

DETERMINANTS OF COMPANY STOCK SPLIT DECISIONS: STUDY ON GO PUBLIC COMPANIES IN THE INDONESIA STOCK EXCHANGE

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Abstract

This study aims to determine the effect of the high level of stock prices, company financial performance, and stock trading liquidity on stock split decisions in companies listed on the Indonesia Stock Exchange. It uses a quantitative approach. The research population includes all companies listed on the Indonesia Stock Exchange in the 2014-2016 period. The sample was determined by purposive sampling technique and 40 companies were obtained. The analytical method used in this study is logistic regression analysis.

Based on research results, it can be concluded that the level of overpriced stock prices by proxy Price Earning Ratio (PER) has a significant positive effect on the company's stock split decision. The level of expensive stock prices proxied by Price Book Value (PBV) has a significant positive effect on the company's stock split decision. The company's financial performance by proxy Earnings Per Share (EPS) has a significant positive influence on the company's stock split decision. The company's financial performance proxied by Return on Assets (ROA) has a significant negative effect on the company's stock split decision. Stock trading liquidity proxied by Trading Volume Activity (TVA) has a significant negative effect on the company's stock split decision. The Nagelkerke R Square value in this study is 0.702 which means the ability of the variable level of expensive stock prices, the company's financial performance, and stock trading liquidity explains the company's decision variable to do a stock split of 70.2%. The remaining 29.8% of the dependent variable is explained by other factors outside the model.

Keywords: Stock Split, Stock Price, Financial Performance, Stock Liquidity

INTRODUCTION

The purpose of a standing company in general is to be able to maximize company profits while the company's goal from a financial management perspective is to be able to maximize shareholder wealth or maximize company value. Shareholder wealth is the multiplication between the price per share and the number of shares outstanding. This means that the wealth of shareholders will be reflected in the value of the company, which is indicated by the price of the company's shares on the stock exchange.

Uncertainty in stock prices in the capital market is influenced by the level of supply and demand for stock prices. For companies, an increase in share prices is considered as a condition that can benefit the company, but on the other hand, an increase in share prices that are too high (overprice) can cause the demand for these shares to decrease and vice versa (Alteza, Hidayati, & Darmawati, 2014). The decline in investor demand is because not all investors are interested in buying shares at high prices, especially for investors who have limited funds, so that investors will reverse direction to buy shares in other companies that have not too high price levels. To avoid this condition,

stock splits is an action taken by the issuer by dividing the value of its shares into a smaller nominal value. By doing a stock split, the price of the shares offered is lower, so it is hoped that many investors and potential investors will be interested in buying shares (Ang, 1997). Stock split actions will have a mirage effect for investors, namely investors will feel as if they are becoming more prosperous because they hold a larger number of shares. So a stock split is actually a company action that has no economic value (Marwata, 2001). Even though stock splits have no economic value, the number of stock split events in the capital market indicates that stock splits are an important tool in capital market practice (Marwata, 2001). Theoretically, a stock split will not increase shareholder wealth, because on the one hand the number of shares owned by investors increases, but on the other hand the share price decreases proportionally. Stock splits are carried out in the hope that the trading liquidity of the shares will increase, because investors can buy shares at a relatively lower price (Muazaroh and Iramani, 2005).

The company's financial performance is one of the factors that can influence stock split decisions, because financial performance is a measure of a company's success in generating profits and reflects the condition of a company. Marwata (2001) states that one of the descriptions of good prospects is good financial performance. Companies that carry out stock splits require sufficient funds, therefore only companies that have good prospects are able to carry out stock splits.

