ANALYZING THE RELATIONSHIP BETWEEN STOCK SPLIT AND PROFITABILITY

A THESIS

Presented as a Partial Fulfillment of the Requirements
To Obtain the <u>Bachelor Degree</u> in Accounting Department

By

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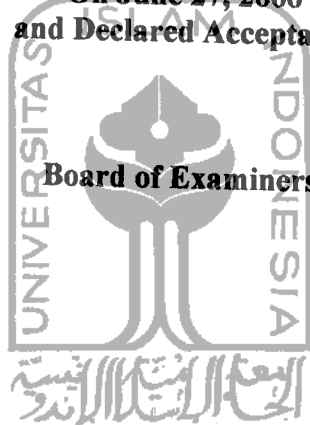
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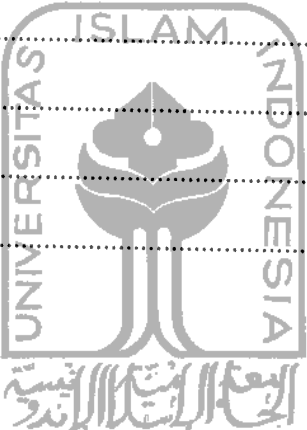
Yogyakarta, June 10, 2006

Ilsa Haruti Suryandari

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Abstract

Suryandari, Ilsa Haruti (2006). Analyzing the Relationship between Stock Split and Profitability, Yogyakarta. International Program, Fakultas Ekonomi, Universitas Islam Indonesia.

Berbagai penelitian tentang *stock split* telah dilakukan. Diantaranya adalah penelitian yang dilakukan oleh Fama, Fisher, Jensen, and Roll (1969), Copeland (1979), Asquith, Healy, dan Palepu (1989), Baker dan Powel (1993), Amoruso dan Gaver (1998), Louis dan Robinson (2003), menunjukkan motif dibalik kebijakan *stock split* yang dilakukan oleh perusahaan. Penelitian tentang *stock split* juga menunjukkan adanya informasi yang dibawa oleh *stock split*. Penelitian yang dilakukan oleh Huang, Liano, and Pan (2002) menunjukkan sedikit bukti bahwa *stock split* berhubungan dengan *future profitability*.

Penelitian ini merupakan replikasi dari penelitian Huang, Liano, and Pan (2002) dan berusaha untuk membuktikan bahwa *stock split* memiliki hubungan dengan profitabilitas sebagai bagian dari kinerja perusahaan. Populasi penelitian ini adalah perusahaan-perusahaan yang terdaftar di Bursa Efek Jakarta dan melakukan stock split pada periode antara 1999-2002. Periode ini dipilih karena cukup banyak perusahaan yang melakukan stock split pada periode ini.

Pada penelitian ini, keberadaan *stock split* diwakili oleh *stock price* dan *stock ratio* sementara *profitability* ditunjukkan oleh *return on equity, earning per share, price-earning ratio*. Penelitian ini menggunakan *market value of equity* sebagai variabel penjelasan dari *stock price*. Hasil dari penelitian ini menunjukkan bahwa *stock split* ternyata tidak memiliki hubungan dengan *return on equity, earning per share*, dan *price-earning ratio*.

Key Word: *stock split, profitability, return on equity, earning per share, price-earning ratio, stock price, stock ratio*

STATEMENT OF FREE PLAGIARISM

Herein I declare the originality of this thesis; there is no other work which has ever presented to obtain any university degree, and in my concern there is neither one else's opinion nor published written work, except acknowledge quotation relevant to the topic of this thesis which have been stated or listed on the thesis bibliography.

If in the future this statement is not proven as it supposed to be, I am willing to accept any sanction complying to the determinated regulation for its consequence.

Yogyakarta, June 10,2006

Ilsa Haruti Suryandari

CHAPTER I

INTRODUCTION

1.1. Background of The Study

Stock market is one of important factors in economy. It also has a specific character that has serious influences to company. Stock market is a medium to facilitate investors and company. Investors need a medium to place their fund and they expect to get return. The companies need capital to develop their business.

Stock is issued by company to get additional capital. The investors that buy stock are called shareholders. Most companies distribute their earnings to shareholders in the form of cash dividends. They also may distribute additional shares of stock to shareholders, who pay nothing for the shares, in the form of stock dividends and stock split (Baker and Powell. 1993). Stock split is an activity done by go public company to increase the number of their share in the stock market (Brigham and Gapenski, as stated in Sears and Trennepohl, 1993). It is usually done when the stock price is too high. Higher price of stock minimizes the ability of investor to buy stock.

Year by year, more companies have done stock split. From the data of Jakarta Stock Exchange website, there were 21 companies in 1999, 25

companies in 2000, 12 companies in 2001, and 20 companies in 2002. Some of the companies did stock split more than one in the period of those four years.

According to the data above, there must be reasons for company to do stock split. However, stock splits do not affect company's future cash flows, the proportionate ownership of shareholders, or the claims of other classes of security, but they involve administrative costs which can be substantial for large companies.

If this view is accurate, why do some companies issue stock splits? Some research on stock have frequently been undertaken. However, most of the research stay around the stock market or the shareholder. Most research on stock split stated the reasons at the stock market and not the companies itself. From the previous research, the primary motive of stock split was to increase the liquidity of the common stock and thus to bring a wider distribution of the shares (Dolley, 1933). The other research stated that the companies issuing stock splits are to provide a better trading range and thereby attract investors and enhance trading liquidity (Baker and Gallagher 1980).

The signaling hypothesis suggests that splits are an action made by management to reveal information about future earnings to the market. Lakonishok and Lev (1987) provide some evidence that supports the signaling hypothesis. Their analysis shows that splitting firms exhibit a median growth in their earnings of 16.31 percent in the first post-split year, which is slightly

greater than 13.28 percent for their control sample of non-splitting firms. However, their major finding leads them to conclude that stock splits are made mainly to adjust stock prices to the "normal" level. Prior research by Asquith, Healy, and Palepu (1989) indicates that the firms split their shares after a significant increase in earnings. They examined 121 stock splits that did not pay dividends prior to or in the announcement year, and reported significant earnings increases several years before the split.

A research recently done by Huang et al (2002) shows an evidence that stock split has a relation to future profitability. They examined whether stock split announcement convey information content of future profitability. They examined 635 stock splits from the firms that listed on NYSE, AMEX, and NASDAQ. The result shows that there is a negative relation between split signal factors and future earnings after controlling current profitability, market expectations about future earnings, and past dividend changes. It also shows that the split announcement year has the highest earning changes and these changes decline substantially over the subsequent three years.

It could be indicated that stock split has a relationship with corporate performance. Corporate performance could be derived from profitability, liquidity, capital structure, etc. Based on the consideration above, we assumed that there might be a relationship between stock split and profitability. For this study, we will use Return on equity, Earnings per Share and Price Earnings

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Ratio as the measurement of profitability. We will use stock price and split ratio to represent the occurrence of split. Hence, **ANALYZING THE RELATIONSHIP BETWEEN STOCK SPLIT AND PROFITABILITY** is taken as the title of the thesis.

1.2. Problem Identification

This research tries to examine the relationship between stock split and profitability. Management has several motives on doing stock split. Therefore, this research aims are to search some alternatives of management motives on stock split concerned with company performance especially profitability. Profitability in this research will be represented by Return on equity, Earning per share and price earning ratio. In the other hand, the existence of stock split will be represented by stock price and the split ratio.

The importance of the research is to determine the influence of the stock split policy to the company performance. This research can give us other perspective and evidence for the consideration of the management in the executing stock split.

1.3. Problem Formulation

Based on the explanation above, this study attempts to obtain possible answers of the following question:

Is there any relationship between stock split and profitability?

1.4. Research Objective

This research is done to analyze whether any influence of the stock split to the company performance is measured by profitability. It is also to define another reason of stock split except lower the price of market. The research will determine any changes on profitability of the company. It is expected that there is escalation on the profitability of the company.

This research aims to help the company make decision on issuing stock split. By understanding the motives, changes, and effects on issuing stock split to the company, it is expected to bring advantages for the management in making decision of issuance of stock split
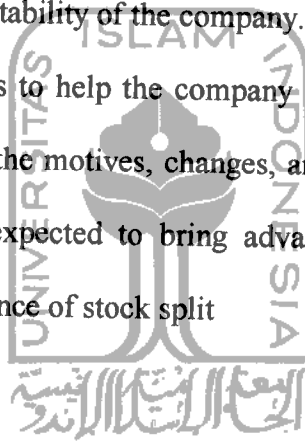
1.5. Research Contribution

1. Investor

   Hopefully, this research could be used by the investor as additional knowledge in investment..

2. Company

   This research is expected to give additional consideration to the company in a decision making process, especially a decision to do stock split.

3. Other researcher

CHAPTER II

REVIEW OF RELATED LITERATURE

This chapter explains the previous studies and theories used to confirm the effect of stock split to the profitability of the company. This research uses return on equity, earning per share, price earning ratio, split ratio, and stock price before and after stock split announcement date to conclude some hypotheses derived from previous studies and theories and also to verify the effects of the stock split to the company's profitability.

2.1. Theoretical Review

2.1.1. Understanding Stock Split

Stock split is a certain activity done by *go public* company in order to increase the number of outstanding shares (Brigham and Gapenski, 1994). Those activities are usually done when the stock price is determined too high and will decrease the investor ability to buy. We could also understand stock split as follows:

Stock split is splitting the value of stock to get more numbers of shares by proportionally decreasing the nominal value per share (Bambang Riyanto, 1995). There are two kinds of stock split, split up and split down.

