4. Stock return: payments from corporation to stockholders invest their money by buying corporation stock.
5. Stock: the ownership of a corporation. A corporation may have several stocks, and each share within a class has the same rights as every share of stock in its class (Warren, Fess and Reeve, 1996).

without more analysis. And the security prices will fully reflect this good information. The market's response can be measured by using return as a value price change or with using abnormal return.

From the previous research that is done by Brook, Charlton, and Hendershott (1998) the firms can give the signal impending cash flow jumps by raising their dividends successfully. These firms also earn significantly positive abnormal stock returns. Based on the main problem and review of related literature stated above, the hypothesis of this research can be formulated as follows:

H1 : There is a positive cash flow following the announcement of dividend increase in the PI firms, TI firms, and NI firms.

H2 : There is a positive abnormal return following the announcement of dividend increase in the PI firms, TI firms, and NI firms.

date of dividend increase

Here we use 5 % degree of freedom in order to compare the Cumulative Average Abnormal Return 5 days before and after the announcement date. The criterion to reject Ho is to see the P-value of t. If the P-value of t is less than 0.05 the Ho is rejected, but if the P-value is more than 0.05 Ho is fail to reject.

### 4.3. Research Implication

The result of test for the first hypothesis is not consistent with Brook, Charlton, and Hendershott (1998) who found the evidence that the PI firms used dividend to signal their imminent cash flow jump. In this research, the p-value of t showed insignificant result. It may occur because the manager in Indonesia's firms do not use dividend as a signal to change the firm's expectation of the profit in the future.

Based on the test during 1998-1999, which was done in the second hypothesis, the result is consistent with Arsyah (1999) who did the test that showed the dividend changes did not significant with the excess return. There was positive abnormal return after the announcement of cash dividend increase, therefore after testing the abnormal return with one tail t-test the result was insignificant ($H_2$). It can be said that the dividend announcement did not influence the company's stock price in the Jakarta Stock Exchange.

Based on this research findings, it implies that there was no significant difference in the cash flow and abnormal return before and after the announcement of dividend increase both of PI firms and NI firms. By raising the dividend, the firms cannot do successfully signal impending cash flow jumps. And the investor does not appear to interpret the dividend changes as signal about future profitability. Many factors affected the investor's behavior relating to their decision to buy or sell the stock. The information might become one factor that might affect the investor's decision. The investors might also find the condition of the company through another sources outside the dividend announcement.

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