Rohana, et al. (2013) mentions several reasons for company managers to carry out stock splits, including, 1) so that the share price is not too expensive so that it can increase the number of shareholders and increase the Liquidity of Stock Trading, 2) to return the price and average trading size of shares to the range that has been targeted, and 3) to

convey information regarding investment opportunities in the form of increased profits and cash dividends

Various empirical studies on the factors that can determine a company's decision to do a stock split have been carried out. Rohana's research results, et al. (2003) found that the Expensive Level of Stock Prices has a positive effect on company stock split decisions and liquidity variables. Research conducted by Satoto and Hikmah (2010) found that EPS and EAT between companies that did stock splits and companies that did not do stock splits were significantly different. Research conducted by Zien (2013) found that the level of high prices as measured using PER and PBV is not a differentiating factor in a company's stock split decision. Yasa and Handayani (2017) state that the level of high prices and liquidity of stock trading does not affect the company's decision to do a stock split. Based on the background and there are facts of inconsistency in previous research, the researcher is interested in further examining whether the Expensive Level of Stock Prices, Company Financial Performance, and Stock Trading Liquidity affect the company's stock split decision as outlined in the title "Determinants of Company Stock Split Decisions (Studies on Go Public Companies Registered on the IDX).

RESEARCH METHODS

This research uses a quantitative approach that is causal associative. The population of this study are all companies listed on the Indonesia Stock Exchange in 2014-2016. This study took samples with purposive sampling method. The data used in this study is secondary data. The data taken is the company's financial statements in 2014-2016 obtained from the Indonesian Stock Exchange page (www.idx.co.id). The data analysis technique used in this study uses quantitative analysis techniques carried out by analyzing the problems that are manifested by data that can be explained quantitatively. The analytical method used in this study is logistic regression analysis

RESEARCH RESULT

In this study, the dependent variable Y has two categorical types, namely: companies that do stock splits are categorized with a value of 1 and companies that do not do stock splits are given a value of 0. This information can be seen from table 2 below.

Table 1. Coding of dependent variables

	Original Value	Internal Values
	Not doing Stock Split	0
	Conduct Stock Splits	1

Table 2. Descriptive Statistics of all companies that did stock splits and those that did not

	N	Min	Max	Means	std. Dev
Y	40	0	1	0.50	0.506
PER	40	-63.25000	830.51000	80.64259	194.16458
PBV	40	0.00000	14.91806	1.89349	3.24155
EPS	40	-104.64948	1735.06833	105.96236	286.85735
ROA	40	-0.10197	0.18994	0.03605	0.06483
TVA	40	0.00015	9.75307	0.63134	1.64889

Table 3. Descriptive Statistics of Companies Conducting Stock Splits

	N	Min	Max	Means	std. Dev
Y	20	1	1	1	0.00000
PER	20	-39.02000	2351.85000	212.96000	554.48725
PBV	20	0.14900	14.91806	2.59605	3.70935
EPS	20	-25.36237	1735.06832	177.77293	391.16374
ROA	20	-0.10197	0.18994	0.03961	0.06285
TVA	20	0.00015	2.35254	0.41908	0.71029

Table 4. Descriptive Statistics of Companies that Do Not Conduct Stock Splits

	N	Min	Max	Means	std. Dev
Y	20	0	0	0	0.00000
PER	20	-9.47075	178.31624	34.08619	45.13681
PBV	20	0.0000014	11.80925	1.19093	2.60190
EPS	20	-104.64947	185.59559	34.15179	70.99139
ROA	20	-0.08706	0.017087	0.03249	0.06818
TVA	20	0.00254	9.75306	0.08436	2.23191

Table 5. Regression Testing Results

Variable	B	Wald	Sig.
PER	0.012	3,924	0.048
PBV	0.506	5,976	0.015
EPS	0.018	4,685	0.030
ROA	8,396	1.005	0.316
TVA	-0.907	7,673	0.006

Based on the results of the descriptive statistics and regression testing results shown in Tables 3 and 4, it can be seen that the description of each independent variable in companies that do stock splits and companies that do not do stock splits is as follows:

The Expensive Level of the company's Share Price proxied by PER

The average level of expensive stock prices proxied by PER for companies that do stock splits is 212.96000, higher than companies that do not do stock splits of 34.08619, meaning that companies that do stock splits have an average higher stock price. than companies that do not do stock splits. The effect of the high-priced stock price variable proxied by PER on the company's stock split decision. The results of the analysis

show that the regression coefficient has a positive direction of 0.012 and the resulting significance value of 0.048 is smaller than the required significance level of 0.048 < 0.05. According to the trading range theory, the company will conduct a stock split to rearrange the stock price range so that it is not too expensive. Stock split will make the stock price lower or fall to a certain level so that it is affordable for investors (Margasari, Alteza, & Musaroh, 2015). Thus, the higher the Expensive Level of Stock Prices, the higher the possibility of a company to do a stock split. Stock splits are carried out to return stock prices to within the normal range so that shares become attractive to investors. PER describes market appreciation of the company's ability to generate profits. Investors generally prefer to choose stocks with low PER. The lower the PER of a stock, the cheaper the stock is in relation to company earnings. This research is in accordance with the research conducted by Khomsiyah and Sulisty (2001). The results of the research by Khomsiyah and Sulisty (2001) show that the Variable Level of Expensive Share Prices as measured by PER has a positive influence on company stock split decisions. Investors generally prefer to choose stocks with low PER. The lower the PER of a stock, the cheaper the stock is in relation to company earnings. This research is in accordance with the research conducted by Khomsiyah and Sulisty (2001). The results of the research by Khomsiyah and Sulisty (2001) show that the Variable Level of Expensive Share Prices as measured by PER has a positive influence on company stock split decisions. Investors generally prefer to choose stocks with low PER. The lower the PER of a stock, the cheaper the stock is in relation to company earnings. This research is in accordance with the research conducted by Khomsiyah and Sulisty (2001). The results of the research by Khomsiyah and Sulisty (2001) show that the Variable Level of Expensive Share Prices as measured by PER has a positive influence on company stock split decisions.

The Expensive Level of Share Prices that are proportional to PBV

The average level of expensive stock prices proxied by PBV for companies that do stock splits is 2.59605 higher than companies that do not do stock splits of 1.19093, meaning that companies that do stock splits have an average higher stock price. than companies that do not do stock splits.

The effect of the high-priced stock price variable proxied by PBV on the company's stock split decision. The results of the analysis show that the regression coefficient has a positive direction of 0.506 and the resulting significance value of 0.015 is smaller than the required significance level of 0.015 < 0.05. PBV describes how much the market appreciates the book value of a company's shares, meaning that the greater this ratio, the greater the market's confidence in the company's prospects. A positive regression coefficient indicates that companies with too high stock prices tend to do stock splits. This supports the trading range theory which states that management conducts stock splits driven by the behavior of market practitioners who are consistent with the notion that stock splits can keep stock prices from becoming too expensive. The results of this study are in accordance with research conducted by Widiastuti and Usmara in 2005. The results of their research were that they found that the variable Stock Price Expensive Level as measured by PBV had a positive and significant relationship to company stock split decisions.

Company Financial Performance proxied by EPS

The average company financial performance proxied by EPS for companies that do stock splits is 177.77293 higher than companies that do not do stock splits of 34.15179, meaning that companies that do stock splits on average have better financial performance than companies that do not do stock splits.

The company's financial performance is proxied by EPS on the company's stock split decision. The results of the analysis show that the regression coefficient has a positive direction of 0.018 and the resulting significance value of 0.030 is smaller than the required significance level of $0.030 < 0.05$. According to Lakonishok and Lev's research (in Baker and Powell, 1980) that a stock split is carried out after an increase in earnings and EPS. The decision to stock split after an increase in EPS is related to the signaling theory which states that the announcement of a stock split is considered a signal given by management to the public that the company has good prospects in the future. A positive coefficient value indicates that the greater the EPS value, the greater the probability of a company doing a stock split. This research is in line with the results of research conducted by Budiarjo and Hapsari (2013) and Putri (2012). The results of this study are that EPS has a significant positive effect on the company's decision to do a stock split.