- **Split up** is splitting the shares to the lower value in accordance with the split factor. The value is usually determined by $n_1:n_0$, n_1 is the number of split after splitting and n_0 that is the number of shares

does rise, the institutional holders will benefit more from price appreciation.

2.1.2. The Aim of Stock Split

There are some reasons of the company to do stock split. Weygand et.al (2002) stated that the purpose of stock split is to increase the marketability of the stock by lowering its market value per share. A lower market value also makes it easier for the company to issue additional stock.

According to Kieso and Weygand (1995), if a company has undistributed earnings over several years and sizable balance in retained earnings has been accumulated, the market value of its outstanding shares is likely to increase. Stock that was issued at prices less than $50 a share can easily attain a market value in excess of $200 a share. The higher the market price of a stock, the less it can be purchased by most people. The management of many corporations believe that for better public relations, a wider ownership of the company stock is desirable. Therefore, to have market price sufficiently low, it must be within the range of major potential investors.

The aim of stock split is to widen the trade of security and capital market. There will be smaller investors that could afford to buy the stock. In common stock, when the price reaches the optimum price, when stock split is exercised, it probably widens the capital market. Appropriate price per share could be assumed to attract more investor.

b. Stock splitting also has consequences in increasing the right to vote although the escalation is proportional with the previous right to vote.

c. The company total cost including the commission and wages that should be paid become half of the previous amount.

d. There is no tax levied because no sales transaction happened. In this case there will be no value added or asset distribution.

Hasan Zein (1997) also gives opinion about the reason in doing stock split. The reasons are:

a. To exploit the investor psychology in the efforts of increasing the liquidity of shares. Dividend stock and stock split will increase the number of individual or small investors that own a small number of shares. It makes a lower price of shares that could be afforded by investor. Consequently, the demand of stock will increase, the stock will be more actively traded, and the shares price might be higher than theoretical price.

b. To use the investor psychology about a higher profit level because of the lower price basis. If the stock price is Rp.1000,-, one point increasing (Rp.25,-) will be a 2, 5% profit.

Stock split sometimes presents the preparation of the company merger and acquisition. Proportional stock price will bring an easier negotiation of merger and acquisition done by transfering of shares.

2.1.3. Disadvantage of Stock Split

Stock split also has disadvantages. McGough (1993) discussed about the cost that will exist in stock split, including the transfer agent price for the certification process and so on. For the investors, there will be no disadvantage of stock split.

Hasan Zein (1997) stated that the consequence of the stock split is also about the cost. Cost of shares will increase because the ownership of the shares that represents only by a sheet of share should be changes into two sheets of shares. Back office cost in stock exchange company, clearance cost, and custodian cost is influenced by the physical number of shares. There will be a higher cost of broker after split.

2.1.4. Accounting Considerations

There is no rule of stock split stated in the *Standar Akuntansi Keuangan*. The regulation is only concerned with stock dividend given by the company. It is stated at the *PSAK* no 21 section 3 about stock dividend.

Zaki Baridwan (1992) explained that the change on stock split results only in the number of shares. Hence, for the company doing stock split, the activity could be recorded in memorandum or by providing journal to replace the previous capital account with the new capital account.

McGough (1993) has a different opinion. There will be an adjustment that should be done by management in the balance sheet and income statement. Journal should be made in the occurrence of stock split

that will affect the balance sheet of the financial statement at the end of the year.

Conroy and Haris (1999) explained about the accounting considerations of stock split in different way. During the analyses phase of a stock split, management must also reviews the effects on the balance sheet and income statement. One of the first considerations for accounting purposes is whether the par value of a share of stock will change. The par value is the value that a company places on a share of stock for accounting purposes as opposed to the value in the stock market. Par value has range from zero to several amount of money per share, depends on the company. For partial stock split, paid in capital (surplus) is capitalized for the par or stated value of the shares issued only when there is no change in the par/stated value. For a full stock split, 100 or more in a distribution, a transfer is required from paid-in-capital (surplus) for the par or stated value of the shares issued unless there is a change in the par or stated value. The additional expense that incurred as a result of the stock split is usually include stock exchange company listing fee, transfer agent fees for certificate processing and postage expenses, company postage, and other expenses, and specifically identified employee costs. These expenses can be expensed to the income statement in total in the year of the stock split or capitalized and amortized over time. For book purposes, and based on materiality, they generally are expensed.

2.1.5. Correlation of Stock Split and Profitability

Corporate earning is important to investors. If we compare corporate earnings to prospective investments, we will make wiser investment decisions. Profitability ratios provide us with tool that is used to make comparison on investment decisions.

Stock split is one of company policy that has effects on investment decision. Asquith, Healy, and Palepu (1989) indicate that the firms split their shares after a significant increase in earnings. Prior research by Huang et al (2002) show evidence that stock split have relation to future profitability. The existence of stock split is represented by stock price and split ratio. Split ratio is derived from the change of the number of listed shares (post-split shares – pre-split shares) divided by the number of pre-split shares.

In this study, we use return on equity, earnings per share and price earnings ratio as the measurement of profitability. Return on equity (ROE), however measures how well management is doing for the investor. It tells how much earnings they are getting for each of the investor's investment. It is calculated as follows:

$$\text{Return On Equity} : \frac{\text{Earnings After Taxes}}{\text{Equity}}$$

Earnings per share is a measure of the net income earned on each share of common stock. A measurement of net income by the number of

net income earned on a per share basis provides a useful perspective to determines profitability. It is calculated as follows:

$$\text{Earnings Per Share} : \frac{\text{Net Income}}{\text{Weighted Average Common Shares Outstanding}}$$

Price earning (P-E) ratio is an oft-quoted measure of the ratio of he market price of each share of common stock to the earnings per share (Weygandt, Kieso, and Kimmel, 2002). The price-earnings ratio reflects investors' assessments of a company's future earnings. It is calculated as follows:

$$\text{Price-Earnings Ratio} : \frac{\text{Market Price Per Share of Stock}}{\text{Earnings per Share}}$$

2.2. Previous Study

2.2.1. Eugene F.Fama, Lawrence Fisher, Michael C.Jensen, and Richard Roll (1969)

The prime concern of the research done by Fama et al. is to examine the process by which common stock prices adjust to the information (if any) that is implicit in a stock split. The result of the research lend considerable support to the conclusion that the stock market is "efficient" in the sense that stock prices adjust very rapidly to new

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information. They suggest that market's expectation of a dividend increase may be the main reason for the market's positive reaction to a stock split.

2.2.2. Thomas E.Copeland (1979)

The study examines about relation between stock split and stock liquidity changes. Management might have this preference because when stock prices are too high, many small or uninformed investors cannot afford to trade in round lots, thereby affecting the liquidity of the stock. Splitting shares would improve liquidity by enlarging clientele and hence reduce the trading cost of the stock.

2.2.3. Paul Asquith, Paul Healy, and Krisna Palepu (1989)

Prior research by Asquith, Healy and Palepu were examines whether stock split convey information about earnings. The results indicate that firms split their shares after a significant increase in earnings. Before the stock split announcement, the market expects these earnings increases to be temporary. The split announcement leads investors to increase their expectations that the past earnings increases are permanent. The evidence also suggests that the market's reaction to split announcement cannot be attributed to expectations of either future earnings increases or near-term cash dividend increases.

2.2.4. H.Kent Baker and Gary E.Powel (1993)

Prior research by Baker and Powell shows motives on stock splits issuance according to the management views. Those motives are: puts a firm's stock price into a preferred trading range; makes it easier for small

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stockholders to buy shares in round lots; makes shares more attractive to investors by lowering the stock price; occurs after an upward trend in a firm's stock price; improves the trading liquidity of a firm's stock; has a favorable market reaction on a firm's stock price; increases the number of a firm's stockholders; strengthens a firm's equity base by enhancing the marketability of its shares; conveys favorable information about firm's future prospects; increases the demand for a firm's stock among individual investors; occurs after an upward trend in a firm's earnings per share; improves the upside potential of a firm's stock price; makes it easier for a firm to sell new equity capital; increases a firm's stock return volatility; and helps firm conserve cash.

2.2.5. Anthony J. Amoruso and Jennifer J. Gaver (1998)

Amoruso and Gaver analyze changes in post earnings announcement drift around 1781 two-for-one or greater stock splits reported by an equal number of CRSP firms during the 1972 through 1996 time period. We find that for the smallest firms in our sample, post earnings announcement drift is eliminated in the quartered immediately following the split. The effect is transitory, however, with drift reasserting itself beginning with the third post-split quarterly earnings announcement. The abnormal returns for the largest firms in our sample exhibit insignificant drift in both pre- and investor – at least temporarily- to more fully incorporate serial correlation into their earnings expectation. The differential affected noted for small and large firms is likely attributable to

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the richer information environment faced by larger firms, in which the signal provided by a stock split does not constitute a significant incremental contribution.

2.2.6. Henock Louis and Dahlia Robinson (2003)

They conjecture that managers are more likely to use their reporting discretion to signal favorable private information when they are very confident that future performance will meet the expectations raised by their reports. In addition, because managers are often assumed to use their discretion to mislead investors, they conjectured that, without a second corroborating signal, discretionary reporting is likely to be regarded as opportunistic. If managers use their reporting discretion to signal favorable private information, they are likely to do so in conjunction with stock splits. The reporting signal reinforces the stock split signal whereas the stock split signals lend credibility to the reporting signal. Consistent with their conjectures, Louis and Robinson find strong evidence indicating that managers use accruals in conjunction with stock split to signal good performance. The evidence also suggests that the signal is deemed credible by the market.

