

ABSTRACT

The research attempts to have a deep study on the effect of the dividend announcement towards the stock abnormal return at Jakarta Stock Exchange. The objective of the research is to get the knowledge whether or not the fluctuation of the cash dividend dealt in 1997 which is based on the average stock abnormal return gave useful information and all advance to detect the efficiency of the Jakarta Stock Exchange in 1997.

There are 30 shares for research sample consisting of 15 cash dividend rising shares and 15 other shares of decreasing cash dividend. The method used is purposive sampling, by using the most trade in stock that get different cash dividend in 1996-1997 in each industrial sector.

The model used is a test on the difference between means and that in the hypothesis, and a test on the difference between two groups means. The test is based on the level of significant at 5%.

The result shows that the information of the rise of cash dividend that was dealt in 1997 did not cause average positive stock abnormal return which is significantly difference from zero. However, the information of the degrees of cash dividend dealt in 1997 caused average negative abnormal return which is significantly from zero. There was no significant difference between the average stock abnormal return before or after the announcement of dividend, both for the share of the rising dividend group sample and the decreasing dividend group.

The conclusion of the research is that the announcement of dividend has no real effect on the stock abnormal return except for the decreasing dividend. The rise of cash dividend dealt in 1997 was not significant enough in providing information concerning the prospect of the rise of emitted the income in the future, and so was the decrease of cash dividend. In addition this research also finds out that the Jakarta Stock Exchange was not efficient yet within the year 1997.