The company's financial performance is proxied by ROA

The average company financial performance proxied by ROA for companies that do stock splits is 0.03961 higher than companies that do not do stock splits of 0.03249, meaning that companies that do stock splits on average have better financial performance than companies that do not do stock splits.

The company's financial performance is proxied by ROA on the company's stock split decision. The results of the analysis show that the regression coefficient has a positive direction of 0.018 and the resulting significance value of 0.030 is smaller than the required significance level of $0.030 < 0.05$. This result contradicts the signaling theory which states that the announcement of a stock split is considered a signal given by management to the public that the company has good prospects in the future. The results of the study showed that the ROA variable did not significantly influence the company's stock split decision due to the results of the ROA calculation where the mean value is smaller than the standard deviation value, namely $0.03695 < 0.06483$. The results indicate the distribution of the value of the company's financial performance proxied by ROA is not good.

Stock Trading Liquidity of companies proxied by TVA

The average stock trading liquidity proxied by TVA for companies that do stock splits is 0.41908 lower than companies that do not do stock splits of 0.84360, meaning that companies that do stock splits have an average level of stock trading liquidity. lower than companies that do not do stock splits.

Stock Trading Liquidity proxied by TVA on company stock split decisions. The results of the analysis show that the regression coefficient has a negative direction of -0.907 and the resulting significant value is 0.006 which is smaller than the required significance level of $0.006 < 0.05$. These results support research conducted by Kristiawati (2004). The research shows that the main motive of a company doing a stock split is to

increase the liquidity of its common stock and bring about a wider distribution of shares. These results support research conducted by Kristiawati (2004). The research shows that the main motive of a company doing a stock split is to increase the liquidity of its common stock and bring about a wider distribution of shares.

CONCLUSION

This study aims to determine the effect of the Expensive Level of Stock Prices, Company Financial Performance and Stock Trading Liquidity on stock split decisions of companies listed on the Indonesia Stock Exchange in the 2014-2016 period. Based on the results of logistic regression analysis, it can be concluded as follows: 1) Expensive Level stock prices proxied by PER have a significant positive effect on the company's stock split decision. This can be seen from the results of the analysis showing that the regression coefficient has a positive direction of 0.012 and the resulting significance value of 0.048 is smaller than the required significance level of 0.048 < 0.05 . 2) Expensive Level stock prices proxied by PBV have a significant positive effect on the company's stock split decision. This can be seen from the results of the analysis showing that the regression coefficient has a positive direction of 0.506 and the resulting significance value of 0.015 is smaller than the required significance level of 0.015 < 0.05 . 3) Corporate Performance finance proxied by EPS has a positive significant effect on the company's stock split decision. This can be seen from the results of the analysis showing that the regression coefficient has a positive direction of 0.018 and the resulting significance value of 0.030 is smaller than the required significance level of 0.030 < 0.05 . 4) Company Performance finances proxied by ROA have no significant positive effect on company stock split decisions. This can be seen from the results of the analysis showing that the regression coefficient has a positive direction of 8.396 and the resulting significance value of 0.316 is greater than the required significance level of 0.316 > 0.05 . And 5) Stock trading liquidity proxied by TVA has a significant negative effect on the company's stock split decision. This can be seen from the results of the analysis showing that the regression coefficient has a negative direction of -0.907 and the resulting significance value of 0.006 is smaller than the required significance level of 0.006 < 0.05 .

This study has several research limitations like only uses a period of 3 years and only gets a sample of 40 companies. This research only uses the variable level of overpriced stock prices, company financial performance, and stock trading liquidity. At least the variables used so that it is possible that the variables that have not been used can influence research. Based on the conclusions and limitations of the research that has been described, the following suggestions can be Investors are expected to pay more attention to the Expensive Level of Stock Prices, Company Financial Performance and Stock Trading Liquidity because it is proven that these factors can influence company stock split decisions.

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