide a deeper understanding of the relationship between dividend distribution and stock price changes in the banking sector.

METHOD

The methodology employed in this research utilises statistical analyses on time series data. Initially, data collection is crucial in isolating pertinent information aligned with the research goals. Subsequently, the data is analysed using the Paired Sample T-Test approach to yield the desired research outcomes. This examination is carried out to evaluate the stock performance of banking companies listed on the Indonesia Stock Exchange following the implementation of the dividend distribution policy at the cum date. The population of this study is the shares of banking issuers, and the samples used are seven banking issuers that pay dividends in 2023 and have a large market capitalisation, namely BBCA, BBNI, BBRI, BMRI, BTPN, MEGA, and BNGA shares.

The data tested is data with two paired samples, the sample is one sample with 2 different treatments that produce differences in the data. The existence of one sample with two differences makes this test appropriate. The treatment in question is the occurrence of cum-date dividends or the time limit for holding shares before dividend distribution. So that it can answer whether there is a difference before and after. Before the Paired Sample T-Test, a normality test is required which is described in the Shapiro-Wilk test so that the data to be tested can be declared suitable for processing in the next test.

The hypothesis built in this study is as follows.

H01: There is no difference in stock price performance after Cum-Date Dividend

Ha1: There is a difference in stock price performance after the Cum-Date Dividend

H02: There is no difference in stock price performance within one year after Dividend Cum-Date

Ha2: There is a difference in stock price performance within one year after the Cum-Date Dividend

RESULTS AND DISCUSSION

Normality Test

Before conducting the paired sample t-test, a data normality test was conducted on the research sample, with the following results.

Table 1. Normality Test Result

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
After Cum Date	.171	7	.200*	.938	7	.623

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

Based on the Shapiro-Wilk normality test, the significance value is 0.623> 0.05, which means that the sample data tested has a normal distribution. The normality test on the selected sample is also reinforced by the Q-Q Plot normality test below which illustrates that the data is normally distributed.

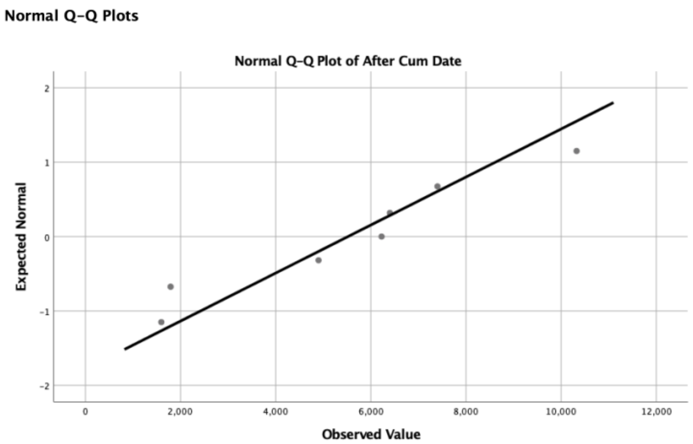

Figure 2. Normality Test Result

Paired Sample T-test

After it is found that the data is normally distributed, the data used is suitable for paired sample t test. This test is divided into 2 tests, the first test is to answer the first hypothesis, which is to see the difference in samples right after cum-date (one day to three months after cum-date), the next test is to find out the difference in performance after cumdate in a period of up to one year. The tests performed are as follows.

a. Short Term (One Day After *Cum-Date*)

Table 2. Paired Sample T- Test Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Before Cum Date	4605.71	7	2611.338	986.993
	After Cum Date	4447.86	7	2617.562	989.346

Table 3. Paired Sample T- Test

		Paired Differences							
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper	t	df	Sig. (2-tailed)
Pair 1	Before Cum Date - After Cum Date	157.857	185.604	70.152	-13.798	329.512	2.250	6	.065

The difference in the average share price before and after the cum-date, namely 4605.71 before and 4447.86 after, indicates that investors may be reacting to information related to dividend distribution. In general, dividend payouts are often perceived as a positive signal about the health of the company. However, in this case, it seems that the market responded with a drop in share price after the announcement.

