ANALYSIS OF STOCK SPLIT AND CORPORATE FINANCIAL PERFORMANCE IN INDONESIAN STOCK EXCHANGE.

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Stock split solution is one of the capital restructuring forms which was executed by a company caused split effect, that is a company execution which caused the rise of stock amount which spread proportionally more than the rise of company wealth. The research purpose is to analyze finance performance and the expensive share cost in the decision of stock split. Emiten which was included sample classified to two, namely one executed stock split in the term of Januari 2011-December 2012 and one did not execute share solution in the term. The number of sample emiten is 13 emiten consisted of 6 emiten which executed stock split, have net profit data, earning per share (EPS), price to book value (PBV), and price to earning ratio (PER). Analysis device was ANOVA. The research result showed that there was no significant difference finance performance between company which executed share solution and company did not execute stock split, and no significant difference expensive share price between company which executed stock split and company which did not execute stock split.

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Background:
Competitive conditions currently require companies to constantly develop the company through certain strategies. This is to support the improvement of performance and maintain the existence of the company in the community. One of the efforts to become bigger and stronger is through expansion. The company, as an entity, generally oriented towards achieving maximum profit. The right and good setting the management of capital structure will help the course of the activity. Capital structure has an important role for the company both in a critical condition and a healthy condition to finance its operations. The decision to increase or decrease the capital structure will influence the company's performance in the future (Smith, 1990). The company's ability to achieve the maximum profit is only enabled if the company's performance is getting better. Investors or potential investors will be interested in return (rate of profit) expected for the future relative to the risk of the company, and the benefits can compensate for the additional risk that arises (Myers, 1984). The increased performance of the company is expected to maximize the wealth of shareholders, in this case there are two approaches in describing the purpose of shareholder wealth maximization into more detailed objectives, namely through the risk-sharing approach and the liquidity-profitability approach (Hampton, 1989). Capital market, in its operation, provides the opportunity for a company that has grown well to issue securities. In this case the company will get additional funds from the public for the company's development as well as to improve the company's capital structure. The increase of financial funding sources will increase the company size, the larger the size of the company will be more and more
alternatives the company can choose in order to optimize its performance. Large-scale enterprise has several advantages. First, the securities of large companies reflects the assets easily traded so that more liquid and have low risk (Crutchley and Hansen, 1989); second, the size of a large company happens due to the process from time to time that reflect the success of the company's performance in the past and are also useful as an indicator on the performance of the company in the future so that the relatively lower risk of bankruptcy; third, large companies have economies of scale that allow it to operate more efficiently.

**Materials And Methods:**
Stock split can be meant as splitting a sheet of stock into several sheets of shares. Stock split resulted in the increase in the number of shares outstanding without a sale and purchase transactions that change the amount of capital, the price per share is equal to \( \frac{1}{n} \) of the price before splitting. With the stock split, the number of shares increased through a reduction in the value of shares proportionally. The main purpose of stock splits is to put stock in a more attractive trading range, which is expected to attract more buyers (Van Horne and Wachowicz, 2012). Action of stock split takes effect for investors, because they will feel as though become more prosperous due to theyhold shares in more number, so the stock split is actually an act of a company that does not have economic value (Ikenberry et al., 1996). YulongMa et al (2000), Tawatmuntacahai and D'Mello (2002) stated that the company make a stock split was due to anticipation of a decrease in earnings volatility. Although theoretically the stock split had no economic value, but many events of stock split in the capital market gives an indication that the stock split is an important tool in the capital markets practice, which is used by management to establish a market price of shares of the company. David, O’hara, and Saar (2001), Griffin (2010), , and Tabibian (2013) stock split of the company can deliver value to the company, while investors see the stock split positively as a good investment. The announcement of a stock split is considered as a signal given by the management to the investment or potential investment that the company has performed well and has good prospects in the future (Aigbe et al, 1995, and Brealey et al., 2007).

Ikenberry et al. (1996) found evidence that the stock split resulted in the re-arrangement of share price at the lower range, so the company conducts a stock split due to view that its stock price is too high. In other words, the stock price that too high is the impetus for company to conduct stock split. Hua and Ramesh (2013), Jennifer Koski (2007) said that the volatility decreases after the stock split carried out, in particular, for the lower stock price, finally there is a significant correlation between changes in the amount of change in the volatility of trading after the stock split. Vafeas(2001) stated that the stock split was preceded by their small income significantly, and has a significant relationship of incomes rise after the stock split that benefits the market participants. While Jain and Robani (2014) stated that if the company conduct stock split when economic conditions are in crisis, then the market reaction will be negative and decreased if compared to the normal economic conditions. Marwata (2001) found that the differences in financial performance and in level of expensiveness of share price measured the net income and earnings per share are not higher if compared to those of companies that do not do stock split.