2.2.7. Gow-Cheng Huang, Kartono Liano, and Ming Shiun Pan (2002)

Prior research by Huang et al. (2002) show little evidence that stock splits are positively related to future profitability. They examined whether stock split announcement convey information content of future profitability. They examined 635 stock splits from the firms that listed on

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Healy and Palepu (1998) found that the market's reaction to split announcement cannot be attributed to expectations of either future earnings increases or near-term cash dividend increases.

Based on the explanation above, stock split has tendency to influence the corporate performance especially when considering about the profitability. Profitability itself is derived from the ratio that has earning as the measurement. Based on the reasons stated above, the null hypothesis and the first hypothesis for this research stated as follows:

$Ho1$: There is no relationship between stock split and Return on Equity

Ha_1 : There is a relationship between stock split and Return on Equity

Ho_2 : There is no relationship between stock split and Earning per Share

Ha_2 : There is a relationship between stock split and Earning per Share

Ho_3: There is no relationship between stock split and Price Earning Ratio

H_3 : There is a relationship between stock split and Price Earning Ratio

CHAPTER III

RESEARCH METHOD

3.1. Research Method

In this research, the method uses in this research is a quantitative analysis method. The quantitative analysis is a characteristic of variables when the value is stated on the numerical form. The characteristic of the measurement variable makes the value being placed in interval. It is also called as classical approach that depends on the sampling theories. Hypothesis testing absolutely depends on the collected data sample.

3.2. Research Subject

The research subject of this study was the list of companies that announced stock split during the period examined. This research will examine only stock split and profitability ratio announced annually to public.

The population for this research is only companies listed on Jakarta stock exchange (JSX). The purpose of the research is to analyze the impact of stock split announcements to future profitability of companies listed in JSX within period 1999 until 2002.

The samples taken in this research are companies that only listed in JSX. There are several criteria that should fulfill the requirement as the sample of the research:

No		
	- insufficient data and incomplete data	24
	- companies have extreme data	2
3.	Research Object	33

The 33 companies that have fulfilled the criteria as a sample of companies are listed in table 3.2. below:

Table 3.2.

List of Sample Companies

No	Company	Split Announcement Date
1	PT. HOTEL SAHID JAYA INTERNATIONAL	June 4, 1999
2	PT. BBL DHARMALA FINANCE	July 26, 1999
3	PT. IGAR JAYA	August 16, 1999
4	PT. EKADHARMA TAPE INDUSTRIES	September 6, 1999
5	PT. FAJAR SURYA WISESA	September 20, 1999
6	PT. SUNSON TEXTILE MANUFACTURER Tbk	September 27, 1999
7	PT. BUDI ACID JAYA	September 28, 1999
8	PT. KURNIA KAPUAS UTAMA GLUE INDUSTRIES	September 29, 1999
9	PT. ASTRA GRAPHIA	March 7, 2000
10	PT. SONA TOPAS TOURISM INDUSTRIES	April 7, 2000
11	PT. TRIMEGAH SECURITIES Tbk	April 24, 2000
12	PT. MEDCO ENERGI CORPORATION	June 2, 2000
13	PT. MASKAPAI REASURANSI INDONESIA	August 8, 2000
14	PT. MITRA RAJASA	August 14, 2000
15	PT. ASIAPLAST INDUSTRIES Tbk	August 16, 2000
16	PT. UNITED TRACTORS	September 5, 2000
17	PT. INDOFOOD SUKSES MAKMUR	September 28, 2000
18	PT. MAHARANI INTIFINANCE Tbk	October 9, 2000
19	PT. FAST FOOD INDONESIA	December 5, 2000
20	PT. ASIANA MULTIKREASI	December 18, 2000
21	PT. DHARMA SAMUDRA FISHING INDUSTRIES Tbk	January 19, 2001
22	PT. SUMMITPLAST INTERBENUA Tbk	July 31, 2001
23	PT. TUNAS RIDEAN	August 6, 2001
24	PT. SURYA INTRINDO MAKMUR Tbk	August 30, 2001
25	PT. SIANTAR TOP	December 20, 2001
26	PT. VOKSEL ELEKTRIC Tbk	March 19, 2002
27	PT. JAKA ARTHA GRAHA Tbk	May 16, 2002
28	PT. ASURANSI DAYIN MITRA	May 29, 2002

29	PT. FORTUNE MATE INDONESIA Tbk	July 2, 2002
30	PT. HEXINDO ADIPERKASA Tbk	July 29, 2002
31	PT. SUMMARECON AGUNG Tbk	August 12, 2002
32	PT. PANIN SECURITIES Tbk	September 18, 2002
33	PT. BANK BUANA	December 18, 2002

3.3. Source Data

This research used secondary data. Data were taken from *Bursa Efek Jakarta* and Indonesian Capital Market Directory during 1999 until 2005. While the data needed are: stock price, earning per share (EPS), return on equity (ROE), price earning ratio (PER), and also a number of listed shares before and after split. More complete data could be seen at Appendix 1 up to appendix 6.

3.4. Research Variable

Commonly, the dependent variable for this research is profitability, while stock split will be the independent variable. Profitability is derived from return on equity, earning per share, and price earning ratio. Stock split is represented by stock price and split ratio.

1. Return On Equity

    Return on equity (ROE) measures how well management is run for the investor. It tells how much earnings they are getting for each of the investor's investment. It is calculated as follows:

    $$\text{Return On Equity}: \frac{\text{Earnings After Taxes}}{\text{Equity}}$$

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2. Earning per Share

Earning per share provide analysts with a common measure of operating performance. It quantifies the amount of income earned by each share of common stock, and must be disclosed on the face of the income statement.

$$\text{Earnings Per Share} : \frac{\text{Net Income}}{\text{Weighted Average Common Shares Outstanding}}$$

3. Price Earning Ratio

Price earning (P-E) ratio measures the ratio of the market price of each share of common stock to the earning per share. The price-earnings ratio reflects investors' assessments of a company's future earnings. It is calculated as follows:

$$\text{Price-Earnings Ratio} : \frac{\text{Market Price Per Share of Stock}}{\text{Earnings per Share}}$$

4. Stock Price

Stock price will be derived from the closing price of the shares. In this research, we include market value of equity as the explanatory variable of stock price. Market value of equity comes from the number of outstanding shares times' stock price.

coefficients are simultaneously equal to zero, but the individual t tests will show that none or very few of the partial slope coefficients are statistically different from zero.

Another indicator of multicollinearity are Eigenvalue. If Eigenvalue closer to zero-value, then there will be multicollinearity. However, we should also consider the condition index. If the value of Condition Index reach the number above 15, there is an indication of the existence of multicollinearity.

Variance Inflation Factor could also be used to determine the existence of multicollinearity. Multicollinearity existed when VIF more than 10 or tolerance less than 0,1.

3.5.2. Autocorrelation Test

According to Gujarati (1995), the term autocorrelation may be defined as "correlation between members of series of observations ordered in time or space.

To detect the occurrence of autocorrelation, this research will use the Durbin-Watson test. It is a kind of test to the residual value (e) of linear regression. The formula of Durbin-Watson test is stated below:

$$d = \frac{\sum (e_n - e_{n-1})^2}{\sum e_x^2}$$

3.6. Research Model

To determine whether there is a relation between stock split and company profitability, it will be examined by Regression Analysis. Model that is used to test the hypothesis in this research is a multiple regression analysis. This research use Microsoft EXCEL and SPSS 13 to process the data.

Multiple Regression Analysis is a statistical method used to examine the correlation between a dependent variable and several independent variables. The purpose of multiple regression analysis is to use independent variables values to predict the value of dependent variable.

In this research the mathematical models of multiple regression analysis stated as below:

1. $ROE_t = \alpha_0 + \alpha_1 MVE_t + \alpha_2 split\_ratio_t + \varepsilon$

   Where:

   ROE_t = Return on equity

   MVE_t = Natural logarithm of the market value of equity

   $split\_ratio_t$ = Split ratio

   ε is a random variable that has a normal distribution with the average value of zero (average ε) and has variance of V ε.

2. $EPS_t = \alpha_0 + \alpha_1 MVE_t + \alpha_2 split\_ratio_t + \varepsilon$

   Where:

   EPS_t = Earning per share

$$MVE_t \qquad = \text{Natural logarithm of the market value of equity}$$

$$split\_ratio_t \quad = \text{Split ratio}$$

ε is a random variable that has a normal distribution with the average value of zero (average ε) and has variance of V ε.

3. $PER_t = \alpha_0 + \alpha_1 MVE_t + \alpha_2 split\_ratio_t + \varepsilon$

Where:

$PER_t \qquad = \text{Price-earning ratio}$

$MVE_t \qquad = \text{Natural logarithm of the market value of equity}$

$split\_ratio_t \quad = \text{Split ratio}$

ε is a random variable that has normal distribution with the average value of zero (average ε) and has variance of V ε.

3.7. Hypothesis Testing

3.7.1. Correlation Testing

Theoretically, between independent variable and the dependent variable should have a correlation to prove the hypothesis. Multiple correlation was used to determine the correlation of several independent variables with dependent variable. The formula to calculate multiple correlation of the two independent variables to dependent variable shown below:

$$r_{y-x1x2} = \sqrt{\frac{r_{yx1}^2 + r_{yx2}^2 - 2(r_{yx1})(r_{yx2})(r_{x1x2})}{1 - r_{x1x2}^2}}$$

$r_{y-x1x2}=$ Correlation between dependent variable (Y) and two independent variable x1 and x2.