Investors often sell their shares after receiving dividends, which can lead to significant selling pressure on the day following the cum-date. This could be because investors are trying to realise the gains from the dividends that have been received, thus triggering a decline in the share price. In addition, it is possible that the market has already predicted the dividend distribution and has incorporated these expectations in the share price before the cum-date, so a negative reaction after the dividend distribution may occur when these expectations are not met or there are concerns about potential future performance declines.

Furthermore, the result of the paired samples t-test showing a significance value of 0.065 which is greater than the 0.05 threshold indicates that, statistically, the decline in share price is not significant. This implies that although there was a change in price, the effect was not strong enough to suggest that the dividend distribution had a significant impact on the stock's performance in the short term. The price decline that occurred may have been more reactive in nature and not the result of a fundamental change in the company's performance itself.

As such, it can be concluded that the drop in share price the day after a dividend distribution is temporary and does not indicate a significant change in the intrinsic value of the bank's shares. Investors may need to consider other factors, such as market sentiment and short-term reactions, before making investment decisions. Therefore, it is important for investors to conduct further analyses and not rely solely on market reactions that may be speculative in nature post dividend distribution. In addition, further research can be conducted to see how other external factors, such as macroeconomic conditions or government policies, may affect the future performance of banking stocks.

b. Short Term (Three Months After Cum-Date)

Table 4. Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Before Cum Date	4457.86	7	2570.912	971.714
	After Cum Date	4605.00	7	2641.578	998.423

Table 5. Paired Samples Test

		Paired Differences							
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper	t	df	Sig. (2-tailed)
Pair 1	Before Cum Date - After Cum Date	-147.143	427.209	161.470	-542.245	247.959	-.911	6	.397

The short-term test results based on the table above show that the average share price before cum-date was at 4457.86, while after cum-date it increased to 4605. This increase, which occurred within three months of the dividend announcement, could theoretically be interpreted as a positive market reaction to the dividend distribution, which is often considered a signal of the company's financial health. However, despite the increase in share price, further analysis using the Paired Samples Test shows that the Significance value (Sig. 2-tailed) of 0.397, which is greater than the 0.05 threshold, indicates that there is no statistically significant difference between the share price before and after the cum-date. This means that the alternative hypothesis (Ha) stating that there is a significant effect on banking performance after dividend distribution is rejected.

This conclusion suggests that the price increases seen are not strong enough to be considered an indication of the effect of dividends on share price performance. There are several factors that may contribute to this finding. Firstly, the market reaction to dividends is not always directly proportional to the increase in share price; share prices can be influenced by various external elements, such as macroeconomic conditions, market sentiment, and the overall performance of the banking industry. Secondly, there is a possibility that investors have already priced in the dividend announcement, hence the immediate impact on share prices is not significant.

As such, this analysis highlights the importance of considering the broader context in evaluating the effect of dividends on stock performance. Despite the price increase, these results suggest that other factors may be more dominant in influencing stock prices in the market. Therefore, investors and analysts need to look deeper and consider the various variables that may influence their investment decisions, and understand that dividend announcements are just one of the many factors that can affect stock performance.

c. Long Term Up to One Year After Cum-Date

Table 6. Paired Samples Test Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Before Cum Date	4457.86	7	2570.912	971.714
	After Cum Date	5519.29	7	3098.300	1171.047

Table 7. Paired Samples Test

		Paired Differences							
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper	t	df	Sig. (2-tailed)
Pair 1	Before Cum Date - After Cum Date	-1061.429	1008.769	381.279	-1994.384	-128.473	-2.784	6	.032

Specifically, the average value of stock performance before cum-date was recorded at 4457.86, while after cum-date it increased to 5519.29. This increase suggests that investors have a positive response to dividend announcements, which are often considered a signal of a company's financial health. Dividend announcements may reflect the confidence of company management in future performance, so investors tend to increase their investment after the announcement.

The use of the Paired Samples Test in this analysis makes it possible to assess the difference between two interrelated conditions - in this case, the conditions before and after the cum-date. With the statistical test results showing a p value of 0.032, which is lower than the significance level of 0.05, we reject the null hypothesis (H0) stating that there is no significant difference between the two means. Instead, the acceptance of the alternative hypothesis (Ha) indicates that the observed changes are not coincidental, but rather the result of factors affecting stock performance.

In addition, it is important to consider external factors that may play a role in the changes in stock performance. Factors such as macroeconomic conditions, interest rates and government policies may affect investor confidence and, in turn, the performance of banking stocks. In addition, market perceptions of the banking industry and prevailing liquidity conditions may also contribute significantly to changes in stock value after cum-date. Furthermore, this analysis may expand our understanding of investor behaviour. An increase in post cum-date stock performance can be interpreted as a strengthening of positive sentiment among investors, which is most likely triggered by the belief that the announced dividend reflects good corporate performance. Therefore, investors may assume that banking stocks have the potential to deliver better returns in the future.

In an investment context, the results of this analysis provide valuable insights for investors and portfolio managers. Understanding the cum-date effect on stock performance can help in making investment decisions, especially in planning the right investment timing to maximise returns. However, further analysis is needed to understand the more complex dynamics behind stock market movements and how various factors may affect the future performance of banking stocks. Overall, the results of this study not only indicate an improvement in stock performance after cum-date, but also highlight the importance of understanding the context and factors that may influence the market response to dividend announcements.

The outcome of this practical investigation reinforces the conclusions drawn in previous studies regarding the impact of financial factors on the value of banking stocks. For instance, the research by Indriani and Dewi (2016) highlights the negative impact of risk on banking stock prices, aligning with our findings of a temporary decrease in stock prices following the cum-date. Likewise, Putri's study (2020) on the effects of the COVID-19 pandemic on banking stocks indicates notable disparities in stock prices before and after the pandemic, mirroring the influence of external factors on stock price fluctuations. However, the results of the current study show that dividend distribution does not have a significant effect on stock performance the day after cum-date, although on average there is a decrease. This is in line with Rasyid's (2018) findings that financial performance does not always significantly affect dividend policy. Interestingly, in the three-month and one-year periods after cum-date, the results show a significant increase in stock prices, in line with the findings of Sujana (2003) which shows that Ex-dividend day has a significant effect on stock prices. This suggests that while dividend distribution does not necessarily affect stock prices directly in the short term, the impact may be more significant in the longer term.

Based on the overall research results, it shows that the stock price performance of banking issuers after the dividend cum date has complex dynamics. This study found that stock prices tend to decline right after the cum date, but the decline is not statistically significant. This implies that stock price movements after the cum date are more influenced by short-term speculative factors, such as the reaction of investors who sell shares after receiving dividends.

In the long term, particularly in the period of three months to one year after the cum date, there is a significant increase in the share price. This suggests that dividend payments can provide a positive signal about a company's financial health and increase investor confidence, which in turn triggers a longer-term increase in share prices.

So it is important to consider the right time to sell or hold shares after the cum date. Investors may need to hold shares for a longer period of time, three months to a year, to maximise the potential gains from capital gains. In addition, this study provides insight that investment decisions should not be based solely on short-term market reactions following dividend announcements, but should consider a more in-depth analysis of external factors such as macroeconomic conditions and government policies that may affect stock performance in the long run.

CONCLUSION

The conclusion obtained after conducting the paired sample t-test is that within a period of one day after the cum-date dividend, the stock price has decreased but there is no significant difference with the stock price before cum-date. The price declines the day after the cum-date dividend is in accordance with the previous findings, namely that there is a decline in prices so that it often makes investors who buy shares in the three months before the cum-date dividend experience losses. However, the performance of banking stocks has increased over a longer period of time ranging from 3 months to one year. This is indicated by the sig value. (2-tailed) 0.032 <0.05, then Ha is accepted, which means that there is a significant difference in the average share price after the cumdate dividend. Therefore, advice for investors who own banking shares 3 months before the cum-date dividend is better to hold and not take advantage in the form of capital gains within 3 months after the cumdate dividend. Based on the results of this study, a good recommendation is to take advantage of capital gains three months to one year after the cum-date dividend because the performance of banking stock prices has experienced a significant difference or increase.

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