**Variable used in this analysis are:**

- **Financial Performance**
  It is the financial data that the company had achieved in a certain period of time. The financial performance of companies that perform the stock split and the company does not do a stock split is measured by:
  - Net Profit or Earnings after Tax (EAT) is an annual net profit of the period ended in December 31 of year before the stock split done. The variable data is measured in rupiahs unit.
  - Earning per share (EPS) is a ratio used to measure a profit level of the company. The results of the calculation of this ratio can be used to estimate the increase or decrease in the stock price of a company on the stock exchange. The EPS used is the EPS at the end of the period prior to the stock split carried out.

  \[
  \text{EPS} = \frac{\text{Net Profit}}{\text{Number of Shares}}
  \]

- **Expensiveness of stock price**
  The nominal price of shares traded on the capital market. Expensiveness stock price of the company conducting stock split and the company do not do a stock split is measured by:
  - Price to Book Value (PBV) is a price ratio calculated by dividing the current stock price and the book value, the book value itself is a ratio calculated by dividing total net assets (asset-debt) to the total shares outstanding. PBV used is the PBV of end year before the stock split year.

  \[
  \text{Book Value} = \frac{\text{Total Equity (Asset–Debt)}}{\text{Number of Shares Outstanding}}
  \]
PBV = \frac{Stock\ Price}{Book\ Value}

- Price to Earnings Ratio (PER) is the ratio of the price which is calculated by dividing the current stock price by the earnings per share (EPS) is a ratio that indicate show much profit is obtained by investors or share holders of pershare. PER used is the end year PER before the stock split year.

\[
PER = \frac{Stock\ Price}{EPS}
\]

The dependent variables:-
Stock split is the replacement of the number of shares outstanding by the number of new shares, without changing the total nominal value. Stock split is a qualitative variable, so in this test the variable is categorical, namely:

a. For companies that perform the stock split it will be rated 1.
b. For companies that do not do stock split will be rated 0.

Sampling Method:-
The population studied was taken from manufacturing companies that went public in the Indonesian Stock Exchange. Selection of the sample used is lined with the list of companies that conducted the stock split during the period from January 2011 to December 2012. The number of issuers that became the sample were 13 issuers which consisted of 6 issuers that conducted the stock split and 7 issuers that did not conduct the stock split. Randomly selected by criteria of issuers that have data of nominal profit, EPS, PBV and PER during January 2011 - December 2012 and 7 issuers that did not perform the stock split.

Data Analysis:-
Testing was done by comparing the variance and the average of the two independent samples (t test for independent samples) which included the Levene test. To find an analysis, it can be done by means of:

\[ H_{0A} : \text{Both variance samples (net profit, EPS, PBV, and PER) are identical (variance samples of companies that conduct the stock split and those that do not conduct the stock split are the same).} \]

\[ H_{1A} : \text{Both variance samples (net profit, EPS, PBV, and PER) are not identical (variances samples of companies that conduct the stock split and do not conduct the stock split are different).} \]

Where:
- If the probability > 0.05 then \( H_{0A} \) accepted and \( H_{1A} \) rejected
- If the probability < 0.05 then \( H_{0A} \) rejected and \( H_{1A} \) accepted

To carry out the different test of two averages by F test is used the following formula:

\[
F_{\text{count}} = \frac{\text{Mean Square Between Groups}}{\text{Mean Square Within Groups}}
\]

Results And Discussion:-
Test of Data Homogeneity:-
The test used is the test of homogeneity of variance which is by Levene test, from the calculation results is obtained as follows:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Levene Statistic</th>
<th>df1</th>
<th>df2</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit (X1)</td>
<td>2.590</td>
<td>1</td>
<td>18</td>
<td>.125</td>
</tr>
<tr>
<td>EPS (X2)</td>
<td>1.470</td>
<td>1</td>
<td>18</td>
<td>.244</td>
</tr>
<tr>
<td>PBV (X3)</td>
<td>.245</td>
<td>1</td>
<td>18</td>
<td>.627</td>
</tr>
<tr>
<td>PER (X4)</td>
<td>.206</td>
<td>1</td>
<td>18</td>
<td>.655</td>
</tr>
</tbody>
</table>

\textbf{Source:} Data processed

The calculation results in the table above for the financial performance which consists of net profit and earnings per share have the probability value or the significance greater than 0.05. This means that the data of the variables of net profit and earnings per share have the uniform or equal variances. Expensiveness of stock price which consists of price to book value and price earnings ratio has probability or significance greater than 0.05, which means that the data of the price to book and price earnings ratio variables have the same homogeneity.
Hypothesis Testing:
Hypothesis testing in this study used the different test of two averages for the samples that disjoint. The research result shows the values as presented in the table below:

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>F value</th>
<th>( \rho ) value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Do not do stock split</td>
<td>Perform stock splits</td>
<td></td>
</tr>
<tr>
<td>Net profit</td>
<td>216085.21</td>
<td>69114.50</td>
<td>0.443</td>
</tr>
<tr>
<td>EPS</td>
<td>74.0714</td>
<td>48.333</td>
<td>0.101</td>
</tr>
<tr>
<td>PBV</td>
<td>4.3621</td>
<td>1.9350</td>
<td>0.512</td>
</tr>
<tr>
<td>PER</td>
<td>23.37</td>
<td>9.225</td>
<td>0.343</td>
</tr>
</tbody>
</table>

Source: Data processed

Based on the table 2 above, it was found that the mean of net profit of the companies that do not conduct a stock split is greater than the mean of the companies that conduct a stock split. \( F \) value = 0.443 with probability (\( \rho \) value) of 0.514 is for a net profit, due to the probability value greater than 0.05 then it can be stated that there is no significant difference between the net profits of companies that perform the stock split and the companies that do not perform the stock split.