According to Young (1982) a correlation measurement could be stated as below:

- 0.70 up to 1.00 (plus or minus) show a high level of correlation
- 0.40 up to < 0.70 (plus or minus) show a substantial correlation
- 0.20 up to < 0.40 (plus or minus) show a low level of correlation
- Less than 0.20 (plus or minus) show that there is no relationship among the variables.

3.7.2. F-Test

F-test used in this research to test whether as a whole independent variables have significant role to predict dependent variable. Ho is rejected or Ha accepted if the significant value of F or P value is less than 5%.

3.7.3. T-test

T-test used in this research to test whether every independent variable has a significant role to predict dependent variable. Ho is rejected or Ha accepted if the significant value of T or P value less than 5%.

CHAPTER IV

DATA ANALYSIS

This chapter will present the data analysis of the research. The basic purpose of this chapter is to explain and discuss the research finding including the interpretation of the result of hypothesis testing.

4.1. Data and Descriptive Statistics

In this research, we employ Jakarta Stock Exchange website to identify all of firms that have stock splits around the research period. Descriptive analysis will explain about data description of the variables involved in this research. Further explanation will be shown by table 4.1. Data for table 4.1. is taken from appendix 8

Table 4.1.

Descriptive Statistics

	Minimum	Maximum	Mean
ROE	-121.14	26.45	-3.2230
EPS	-45.00	286.25	49.6876
PER	-10.02	64.40	11.3903
Split ratio	.50	19.00	3.5202
MVE	23.21	29.30	25.8715

According to the table above, it could be explained that the sample of 33 companies have minimum return on equity – 121.14 % and maximum 26.45 %. The average percentage of return on equity on the research period as -3.2230 %.

Variable Earning Per Share show the number Rp. 45 loss as the minimum data and Rp. 286.25 as the maximum data. The average Earning Per Share of the Company is Rp. 49.6876.

Price Earning Ratio has the minimum value of -10.02 and the maximum of value 64.40. The average Price Earning Ratio of the sample companies is 11.3903.

One of the independent variable to represent the existence of stock split is split ratio. Based on the research done by Huang et.al (2002), split ratio could be derived from the formula follows :

$$\textbf{Split Ratio} : \frac{\text{Post Split Shares} - \text{Pre Split Shares}}{\text{Pre Split Shares}}$$

The average amount of split ratio of the sample companies is 3.5202 with the minimum value of 0.50 and the maximum value of 19.

The minimum value of the natural logarithm of the market value of equity is 23.21 while the maximum value is 29.30. The average stock price of the sample companies is 25.8715.

4.2. Classical Assumption Test

4.2.1. Multicollinearity Test

Multicollinearity existed when VIF is more than 10 or tolerance is less than 0,1. Based on the multicollinearity test by using SPSS version 13

software, there is an output of VIF and Tolerance. (Details see Appendix 9, 10, and 11)

Table 4.2.

Multicollinearity Test

	VIF		Tolerance	
	Stock Price	Split Ratio	Stock Price	Split Ratio
Return On Equity	1.023	1.023	0.977	0.977
Earning Per Share	1.023	1.023	0.977	0.977
Price-Earning Ratio	1.023	1.023	0.977	0.977

Table 4.2. above determines that there is neither VIF value more than 10 nor tolerance less than 0.1. Thus, we conclude that the test fulfills the assumption of no multicollinearity.

4.2.2. Autocorrelation Test

In this research, there are 33 samples and 2 independent variables. We will use 0.05 level of significance. Thus, the value of dU is 1.577. And 4-dU will be equal to 4 – 1.577 or 2.423.

Using SPSS software, we could get the Durbin Watson value from the regression as listed at table 4.3. (Details see Appendix 9, Appendix 10, and Appendix 11).

Table 4.3.

Durbin Watson Test

	Durbin Watson Value
Return On Equity	2.358
Earning Per Share	2.248
Price-Earning Ratio	1.845

Durbin Watson value must be between $1.577 - 2.423$ to fulfill the assumption there is no autocorrelation. From the table 4.3 above the conclusion is there is no autocorrelation fulfill on least square regression model.

4.2.3. Heteroscedasticity

Heteroscedasticity is caused by nonnormality of one of the variables, an indirect relationship between variables, or to the effect of a data transformation. It is detected by a scatter plot.

Appendix 9, 10, and 11 show a scatter plot for each of regression analysis. All of them show scatter plot with no certain pattern. Thus, the assumption of homoscedasticity is fulfilled.

4.3. Hypothesis Testing

Testing on the variables that represent profitability and stock split will be examined by statistical testing of multiple regression analysis.

4.3.1. First Hypothesis

This step was used to determine the relationship between Return on Equity and Stock Split. The first hypothesis is formulated as follows:

Ho1: There is no relationship between stock split and Return on Equity

Ha$_1$: There is a relationship between stock split and Return on Equity

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The first hypothesis use mathematical models of multiple regression analysis stated below:

$$ROE_t = \alpha_0 + \alpha_1 MVE_t + \alpha_2 split\_ratio_t + \varepsilon$$

Where:

ROE_t = Return on equity

MVE_t = Natural Logarithm of the Market Value of Equity

$split\_ratio_t$ = Split ratio

ε is a random variable that has a normal distribution with the average value of zero (average ε) and has variance of V ε.

Based on the data, there is a result by using the regression method of SPSS Version 13.00 software which has an output as listed in Appendix 9. The output is described as follows:

Table 4.4.
REGRESSION OUTPUT
(ROE and Stock Split)

	Regression Coefficient	t	Sig.
Constant	-289.627	-3.245	0.003
Split Ratio	1.961	1.436	0.161
MVE	10.803	3.116	0.004
Adjusted R Square	0.263		
F- Value	6.711		
Sig.F	0.004		

EPS_t = Earning per share

MVE_t = Natural Logarithm of the Market Value of Equity

$split\_ratio_t$ = Split ratio

ε is a random variable that has a normal distribution with the average value of zero (average ε) and has variance of V ε.

Based on the data, there is a result by using the regression method of SPSS Version 13.00 software which has an output as listed in Appendix 10. The output describes as follows:

Table 4.5.
REGRESSION OUTPUT
(EPS and Stock Split)

	Regression Coefficient	t	Sig.
Constant	-520.901	-2.391	0.023
Split Ratio	0.265	0.080	0.937
MVE	22.019	2.602	0.014
Adjusted R Square	0.135		
F- Value	3.499		
Sig.F	0.043		

Based on the partial test, we conclude that market value of equity significantly influences earning per share. The evidence of this assumption is showed by the t-test result with the value of sig-t less than 0.05. On the other hand, split ratio has no significant influence to predict earning per share. It is shown by the value of sig-t 0.937.

According to table 4.5. above, the F-value is 3.499 with the probability value of 0.043. Adjusted R square shows that independent variables have ability of 13.5 % to predict previous earning per share. The rest 86.5 % is influenced by other factors. In this study, market value of equity acts only as an explanatory variable of price. Thus, we accepted Ho. The conclusion is stock split has no significant influence to earning per share.

4.3.3. Third Hypothesis

This step is used to determine the relationship between Price Earning Ratio and Stock Split. The hypothesis is formulated as follow :

Ho3: There is no relationship between stock split and Price Earning Ratio

Ha3: There is a relationship between stock split and Price Earning Ratio

The second hypothesis uses mathematical models of multiple regression analysis as stated below:

$$PER_t = \alpha_0 + \alpha_1 MVE_t + \alpha_2 split\_ratio_t + \varepsilon$$

Where:

PER_t = Price-earning ratio

MVE_t = Natural Logarithm of the Market Value of Equity

$split\_ratio_t$ = Split ratio

ε is a random variable that has normal distribution with the average value of zero (average ε) and has variance of V ε.

Based on the data, there is a result by using the regression method of SPSS Version 13.00 software which has an output as listed in Appendix 11. The output describes as follows:

Table 4.6.
REGRESSION OUTPUT
(PER and Stock Split)

	Regression Coefficient	t	Sig.
Constant	33.870	0.763	0.451
Split Ratio	1.190	1.752	0.090
MVE	-1.031	-0.598	0.554
Adjusted R Square	0.036		
F- Value	1.593		
Sig.F	0.220		

According to table 4.6. above, we conclude that stock split has no significant influence to the price-earning ratio. The evidence of the relationship is showed on the F-value of 1.593 with the probability value of 0.220. The probability value is more than 0.05 which means that Ho accepted. Hence, there is no relationship between stock split and price earning ratio.

Adjusted R square shows that independent variables have ability 3.6% to predict previous Price Earning Ratio. The rest 96.4 % is influenced by other factors.

Based on the partial test, we conclude that both stock price and split ratio have no significant influence on price earning ratio. The evidence of this

assumption is showed by the t-test result with the value of sig-t more than 0.05.

4.4. Discussion

The result of the data analysis shows that stock split has no significant influence to the return on equity, earning per share, and price earning ratio. Return on equity comes from the earning after tax divided by equity. Thus, the result of this research weaken the argument of Asquith, Healy, and Palepu (1989) saying that stock split has a relationship with earnings. Another research by Huang et.al (2002) indicates that stock split has relations to future profitability. This research shows that stock split has no relations to profitability.
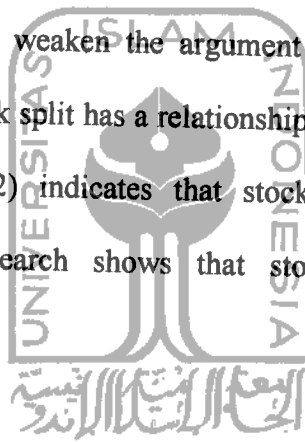
CHAPTER V

CONCLUSIONS

This chapter will provide the conclusion, limitation, and the implication of this research for both academician and practical parties.

5.1   Conclusions

After several examination and statistical test of the data, we could get several conclusions as follows:

1. The result shows that market value of equity is significantly related to return on equity. In the other hand split ratio is not significantly related to return on equity. The conclusion is stock split has no significant influence to return on equity. Return on equity is derived from the ratio of equity and earnings. Thus, stock split is not affecting the company performance. It can not be used to asses the ability of the management to earn for each of the investor's investment.

2. The second hypothesis shows that only market value of equity has a significant influence on earning per share. Earning per share provide analysts with a common measure of operating performance. It quantifies the amount of income earned by each share of common stock. From the result of t-test, the conclusion is stock split has no significant influence to return on equity.

3. The last hypothesis shows that both market value of equity and split ratio have no significant influence to the price earning ratio. The price-earnings ratio itself reflects investors' assessments of company's future earnings. Market price per share of stock is difficult to predict. It is subjective according to the views of investors. Thus, the announcement of stock split does not affect the price earning ratio. Stock split absolutely affects the nominal price of the stock, but it can not directly influence the market price of the stock.

Based on the hypothesis testing result, it is concluded that actually the announcement of the stock split has no significant influence to the company performance.

The result of this research shows differently with previous study especially done by Huang et al (2002) and Asquith et al (1989). This differences caused by other factors such as the condition and policy of the company itself.

5.2 Limitation of The Research

The limitations on the research have influence to the result. One of the limitations takes place on the process of data collecting. Out of the 59 companies that have fulfilled the criteria as sample companies, there are 24 companies that have insufficient data. Moreover from the 35 completed data, two extreme data were found. Thus, from 78 companies that

announced stock split in the research period, we could only use 33 samples that might undermine the research.

5.3   Recommendations

Based on the research that has been conducted, there are some recommendations as the considerations for certain parties. The recommendations are as follows:

1. Investor

    This research hopefully gives some additional knowledge to the investor. The announcement of stock split has implications on the earning per share. Thus, investors should understand more and have prior study to respond the announcement of stock split.

2. Company Management

    The company management should prepare well before deciding to do stock split. Moreover, the company should be able to convince the share holder that stock split may bring better future prospect to the company.

3. Other researchers

    The researcher suggests for the future research to add more period and samples to conclude better evidence, result and reliable research. Using and adding different measurement on profitability and stock split are suggested for the future research to give different perspective and points of view. In addition, the

involvement of explanatory variable should also be considered to improve the validity of the research.

Furthermore, the researcher suggests the future research to investigate the relation of stock split to the other measurement of company performance, such as liquidity or capital structure to obtain better understanding on the company motives in doing stock split.

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APPENDIX 1

List of Sample Companies

No	Company	Listing Date	Company Listing
1	PT. HOTEL SAHID JAYA INTERNATIONAL	November 13, 1997	301,488,000
2	PT. BBL DHARMALA FINANCE	January 16, 1991	15,000,000
3	PT. IGAR JAYA	August 16, 1999	8,750,000
4	PT. EKADHARMA TAPE INDUSTRIES	June 10, 1991	3,850,000
5	PT. FAJAR SURYA WISESA	December 19, 1994	222,000,000
6	PT. SUNSON TEXTILE MANUFACTURER Tbk	August 20, 1997	350,306,000
7	PT. BUDI ACID JAYA	May 8, 1995	100,000,000
8	PT. KURNIA KAPUAS UTAMA GLUE INDUSTRIES	January 28, 1992	25,000,000
9	PT. ASTRA GRAPHIA	November 7, 1996	65,343,750
10	PT. SONA TOPAS TOURISM INDUSTRIES	July 21, 1992	11,500,000
11	PT. TRIMEGAH SECURITIES Tbk	January 31, 2000	200,000,000
12	PT. MEDCO ENERGI CORPORATION	October 12, 1994	101,400,000
13	PT. MASKAPAI REASURANSI INDONESIA	July 23, 1992	9,100,000
14	PT. MITRA RAJASA	January 30, 1997	114,000,000
15	PT. ASIAPLAST INDUSTRIES Tbk	May 1, 2000	260,000,000
16	PT. UNITED TRACTORS	March 25, 1992	34,500,000
17	PT. INDOFOOD SUKSES MAKMUR	1994	210,000,000
18	PT. MAHARANI INTIFINANCE Tbk	July 16, 1997	120,000,000
19	PT. FAST FOOD INDONESIA	May 11, 1993	22,312,500
20	PT. ASIANA MULTIKREASI	November 20, 1994	30,000,000
21	PT. DHARMA SAMUDRA FISHING INDUSTRIES Tbk	2000	175,000,000
22	PT. SUMMITPLAST INTERBENUA Tbk	July 3, 2000	167,000,000
23	PT. TUNAS RIDEAN	May 16, 1995	93,000,000
24	PT. SURYA INTRINDO MAKMUR Tbk	March 28, 2000	200,000,000
25	PT. SIANTAR TOP	December 16, 1996	95,000,000
26	PT. VOKSEL ELEKTRIC Tbk	July 3, 1992	20,000,000
27	PT. JAKA ARTHA GRAHA Tbk	August 2, 2000	260,000,000
28	PT. ASURANSI DAYIN MITRA	November 8, 1991	10,000,000
29	PT. FORTUNE MATE INDONESIA Tbk	June 30, 2000	320,000,000
30	PT. HEXINDO ADIPERKASA Tbk	February 13, 1995	42,000,000
31	PT. SUMMARECON AGUNG Tbk	January 17, 1995	159,000,000
32	PT. PANIN SECURITIES Tbk	May 31, 2000	160,000,000
33	PT. BANK BUANA	July 28, 2000	960,300,000

(Source : Indonesian Capital Market Directory)

APPENDIX 2

List Of Stock Price and Outstanding Shares

No	Company	Stock Price				Outstanding Shares			
		0	+1	+2	+3	0	+1	+2	+3
1	PT. HOTEL SAHID JAYA INTERNATIONAL	250	230	95	150				
2	PT. BBL DHARMALA FINANCE	350	125	40	40	652,800,000	652,800,000	652,800,000	652,800,000
3	PT. IGAR JAYA	300	100	65	85	180,000,000	180,000,000	180,000,000	180,000,000
4	PT. EKADHARMA TAPE INDUSTRIES	1125	700	450	500	1,050,000,000	1,050,000,000	1,050,000,000	1,050,000,000
5	PT. FAJAR SURYA WISESA	825	360	490	420	44,722,000	44,722,000	44,722,000	44,722,000
6	PT. SUNSON TEXTILE MANUFACTURER Tbk	600	465	340	90	675,786,000	2,477,888,000	2,477,888,000	2,477,888,000
7	PT. BUDI ACID JAYA	675	400	110	105	836,708,000	836,708,000	836,708,000	836,708,000
8	PT. KURNIA KAPUAS UTAMA GLUE INDUSTRIES	825	510	310	100	1,050,000,000	1,050,000,000	1,050,000,000	1,050,000,000
9	PT. ASTRA GRAPHIA	420	360	275	330	250,000,000	250,000,000	250,000,000	250,000,000
10	PT. SONA TOPAS TOURISM INDUSTRIES	385	270	110	140	1,306,880,000	1,306,880,000	1,315,870,000	1,347,230,000
11	PT. TRIMEGAH SECURITIES Tbk	245	170	90	95	331,200,000	331,200,000	331,200,000	331,200,000
12	PT. MEDCO ENERGI CORPORATION	1000	1500	1350	1350	3,400,000,000	3,400,000,000	3,400,000,000	3,650,000,000
13	PT. MASKAPAI REASURANSI INDONESIA	320	135	130	340	3,319,090,000	3,143,970,000	8,433,370,000	3,310,016,000
14	PT. MITRA RAJASA	325	60	55	65	36,400,000	36,400,000	91,000,000	91,000,000
15	PT. ASIAPLAST INDUSTRIES Tbk	70	45	25	35	228,000,000	228,000,000	228,000,000	228,000,000
16	PT. UNITED TRACTORS	425	360	305	1250	1,300,000,000	1,300,000,000	1,300,000,000	1,300,000,000
17	PT. INDOFOOD SUKSES MAKMUR	775	625	600	800	1,545,600,000	1,545,600,000	1,545,600,000	1,573,152,000
18	PT. MAHARANI INTIFINANCE Tbk	140	45	25	35	4,578,000,000	4,578,000,000	9,384,900,000	9,443,270,000
19	PT. FAST FOOD INDONESIA	950	775	900	925	240,000,000	960,000,000	960,000,000	960,000,000
20	PT. ASIANA MULTIKREASI	100	40	35	20	446,250,000	446,250,000	446,250,000	446,250,000
21	PT. DHARMA SAMUDRA FISHING INDUSTRIES Tbk	260	95	60	60	806,680,000	806,680,000	1,529,285,000	1,529,285,000
22	PT. SUMMITPLAST INTERBENUA Tbk	205	195	170	165	904,260,000	928,570,000	928,570,000	928,570,000
23	PT. TUNAS RIDEAN	225	285	300	675	835,000,000	1,395,000,000	1,395,000,000	1,395,000,000

24	PT. SURYA INTRINDO MAKMUR Tbk	650	500	225	220	1,000,000,000	1,000,000,000	1,000,000,000
25	PT. SIANTAR TOP	270	260	180	180	1,310,000,000	1,310,000,000	1,310,000,000
26	PT. VOKSEL ELEKTRIC Tbk	130	90	165	310	126,000,000	630,000,000	630,000,000
27	PT. JAKA ARTHA GRAHA Tbk	50	10	15	25	1,300,000,000	630,000,000	630,000,000
28	PT. ASURANSI DAYIN MITRA	145	230	295	240	192,000,000	1,300,000,000	1,300,000,000
29	PT. FORTUNE MATE INDONESIA Tbk	180	90	65	95	1,600,000,000	480,000,000	480,000,000
30	PT. HEXINDO ADIPERKASA Tbk	395	925	3075	1080	168,000,000	1,600,000,000	1,600,000,000
31	PT. SUMMARECON AGUNG Tbk	100	575	625	730	1,873,530,000	840,000,000	840,000,000
32	PT. PANIN SECURITIES Tbk	120	305	325	900	320,000,000	1,873,530,000	1,873,530,000
33	PT. BANK BUANA	700	550	825	840	2,977,976,000	800,000,000	900,000,000
						12,470,280,000	12,470,280,000	12,470,280,000

(Source : Indonesian Capital Market Directory)

No	Company	Market Value Of Equity				Natural Log of Market Value of Equity			
		0	+1	+2	+3	0	+1	+2	+3
1	PT. HOTEL SAHID JAYA INTERNATIONAL	163,200,000,000	150,144,000,000	62,016,000,000	97,920,000,000	25.82	25.73	24.85	25.31
2	PT. BBL DHARMALA FINANCE	63,000,000,000	22,500,000,000	7,200,000,000	7,200,000,000	24.87	23.84	22.70	22.70
3	PT. IGAR JAYA	315,000,000,000	105,000,000,000	68,250,000,000	89,250,000,000	26.48	25.38	24.95	25.21
4	PT. EKADHARMA TAPE INDUSTRIES	50,312,250,000	31,305,400,000	20,124,900,000	22,361,000,000	24.64	24.17	23.73	23.83
5	PT. FAJAR SURYA WISESA	557,525,100,000	892,039,680,000	1,214,165,120,000	1,040,712,960,000	27.05	27.52	27.83	27.67
6	PT. SUNSON TEXTILE MANUFACTURER Tbk	502,024,800,000	389,069,220,000	284,480,720,000	75,303,720,000	26.94	26.69	26.37	25.04
7	PT. BUDI ACID JAYA	708,750,000,000	420,000,000,000	115,500,000,000	110,250,000,000	27.29	26.76	25.47	25.43
8	PT. KURNIA KAPUAS UTAMA GLUE INDUSTRIES	206,250,000,000	127,500,000,000	77,500,000,000	25,000,000,000	26.05	25.57	25.07	23.94
9	PT. ASTRA GRAPHIA	548,889,600,000	470,476,800,000	361,864,250,000	444,585,900,000	27.03	26.88	26.61	26.82
10	PT. SONA TOPAS TOURISM INDUSTRIES	127,512,000,000	89,424,000,000	36,432,000,000	46,368,000,000	25.57	25.22	24.32	24.56
11	PT. TRIMEGAH SECURITIES Tbk	833,000,000,000	578,000,000,000	306,000,000,000	346,750,000,000	27.45	27.08	26.45	26.57
12	PT. MEDCO ENERGI CORPORATION	3,319,090,000,000	4,715,955,000,000	11,385,049,500,000	4,468,521,600,000	28.83	29.18	30.06	29.13
13	PT. MASKAPAI REASURANSI INDONESIA	11,648,000,000	4,914,000,000	11,830,000,000	30,940,000,000	23.18	22.32	23.19	24.16
14	PT. MITRA RAJASA	74,100,000,000	13,680,000,000	12,540,000,000	14,820,000,000	25.03	23.34	23.25	23.42
15	PT. ASIAPLAST INDUSTRIES Tbk	91,000,000,000	58,500,000,000	32,500,000,000	45,500,000,000	25.23	24.79	24.20	24.54
16	PT. UNITED TRACTORS	656,880,000,000	556,416,000,000	471,408,000,000	1,966,440,000,000	27.21	27.04	26.88	28.31
17	PT. INDOFOOD SUKSES MAKMUR	3,547,950,000,000	2,861,250,000,000	5,630,940,000,000	7,554,616,000,000	28.90	28.68	29.36	29.65
18	PT. MAHARANI INTIFINANCE Tbk	33,600,000,000	43,200,000,000	24,000,000,000	33,600,000,000	24.24	24.49	23.90	24.24
19	PT. FAST FOOD INDONESIA	423,937,500,000	345,843,750,000	401,625,000,000	412,781,250,000	26.77	26.57	26.72	26.75
20	PT. ASIANA MULTIKREASI	80,668,000,000	32,267,200,000	53,524,975,000	30,585,700,000	25.11	24.20	24.70	24.14
21	PT. DHARMA SAMUDRA FISHING INDUSTRIES Tbk	235,107,600,000	88,214,150,000	55,714,200,000	55,714,200,000	26.18	25.20	24.74	24.74
22	PT. SUMMITPLAST INTERBENUA Tbk	171,175,000,000	162,825,000,000	141,950,000,000	137,775,000,000	25.87	25.82	25.68	25.65
23	PT. TUNAS RIDEAN	313,875,000,000	397,575,000,000	418,500,000,000	941,625,000,000	26.47	26.71	26.76	27.57
24	PT. SURYA INTRINDO MAKMUR Tbk	650,000,000,000	500,000,000,000	225,000,000,000	220,000,000,000	27.20	26.94	26.14	26.12
25	PT. SIANTAR TOP	353,700,000,000	340,600,000,000	235,800,000,000	235,800,000,000	26.59	26.55	26.19	26.19

No	Company								
26	PT. VOKSEL ELEKTRIC Tbk	16,380,000,000	56,700,000,000	103,950,000,000	195,300,000,000	23.52	24.76	25.37	26.00
27	PT. JAKA ARTHA GRAHA Tbk	65,000,000,000	13,000,000,000	19,500,000,000	32,500,000,000	24.90	23.29	23.69	24.20
28	PT. ASURANSI DAYIN MITRA	27,840,000,000	110,400,000,000	141,600,000,000	115,200,000,000	24.05	25.43	25.68	25.47
29	PT. FORTUNE MATE INDONESIA Tbk	288,000,000,000	144,000,000,000	104,000,000,000	152,000,000,000	26.39	25.69	25.37	25.75
30	PT. HEXINDO ADIPERKASA Tbk	75,840,000,000	444,000,000,000	1,476,000,000,000	518,400,000,000	25.05	26.82	28.02	26.97
31	PT. SUMMARECON AGUNG Tbk	160,000,000,000	920,000,000,000	1,000,000,000,000	1,168,000,000,000	25.80	27.55	27.63	27.79
32	PT. PANIN SECURITIES Tbk	20,160,000,000	256,200,000,000	273,000,000,000	756,000,000,000	23.73	26.27	26.33	27.35
33	PT. BANK BUANA	1,311,471,000,000	1,030,441,500,000	1,545,662,250,000	1,573,765,200,000	27.90	27.66	28.07	28.08

(Source : Indonesian Capital Market Directory)

APPENDIX 4

Stock Split Data of The Companies

No	Company	Split Announcement Date	Pre-Split	Post Split	Split Factor	Split Ratio
1	PT. HOTEL SAHID JAYA INTERNATIONAL	June 4, 1999	326,400,000	652,800,000	2-1	1
2	PT. BBL DHARMALA FINANCE	July 26, 1999	90,000,000	180,000,000	2-1	1
3	PT. IGAR JAYA	August 16, 1999	52,500,000	1,050,000,000	20-1	19
4	PT. EKADHARMA TAPE INDUSTRIES	September 6, 1999	11,180,400	22,360,800	2-1	1
5	PT. FAJAR SURYA WISESA	September 20, 1999	450,525,234	675,787,851	3-2	0.5
6	PT. SUNSON TEXTILE MANUFACTURER Tbk	September 27, 1999	418,353,500	836,707,000	2-1	1
7	PT. BUDI ACID JAYA	September 28, 1999	262,500,000	1,050,000,000	4-1	3
8	PT. KURNIA KAPUAS UTAMA GLUE INDUSTRIES	September 29, 1999	100,000,000	250,000,000	5-2	1.5
9	PT. ASTRA GRAPHIA	March 7, 2000	130,687,500	1,306,875,000	10-1	9
10	PT. SONA TOPAS TOURISM INDUSTRIES	April 7, 2000	165,600,000	331,200,000	2-1	1
11	PT. TRIMEGAH SECURITIES Tbk	April 24, 2000	200,000,000	2,000,000,000	10-1	9
12	PT. MEDCO ENERGI CORPORATION	June 2, 2000	666,490,290	3,332,451,450	5-1	4
13	PT. MASKAPAI REASURANSI INDONESIA	August 8, 2000	36,400,000	91,000,000	5-2	1.5
14	PT. MITRA RAJASA	August 14, 2000	114,000,000	228,000,000	2-1	1
15	PT. ASIAPLAST INDUSTRIES Tbk	August 16, 2000	260,000,000	1,300,000,000	5-1	4
16	PT. UNITED TRACTORS	September 5, 2000	386,400,000	1,545,600,000	4-1	3
17	PT. INDOFOOD SUKSES MAKMUR	September 28, 2000	1,831,200,000	9,156,000,000	5-1	4
18	PT. MAHARANI INTIFINANCE Tbk	October 9, 2000	120,000,000	240,000,000	2-1	1
19	PT. FAST FOOD INDONESIA	December 5, 2000	44,625,000	446,250,000	10-1	9
20	PT. ASIANA MULTIKREASI	December 18, 2000	484,007,148	806,678,580	5-3	0.6667
21	PT. DHARMA SAMUDRA FISHING INDUSTRIES Tbk	January 19, 2001	178,116,000	890,580,000	5-1	4
22	PT. SUMMITPLAST INTERBENUA Tbk	July 31, 2001	156,000,000	624,000,000	4-1	3
23	PT. TUNAS RIDEAN	August 6, 2001	279,000,000	1,395,000,000	5-1	4
24	PT. SURYA INTRINDO MAKMUR Tbk	August 30, 2001	200,000,000	1,000,000,000	5-1	4

25	PT. SIANTAR TOP	December 20, 2001	262,000,000	1,310,000,000	5-1	4
26	PT. VOKSEL ELEKTRIC Tbk	March 19, 2002	63,000,000	126,000,000	2-1	1
27	PT. JAKA ARTHA GRAHA Tbk	May 16, 2002	260,000,000	2,600,000,000	10-1	9
28	PT. ASURANSI DAYIN MITRA	May 29, 2002	96,000,000	192,000,000	2-1	1
29	PT. FORTUNE MATE INDONESIA Tbk	July 2, 2002	320,000,000	1,600,000,000	5-1	4
30	PT. HEXINDO ADIPERKASA Tbk	July 29, 2002	84,000,000	168,000,000	2-1	1
31	PT. SUMMARECON AGUNG Tbk	August 12, 2002	374,705,760	1,873,528,800	5-1	4
32	PT. PANIN SECURITIES Tbk	September 18, 2002	160,000	320,000	2-1	1
33	PT. BANK BUANA	December 18, 2002	1,474,098,520	2,948,197,040	2-1	1

(Source : Indonesian Capital Market Directory)

List Of Return On Equity

No	Company	YEAR			
		0	+1	+2	+3
1	PT. HOTEL SAHID JAYA INTERNATIONAL	9.31	-53.03	-96.02	49.51
2	PT. BBL DHARMALA FINANCE	-74.2	-70.6	-8.48	-177.2
3	PT. IGAR JAYA	30.8	20.31	7.65	15.18
4	PT. EKADHARMA TAPE INDUSTRIES	29.73	13.89	12.15	12.86
5	PT. FAJAR SURYA WISESA	26.67	-19.89	21.79	17.5
6	PT. SUNSON TEXTILE MANUFACTURER Tbk	14.45	-17.78	4.25	8.07
7	PT. BUDI ACID JAYA	31.15	-52.47	-12.7	4.29
8	PT. KURNIA KAPUAS UTAMA GLUE INDUSTRIES	10.88	8.13	3.32	-1.27
9	PT. ASTRA GRAPHIA	9.36	10.93	22.49	6.44
10	PT. SONA TOPAS TOURISM INDUSTRIES	3.01	6.6	15.97	8.98
11	PT. TRIMEGAH SECURITIES Tbk	6.97	11.02	3.15	13.83
12	PT. MEDCO ENERGI CORPORATION	16.97	17.61	17.45	11.09
13	PT. MASKAPAI REASURANSI INDONESIA	2.4	12.41	12.61	25.36
14	PT. MITRA RAJASA	-107.5	4.66	22.24	-158.2
15	PT. ASIAPLAST INDUSTRIES Tbk	3.6	3.14	-8.02	0.19
16	PT. UNITED TRACTORS	1.08	29.2	27.38	23.01
17	PT. INDOFOOD SUKSES MAKMUR	21.13	20.96	21.91	14.74
18	PT. MAHARANI INTIFINANCE Tbk	-30.21	12.45	-65.21	-209.4
19	PT. FAST FOOD INDONESIA	31.48	24.9	27.53	21.87
20	PT. ASIANA MULTIKREASI	-53.72	-239.3	1.32	-192.8
21	PT. DHARMA SAMUDRA FISHING INDUSTRIES Tbk	11.87	-7.34	-2.79	2.43
22	PT. SUMMITPLAST INTERBENUA Tbk	7.76	-2.43	1.31	6.29
23	PT. TUNAS RIDEAN	21.89	17.47	17.46	25.74
24	PT. SURYA INTRINDO MAKMUR Tbk	3.84	-6.31	-45.11	-15.02
25	PT. SIANTAR TOP	9.32	11.24	10.38	8.99
26	PT. VOKSEL ELEKTRIC Tbk	13.05	-15.53	-24.58	6.48
27	PT. JAKA ARTHA GRAHA Tbk	0.66	0.7	0.14	1.09
28	PT. ASURANSI DAYIN MITRA	11.76	9.88	8.99	3.56
29	PT. FORTUNE MATE INDONESIA Tbk	-5.44	-23.51	-58.84	-4.84
30	PT. HEXINDO ADIPERKASA Tbk	21.93	20.56	32.29	28.36
31	PT. SUMMARECON AGUNG Tbk	19.54	22.54	22.69	18.06
32	PT. PANIN SECURITIES Tbk	13.96	18.4	19.75	20.73
33	PT. BANK BUANA	19.73	13.18	14.91	15.94

(Source : Indonesian Capital Market Directory)

APPENDIX 6

List of Earning Per Share

No	Company	YEAR			
		0	+ 1	+ 2	+ 3
1	PT. HOTEL SAHID JAYA INTERNATIONAL	33	-121	-112	114
2	PT. BBL DHARMALA FINANCE	348	-1126	-148	1114
3	PT. IGAR JAYA	275	20	8	18
4	PT. EKADHARMA TAPE INDUSTRIES	277	136	134	140
5	PT. FAJAR SURYA WISESA	311	-53	74	72
6	PT. SUNSON TEXTILE MANUFACTURER Tbk	48	-50	13	27
7	PT. BUDI ACID JAYA	77	-75	-16	6
8	PT. KURNIA KAPUAS UTAMA GLUE INDUSTRIES	55	45	19	-7
9	PT. ASTRA GRAPHIA	15	20	55	16
10	PT. SONA TOPAS TOURISM INDUSTRIES	8	20	57	34
11	PT. TRIMEGAH SECURITIES Tbk	4	7	2	9
12	PT. MEDCO ENERGI CORPORATION	172	224	89	135
13	PT. MASKAPAI REASURANSI INDONESIA	18	105	45	113
14	PT. MITRA RAJASA	-45	7	44	-121
15	PT. ASIAPLAST INDUSTRIES Tbk	4	4	-9	0.21
16	PT. UNITED TRACTORS	4	154	194	218
17	PT. INDOFOOD SUKSES MAKMUR	353	82	86	64
18	PT. MAHARANI INTIFINANCE Tbk	-81	-13	-42	-44
19	PT. FAST FOOD INDONESIA	585	58	84	81
20	PT. ASIANA MULTIKREASI	-23	-78	0	-17
21	PT. DHARMA SAMUDRA FISHING INDUSTRIES Tbk	19	-11.13	-4.12	3.68
22	PT. SUMMITPLAST INTERBENUA Tbk	11	-3	2	9
23	PT. TUNAS RIDEAN	57	53	59	109
24	PT. SURYA INTRINDO MAKMUR Tbk	5	-7	-36	-10
25	PT. SIANTAR TOP	17	23	24	22
26	PT. VOKSEL ELEKTRIC Tbk	86	-122	-295	212.94
27	PT. JAKA ARTHA GRAHA Tbk	0.36	0.38	0.29	0.61
28	PT. ASURANSI DAYIN MITRA	59	53	50	44.00
29	PT. FORTUNE MATE INDONESIA Tbk	-7	-23	-36	-3.00
30	PT. HEXINDO ADIPERKASA Tbk	232	253	544	116.00
31	PT. SUMMARECON AGUNG Tbk	45	66	8	80.00
32	PT. PANIN SECURITIES Tbk	39	59	68	87.54
33	PT. BANK BUANA	84	44	57	60.00

(Source : Indonesian Capital Market Directory)

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APPENDIX 7

List Of Price-Earning Ratio

No	Company	YEAR			
		0	+ 1	+ 2	+ 3
1	PT. HOTEL SAHID JAYA INTERNATIONAL	7.63	-1.9	-0.85	1.31
2	PT. BBL DHARMALA FINANCE	1.01	-0.11	-0.27	0.04
3	PT. IGAR JAYA	1.09	0.5	8.5	4.82
4	PT. EKADHARMA TAPE INDUSTRIES	4.06	5.14	3.37	3.58
5	PT. FAJAR SURYA WISESA	2.66	-6.79	6.66	5.86
6	PT. SUNSON TEXTILE MANUFACTURER Tbk	12.47	-9.39	25.66	3.32
7	PT. BUDI ACID JAYA	6.74	-5.33	-6.83	18.45
8	PT. KURNIA KAPUAS UTAMA GLUE INDUSTRIES	14.94	11.42	16.46	-14.02
9	PT. ASTRA GRAPHIA	27.23	17.64	5.04	20.76
10	PT. SONA TOPAS TOURISM INDUSTRIES	45.57	13.6	1.92	4.11
11	PT. TRIMEGAH SECURITIES Tbk	60.37	24	43.67	10.04
12	PT. MEDCO ENERGI CORPORATION	5.8	6.69	15.12	9.96
13	PT. MASKAPAI REASURANSI INDONESIA	17.54	1.29	2.88	3.02
14	PT. MITRA RAJASA	7.27	8.54	1.25	-0.54
15	PT. ASIAPLAST INDUSTRIES Tbk	16.5	11.79	-2.77	166.28
16	PT. UNITED TRACTORS	107.16	2.34	1.57	5.74
17	PT. INDOFOOD SUKSES MAKMUR	2.2	7.67	7.02	12.52
18	PT. MAHARANI INTIFINANCE Tbk	-0.43	-3.38	-0.59	-0.8
19	PT. FAST FOOD INDONESIA	16.23	13.35	10.67	11.38
20	PT. ASIANA MULTIKREASI	-4.43	-0.52	108.08	-1.17
21	PT. DHARMA SAMUDRA FISHING INDUSTRIES Tbk	13.68	-8.54	-14.58	16.31
22	PT. SUMMITPLAST INTERBENUA Tbk	19.34	-60.24	96.32	18.19
23	PT. TUNAS RIDEAN	3.95	5.41	5.09	6.17
24	PT. SURYA INTRINDO MAKMUR Tbk	138.24	-68.9	-6.26	-21.21
25	PT. SIANTAR TOP	15.88	11.25	7.56	8.24
26	PT. VOKSEL ELEKTRIC Tbk	1.51	-0.74	-0.56	1.46
27	PT. JAKA ARTHA GRAHA Tbk	139.41	26.22	50.99	40.98
28	PT. ASURANSI DAYIN MITRA	2.47	4.37	5.9	5.45
29	PT. FORTUNE MATE INDONESIA Tbk	-2.73	-3.9	-1.79	-31.67
30	PT. HEXINDO ADIPERKASA Tbk	1.7	3.66	5.65	9.31
31	PT. SUMMARECON AGUNG Tbk	2.2	8.88	7.96	9.13
32	PT. PANIN SECURITIES Tbk	3.06	5.15	4.7	10.28
33	PT. BANK BUANA	8.3	12.37	14.51	14.00

(Source : Indonesian Capital Market Directory)

APPENDIX 8

Descriptive Statistics

	N	Minimum	Maximum	Mean
ROE	33	-121.14	26.45	-3.2230
EPS	33	-45.00	286.25	49.6876
PER	33	-10.02	64.40	11.3903
Split_ratio	33	.50	19.00	3.5202
MVE	33	23.21	29.30	25.8715
Valid N (listwise)	33			

APPENDIX 9

REGRESSION RESULT

(RETURN ON EQUITY)

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	MVE, Split_ratio[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: ROE

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.556[a]	.309	.263	29.08865	2.358

a. Predictors: (Constant), MVE, Split_ratio

b. Dependent Variable: ROE

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11357.252	2	5678.626	6.711	.004[a]
	Residual	25384.495	30	846.150		
	Total	36741.747	32			

a. Predictors: (Constant), MVE, Split_ratio

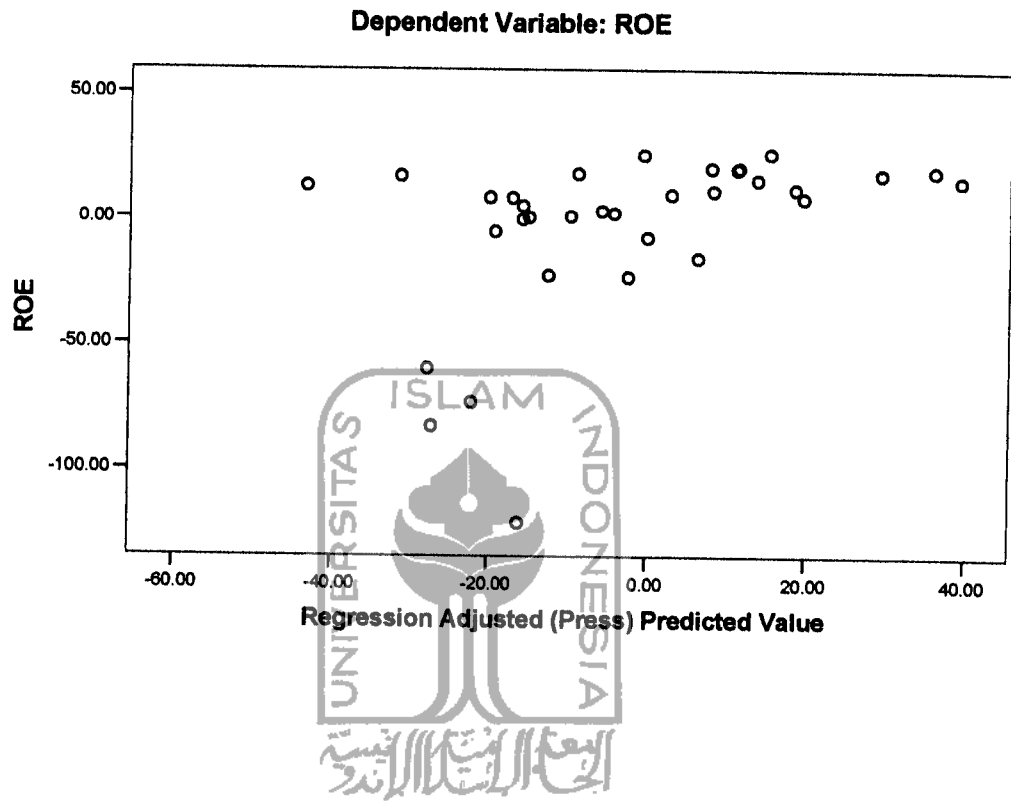b. Dependent Variable: ROE

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	-289.627	89.252		-3.245	.003		
	Split_ratio	1.961	1.366	.220	1.436	.161	.977	1.023
	MVE	10.803	3.467	.478	3.116	.004	.977	1.023

a. Dependent Variable: ROE

Scatterplot

Dependent Variable: ROE

APPENDIX 10

REGRESSION RESULT

(EARNING PER SHARE)

Variables Entered/Removed^b

Model	Variables Entered	Variables Removed	Method
1	MVE, Split_ratio^a	.	Enter

a. All requested variables entered.

b. Dependent Variable: EPS

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.435^a	.189	.135	70.99623	2.248

a. Predictors: (Constant), MVE, Split_ratio

b. Dependent Variable: EPS

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	35268.214	2	17634.107	3.499	.043^a
	Residual	151214.0	30	5040.465		
	Total	186482.2	32			

a. Predictors: (Constant), MVE, Split_ratio

b. Dependent Variable: EPS

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-520.901	217.837		-2.391	.023		
	Split_ratio	.265	3.333	.013	.080	.937	.977	1.023
	MVE	22.019	8.463	.433	2.602	.014	.977	1.023

a. Dependent Variable: EPS

Scatterplot

Dependent Variable: EPS
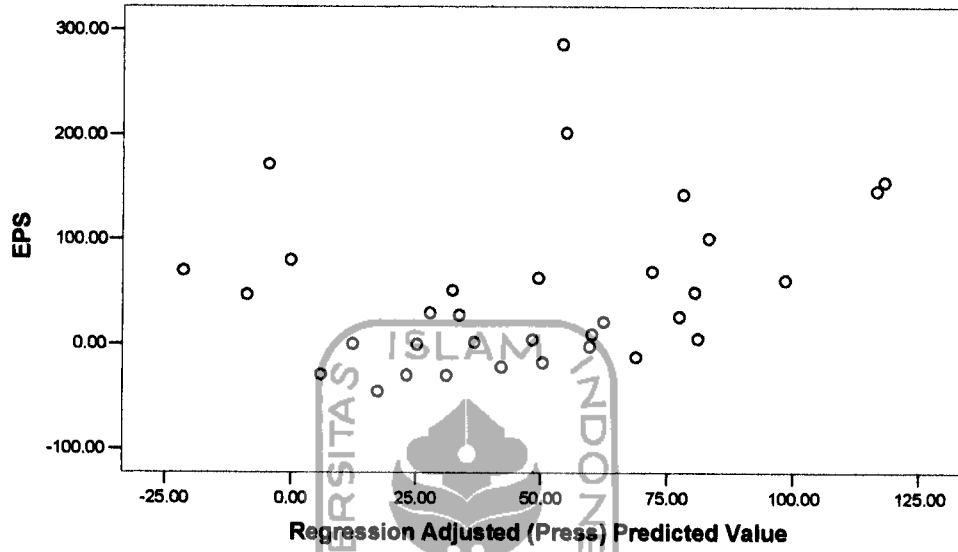
APPENDIX 11

REGRESSION RESULT

(PRICE EARNING RATIO)

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	MVE, Split_ratio[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: PER

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.310[a]	.096	.036	14.46266	1.845

a. Predictors: (Constant), MVE, Split_ratio

b. Dependent Variable: PER

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	666.212	2	333.106	1.593	.220[a]
	Residual	6275.060	30	209.169		
	Total	6941.272	32			

a. Predictors: (Constant), MVE, Split_ratio

b. Dependent Variable: PER

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	33.870	44.376		.763	.451		
	Split_ratio	1.190	.679	.308	1.752	.090	.977	1.023
	MVE	-1.031	1.724	-.105	-.598	.554	.977	1.023

a. Dependent Variable: PER

Scatterplot

Dependent Variable: PER