The value of earnings per share of companies that do not conduct a stock split is greater than the earnings per share of companies that perform the stock split, of the calculation of F value = 0.101 with the probability (\( \rho \) value) of 0.754, due to the probability value (\( \rho \) value) greater than 0.05 then it can be stated that there is no significant difference between the earnings per share of companies that do a stock split and companies that does not perform the stock split.

Based on the table 2 above, the mean of price to book value of the companiesthat do not do the stock split is greater than companies that perform the stock split. From the calculation of F value = 0.512 with the probability (\( \rho \) value) of 0.483, due to the probability value (\( \rho \) value) greater than 0.05, it can be stated that there is no significant difference between the price to book value of companies that perform the stock split and companies that do not do stock split.

Based on the table 2 above, mean of the price earnings ratio of companies that do not conduct a stock split is greater than companies that perform the stock split. From the calculation of the F value it is obtained F value = 0.343 with the probability (\( \rho \) value) of 0.565, due to the probability value (\( \rho \) value) greater than 0.05, then it can be stated that there is no significant difference between the price earnings ratio of companies that conduct a stock split and companies do not conduct stock split.

Stock split has become a tool used by management to establish the market price of company shares. Stock split is the splitting of a number of shares into more number of shares with a reduction of nominal price of per share proportionally. According to signaling theory, a stock split is an effort to give a signal about the owned information by management about the financial condition of the company, so it can be hypothesized that companies that perform the stock split had the better financial performance than companies that do not do a stock split, this meant that companies with not good condition cannot perform stock splits. The market will respond positively if the signal giver is credible, therefore, the company must demonstrate its credibility.

The first hypothesis states there is a difference in net profit after tax between companies that carry out the stock split and companies do not do a stock split. Based on the test results, this hypothesis is not verified.

The second hypothesis states that there are differences in earnings per share (EPS) between companies that carry out the stock split and companies do not do a stock split. Based on test results, this hypothesis is not verified. These results do not support the signaling theory that explains that the stock split was an effort to give a signal about the owned information by management about the financial condition of the company, so it can be hypothesized that the companies that do the stock split have better performance than companies that do not do stock split. But in this study did not be proven that the companies that did stock split had better financial performance than companies that did not do stock split. These results are consistent with the research conducted by Marwata (2001) which concluded that the financial performance of companies that do stock split and companies that do not do stock split is indifferent. The stock price is too high (over price) causes less active shares traded, given the stock split, the share price becomes too
high, so that will more investors who can afford to buy the shares, the more the investors numbers would increase the liquidity of shares in the exchange.

The third hypothesis states that there is a difference of price to book value (PBV) between companies that carry out the stock split and companies do not do a stock split. Based on test results, this hypothesis is not verified.

The fourth hypothesis states that there is a difference of price earnings ratio (PER) between companies that carry out the stock split and companies do not do a stock split. Based on test results, this hypothesis is not verified. The results of this study do not support the theory of trading range hypothesis in explaining the occurrence of stock split. Theoretically, a stock split occurred due to stock prices are considered too expensive, so the stock split is an effort to drive the stock price at a specific range that is not too expensive, so it can be hypothesized that the companies that perform stock split have the price that relatively more expensive than companies that do not perform stock splits.

Conclusions:
From the analysis and hypothesis testing above, it can be concluded as follows:

a. For financial performance
   - There is a difference in net profit between companies that carry out the stock split and companies do not do the stock split is not verified.
   - There is difference in earnings of per share between companies that perform the stock split and companies that do not do a stock split is not verified.

b. Expensiveness of share prices
   - There is difference of price to book value (PBV) between companies that carry out the stock split and companies that do not do stock split is not verified.
   - There is difference in price to earnings ratio (PER) between companies that perform stock split and companies that do not do stock split is not verified.

From the analysis results and conclusions above, the suggestions can be submitted are as follows:
1. This study does not escape from the limitations, where the period of observation only covers the period consisting of the two financial statements alone. Further research should be encouraged to further expand the observations samples or periods of financial statements, so that the research results better reflect the performance and level of stock prices expensiveness in real.
2. Some things to consider to develop this research is the need to extend the observation period of studies in several periods before the splitting is done, tests performed on various industrial objects to expand the research observations.

References:


