# *THE 10th ISLAMIC BANKING, ACCOUNTING, AND FINANCE INTERNATIONAL CONFERENCE 2022 (iBAF 2022)*

## Stock Liquidity and Financial Performance of Companies Before and After Stock Split (Study on Companies Listed in Indonesia Sharia Stock Index (ISSI) Period 2016-2018: Comparative Study)

**Hartomi Maulana**
Faculty of Economics and Management, Management Department, University of Darussalam Gontor (UNIDA),
Jl. Raya Siman, Mantren, Patihan Kidul, Kec. Siman, Kabupaten Ponorogo, Jawa Timur Indonesia
E-mail: mhartomi@unida.gontor.ac.id

**Soritua Ahmad Ramdani Harahap**
Faculty of Economics and Management, Management Department, University of Darussalam Gontor (UNIDA),
Jl. Raya Siman, Mantren, Patihan Kidul, Kec. Siman, Kabupaten Ponorogo, Jawa Timur Indonesia
E-mail: soritua@unida.gontor.ac.id

**Witri Nofitasari**
Faculty of Economics and Management, Management Department, University of Darussalam Gontor (UNIDA),
Jl. Raya Siman, Mantren, Patihan Kidul, Kec. Siman, Kabupaten Ponorogo, Jawa Timur Indonesia
E-mail: Witrinofita98@gmail.com

**Abstract**

The increase and decrease in investor interest are motivated by the high share price. Stock splits are the best reasons for companies to keep stock prices stable or affordable. A stock split can cause the share price to be lower, so it will easy to reach by small investors, this will lead to increased demand for stocks, and stocks will become more liquid. This study aimed to determine the difference in stock liquidity and financial performance of the company between before and after the stock split in companies listed in the Indonesia Sharia Stock Index (ISSI). The type of research used was quantitative research. Sampling techniques used purposive sampling so that as many as 31 companies were obtained. The window period set out in the study was 5 days before and 5 days after the stock for variable stock liquidity and 1 year before and 1 year after the stock split for the company's financial performance. The data analysis used was a different sample test paired with a Wilcoxon test for abnormally distributed data and a paired t-test sample test for normally distributed data. The results of this study can be concluded that there was a difference in stock liquidity between before and after but there was no difference in the company's financial performance between before and after the stock split.

*Keywords:* Stock Split; Stock Liquidity; and Financial Performance of the Company

### 1. Introduction

The capital market has an important role in the development of a country. The role connects those who need funds (issuers) with overfunded parties (investors), in addition to also serves as a means for the public to invest in financial instruments that aim to obtain a return. (Yuliari, 2019). According to the Indonesia Stock Exchange (IDX), the capital market is defined as a long-term financial instrument that can be traded in either bond, equities (shares), mutual funds, derivative instruments, or other instruments. When investing, the investor calculates the obtained in the future from each alternative investment of his stock. Investors strive to maximize returns and minimize risk by paying attention to stock price levels. (Fauz, 2016) When the stock price increase, the investor's buying interest will decrease which results in the demand for shares will also decrease, and when the stock price decreases then the investor's buying interest will increase.

The increase and decrease in investor interest are motivated by the high share price. To know the stock price, accurate information from a company is required. Such information can give the view to investors to consider in making an investment decision. (A'la, 2017). Investment decisions are also based on liquid and efficient capital markets. The capital market should be liquid when sellers can sell and buyers can buy securities quickly and that it should to be efficient when the price of securities accurately reflects the value of the company. (Masyitoh, 2018). Disclosure of information by issuers is expected to carry out implementation through the delivery of information related to business or its effects. One of the information available is in the form of the company's financial statements and announcements on the company's actions. Financial statements refer to the company's past performance, while corporate announcements or actions provide information about the company's upcoming plans (Hadiwijaya, 2015). Corporate action that is often carried out by companies aims to increase the company's working capital, business expansion, increase stock liquidity and payments by issuing policies such as right issue, stock split, dividend distribution, bonus shares distribution, reverse stock split, dividend stock, and a cash dividend.

A corporate action is often done by companies and still an interesting phenomenon because it does not provide economic value for the company to do a stock split. Stock splits are the best reasons for companies to keep stock prices stable or affordable, increasing stock trading liquidity and restore stock prices to targeted trading sizes. This is supported by Bhuvaneshwari and Ramya's research which states that the stock split lead to a more positive and helps in predicting future returns (D.Bhuvaneshwari and K. Ramya, 2014). A stock split is also said to be a cosmetics stock, with the sense that this activity seeks to polish the stock to be more attractive in the eyes of investors but does not increase the prosperity of investors. Stock liquidity is the ease of a stock owned by investors to be converted into cash through capital market mechanisms. Stock liquidity is said to increase when the number of stock traded is proportionally greater than the number of shares outstanding (Indarti, 2011). The more liquid a stock is, the faster and easier it is for it to be traded or converted into cash. One of the indicators used to calculate stock liquidity is to calculate the trading volume of stocks. Trading volume activity is the number of transactions traded at any given time. Stock trading volume can be measured using stock trading activity (Harimawan, 2004).

The company's profit can be seen by analyzing the company's financial performance. With the results of the financial analysis, investors can assess the company that will be targeted to invest. The financial condition or performance of a company will affect the share price offered to the public and may affect the profitability of the company in the future. In addition to considering the company's valuation in investing, investors also consider the values it adheres to such as the teachings of religion. The majority of Indonesians are Muslims they are beginning to understand and develop sharia-based investments. The choice of investment facilities with sharia principles is one of them by investing in the sharia capital market. Sharia capital market is a capital market that applies sharia principles as a benchmark in its economic transaction activities. Patel et al tested the share price and the effect of stock liquidity on the Indian stock market. This test concluded that the stock split harmed the return of the stock and there was a decrease in the trading volume of the stock (Patel, 2016). Khajar's research examined the effect of stock splits into stock prices and stock trading volumes in the LQ-45 Index and stated that the stock price rose after the stock split but there was a decline in stock trading volume (Khajar, 2016). Sartika research tested the difference in financial performance before and after the stock split on the Indonesia Stock Exchange. The results showed that ROE and EPS were increasing with the meaning of the company's financial performance going better (Sartika, 2016). Research conducted by Dwilita and Satrya that tested the assessment of the company's financial performance on the Indonesian capital market that conducted a stock split based on the test concluded that the stock split decision did not affect the financial performance of the company's profitability (Satrya, 2018).

Some studies showed differences in findings regarding the stock split. The stock split itself is still a protracted puzzle between financial experts and the reaction to its announcement is still difficult to understand (Dwimulyani, 2008). This is indicated by a mismatch between theory and practice. Theoretically, a stock split only increases the number of shares outstanding and does not directly affect cash flow but in practice indicates that the market reacts to this event. There are some opinions about the stock split, but basically, the opinion is summed up into two groups. The first stock split is only a cosmetic change and the second stock split can affect shareholder profits, stock risk, stock price, trading volume, increase liquidity, and signals given to the market (Sutrisno, 2000). Based on the view of the opinion, researchers are interested in the truth of the opinion and want to re-examine the influence of stock split on the liquidity and financial performance of the company because the company that conducts the stock split is a company with good financial performance. The reason researchers used the object of shares listed in the Indonesia. Sharia Stock Index (ISSI) is the scope of the number of sharia stocks listed more numerous and diverse compared to shares listed in JII and JII70 (Herianingrum, 2015). Based on the given description, the researchers took the title of the study "Liquidity of Shares and Financial Performance of Companies Before and After Stock Split in Companies Listed in the Indonesia Sharia Stock Index (ISSI) Period 2016-2018: Comparative Study".

## 2. Literature Review

### *2.1 Capital Market*

The capital market is a market for peddling a variety of long-term financial instruments that can be traded, both in the form of debt and capital. According to Husnan capital market is defined as a market that is specialized for long-term financial instruments (securities) that can be traded, either issued by the government, public authorities, or private companies (Hunan). According to Capital Market Law No. 8 of 1995 on capital market defines that the capital market is an activity related to public offerings and securities trading, companies related to the securities it publishes, as well as institutions and professions related to securities. Everyday capital markets are referred to as stock exchanges. The existence of capital markets is indispensable in financial instruments because it can increase funding to support sustainable development.

Sharia capital market is part of Indonesia's capital market which also has the same role for the business world (Handayani, 2017). Sharia capital market is a capital market whose entire mechanism of activities is mainly about issuers, the type of securities traded, and the mechanism of trading is carried out based on sharia principles. Every trade transaction in the capital market is carried out following the provisions of Islamic law (Soemitra, 2017). The principles of the sharia capital market have been determined based on the fatwa of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) as well as *Bapepam-LK* regulations (Aulianisa, 2010).

### *2.2 Stock*

Stocks are one of the most well-known financial market instruments. Many investors are interested in stock investing because stocks can provide an attractive level of profit. Stock is defined as a sign of capital investment of a person or business entity in a company or limited liability company by investing, the party has a request for company income, a request for company assets, and attends the General Meeting of Shareholders (GMS). Stocks are distinguished into three, namely ordinary stock, preferential stock, and treasury stock. Common stock is a stock issued by a company with several one class only. Preferred stock is stock issued by companies by removing other classes of stock. This stock is a combination of the nature of bonds and stocks. While treasury stock is stock that has been issued by outstanding companies that have been repurchased by the company and not retired but kept for the treasury (Jogiyanto Hartono, 2017).

### *2.3 Corporate Action*

A corporate action is one of the terms in the capital market that leads to strategic companies that are listed on the Indonesia Stock Exchange so it will affect the interests of shareholders. A corporate action is an activity of a company whose main purpose is to influence the share price on the stock exchange. An increase capital and the liquidity of stock trading is the reason the company performs such corporate actions. The company's activities included in the action include stock split, reverse stock split, General Meeting of Shareholders (GMS), dividend distribution in the form of cash or shares, warrants, bond emissions, right issue, and securities emissions without the right to pre-order securities (HMETD).

### *2.4 Stock Split*

A stock split is one of the corporate actions that are often done by companies to increase the liquidity of stocks. A stock split is an issuer action in which the issuer splits the nominal value of the stock into smaller par values (Hernoyo, 2013). The price per stock is only after the stock split which is announced by 1/n of the previous price.

Such a high stock price will result in small investors not being able to reach it. Therefore, the company conducts a stock split corporate action to increase the number of stock outstanding and break the price into smaller to attract investors. The more stock in circulation, the more active trading on the exchange and the wider the spread of stock among investors. Some opinions on a stock split state that the stock split is a industrial stock and can affect profits for shareholders, signals given to the market, and stock risk. Stock split provides an overview of the condition of the company on a good financial performance therefore investors and observers give a positive signal to companies that conduct a corporation action with a short-term stock split.

A stock split is distinguished into 2 types namely split-up and split-down or split revers. A split-up is a decrease in the face value per share that aims to increase the number of stock outstanding as an example of a split-up with factors 2:1, 3:1, and 4:1. While split-down or reverse-split is an increase in face value per stock by reducing the number of stock outstanding in the market, for example, split-down or reverse-split with factors 1;2, 1:3, and 1:4 (Andrefa, 2014).

### *2.5 Signalling Theory*

Signalling theory is a theory that observes the signs related to the condition of a company (Febrianti, 2014). The principle of signaling theory in each action contains information caused by the existence of asymmetric information. Asymmetric information itself is a condition between two parties where one party has more information than the other party, for example, the management of the company has more information than investors in the market. Thus the information obtained by investors will be received with a different response. If the company manager can give a good signal to reassure investors and respond positively. A stock split is the delivery of information from the company manager through signaling (Ramadiyansari, 2013).

With information or signals circulating in the market will affect the decision of the investor in capturing a signal. Therefore, the concept of signaling theory is very instrumental in a condition in the company as a reference to whether the company can successfully give a positive signal to investors or the opposite is to give a negative signal to investors. Signaling theory encourages a company in conducting a stock split because the company manager will convey the good prospects in the future by the company to the public.

*2.6 Trading Range Theory*

Trading range theory is one of the theories of a stock split to reorganize the stock price with a predetermined price so that it will increase the liquidity of the stock (Purnamasari). This theory also states that a relatively high stock price will cause the company's shares to be less actively traded. If the stock price is too high then the company conducts a stock split so that the share price can be maintained at a predetermined price (Latifah, 2007). This theory also states that a stock split will increase the liquidity of stock trading.

*2.7 Event Study*

An event study is a theory that learns about the market reaction to an event to company information that has been published as an announcement. If an event contains information, it is expected that it will react in the market. It can be concluded that event study can be used to identify capital market reactions by approaching stock movement to an event. Event studies are widely used in specific events within the corporate sphere or the broader economic sphere, such as merger and acquisition announcements, dividend announcements, stock splits, initial offers, issuance of new debt or equity, and profit announcements (Sucipto, 2006).

*2.8 Stock Liquidity*

Stock liquidity is the ability to buy and sell stock securities at a predetermined price quickly. Stock liquidity is an asset for shareholders. Liquid stocks are stocks that can be easily traded on the capital market and easily disbursed into cash. The number of stock issued by a company is reflected in each stock when the company conducts stock emissions. According to Conroy et al in Adwita for stock liquidity can be measured using several parameters, among others (Kesuma, 2014).

1. Spread rate
2. Flow of information
3. Number of shareholders
4. Number of stock outstanding
5. Amount of transaction fee
6. Stock price
7. Stock price volatility
8. Trading Volume Activity

This study used stock trading volume parameters. Stock trading volume is an instrument used to see a capital market reaction to outstanding information. Stock trading volume can be calculated using the amount of trading volume activity. Trading volume activity can be formulated as follows:

$$\text{TVA} = \frac{stock\ of\ traded\ companies}{stock\ of\ companies\ outsanding}$$

*2.9 Financial Performance*

Performance is often associated with financial conditions in a company, and important to be achieved by the company it can reflect the company's ability to manage resources and allocate them. According to Siegal and Marcon in Muharam and Sakti, stated that performance is a performance assessment, which is a periodic determination of operational effectiveness in an organization, part of the organization, and its employees based on a set of goals, standards, and criteria. Performance is the ability of an organization to achieve a predetermined goal through the efficient and effective use of resources (Sakti, 2008).

The measurement of financial performance in the company depends on the point of view based on the objectives of the analysis. Therefore, the company's management needs to adjust the conditions in the company with performance assessment measuring instruments along with the objectives of financial performance measurement. The most important goal of performance measurement is to know an achievement of a set goal, so the interests of investors, creditors, and shareholders can be fulfilled. Financial performance is measured using financial report analysis. The company's financial performance can be assessed by financial ratios, among others (Kaunang, 2013).

a. Liquidity Ratio
   The liquidity ratio explains the ability of the company to meet its maturing short-term obligations.
b. Solvency Ratio
   The solvency ratio describes the company's ability to finance long-term liabilities if the company is liquidated.
c. Activity Ratio
   The activity ratio is to describe the level of effectiveness of the use of company assets, or how far the company's assets are financed by the company or financed by external parties.
d. Profitability Ratio
   A profitability ratio is a ratio promoting the company's ability to generate profit.
   In the study in ratios were used in measuring the company's financial performance using profitability ratios.

*2.10 The effect of Stock Split Policy on the Liquidity of the Company's stock.*

A stock split is the company's activity conducted by the company manager by changing the number of stock outstanding and the nominal value of the stock by the split factor. A stock split is one of the actions taken by the company that aims to lower the price per stock that has been determined and will ultimately increase the total number of shares on the market to increase the liquidity of the company's stock (Mardiyati, 2011). The expression is in line with research conducted by Rahayu and Murti that resulted in the conclusion that a stock split can affect significant differences in stock liquidity. Khajar also conducted tests that resulted in the conclusion that there was a decline after the stock split.

Based on the description above, this study can be seen based on the following hypotheses:

$H_1$= There was a difference in stock liquidity before and after the stock split as measured by the method of trading volume activity.

*2.11 The effect of Stock Split Policy on the Company's Performance.*

The company's performance becomes a benchmark for investors in investments, so the company will look to maintain the financial position contained in the company's financial statements. A stock split is done by the company to send a positive signal to the market about the company's good financial performance in the future so that it will attract investor interest. Sartika researched the stock split which is considered that the company's financial performance is improved so, the test results can support signaling theory. Meanwhile, research conducted by Dwilita and Hadi showed that there was no significant difference in financial performance between before and after the stock split.

Based on the explanation above this study can be described based on hypotheses as follows:

$H_2$= There were differences in the company's financial performance before and after the stock split.

**3. Research Methodology**

This research used a quantitative approach, which is a research method based on a philosophy of positivism used to research certain populations or samples using data collection techniques, sampling, and quantifiable data analysis to test a predetermined hypothesis. The data used is secondary data sourced from the official website through the Website of the Indonesia Stock Exchange Yahoo Finance, the Financial Services Authority, the company's annual report and other media. The population used is companies listed in the Indonesia Sharia Stock Index (ISSI) that conducted stock split corporate actions in the period 2016-2018. The samples in this study were taken based on certain criteria, as for the criteria, among others:

1. Companies listed on the Indonesia Sharia Stock Index (ISSI).
2. Companies that conduct stock split corporate actions in the period 2016-2018 only once during the research period.
3. The Company does not conduct other policies such as right issue, bonus share, or other corporate actions during the observation period because it will be able to influence trading volume activity
4. The Company has clear data and stock split dates.
5. Company data is available to complete for analysis needs.

Of the above criteria, companies that meet the criteria of a total of 33 companies.

Variables are defined as attributes or values of objects, organizations, or activities that have variations and are drawn conclusions by researchers who have previously studied. In this study, the independent variable was the stock split announcement and the dependent variable was the liquidity of the stock and the financial performance of the company.

1. Stock split
   The stock split is defined as the breakdown of a stock with a larger number of stocks and the nominal value of the sheet becomes lower propositionally.
2. Stock Liquidity
   Stock liquidity can be measured by looking at the trading volume activity. Stock trading volume is the ratio of the number of stock in a given period traded to the number of stock outstanding on the market at any given time. The trading volume formula is as follows:

$$\text{TVA} = \frac{stock\ of\ traded\ companies}{stock\ of\ companies\ outsanding}$$

3. Financial of Performance
   The profitability ratio used in this study was Net Profit Margin (NPM), Return On Equity (ROE), and Return On Asset (ROA) with the following formula:

$$\text{NPM} = \frac{Earning\ after\ and\ tax}{sales.}$$

$$\text{ROE} = \frac{Earning\ after\ interest\ and\ tax}{equity}$$

$$\text{ROA} = \frac{Net\ income}{Total\ Asset}$$

The window period used is 10 days, which is 5 days before the stock split event and 5 days after the stock split for liquidity variables will be for financial performance 1 year before the stock split and 1 year after the stock split. Data analysis techniques used in research through the following stages:

1. Descriptive statistic analysis
   Descriptive statistical analysis is the analysis of research data to test the generalization of the results of research based on a single sample:
2. Data normality test
   In this study, the normality test data used was the Kolmogrov Smirnov test with normal distribution data when asymptotic sig> the confidence level used in this test is 95% or a= 5%.
3. Hypothesis test
   The hypothesis tests used were paired sample t-test and Wilcoxon Rank Test. Paired sample t-test is used if the data owned is normally distributed and the data distributed abnormally will be done with Wilcoxon Rank Test.

## 4. Result and Discussion

### *4.1 Result of the study*

Table 1 presents the results of descriptive statistical analysis of variables in this study consisting of variable liquidity of stocks projected by trading volume activity and financial performance calculated using NPM, ROE and ROA by looking at the sample count (N) sample mean, maximum, minimum and standard deviation

Table 1. Descriptive Research variables

| Variable | Mean | Minimum | Maximum | N |
|---|---|---|---|---|
| TVA | 0,00565 | 0,00000 | 0,03968 | 31 |
| | 0,00169 | 0,00000 | 0,01446 | 31 |
| NPM | 255,958 | -406 | 8042,49 | 31 |
| | 98,7238 | -85 | 30338 | 31 |
| ROE | 13,5661 | -1,9 | 47 | 31 |
| | 10,2616 | -8 | 31 | 31 |
| ROA | 6,28161 | -25 | 34,4 | 31 |
| | 6,492258 | -6,08 | 30,91 | 31 |

Source: Data Processing, 2020.

This study conducted a normality test using one kolmogrov smirnov test. Data is said to be normal if the significance value is greater than a=0.05. Table 2 shows the results of testing the normality of variables. The test result of variable liquidity of the stock obtained a result of 0.00 which can be seen in the column Kolmogrov-Smirnov and Shapiro-Wilk. The significance value of the data is smaller than a=0.05 so it can be concluded that TVA data is not normally distributed. Normality test results for NPM data show a value of 0.00 which means that the significance value was smaller than a=0.05 so it can be concluded that the data was abnormally distributed. Normality test results for ROE data shows significance values of 0.022 and 0.69 which were greater than a=0.05 and can be seen in the Kolmogrov-Smirnov and Shapiro-Wilk columns, so it can be concluded that the data was normally distributed. The normality test results for ROA data shows that the significance value was smaller than the value a=0.05 which can be seen in the Kolmogrov-Smirnov and Shapiro-Wilk columns so it was concluded that the data was abnormally distributed. Hypothesis test conducted in this study using paired sample t-test when data is normally distributed and Wilcoxon sign rank test if data is not normally distributed.

Table 2. Test data normality

| | **Kolmogrov-Smirnov** | | | **Shapiro-Wilk** | | |
|---|---|---|---|---|---|---|
| | **Statistic** | **df** | **sig** | **Statistic** | **df** | **sig** |
| TVAbefore | 0,284 | 31 | 0 | 0,631 | 31 | 0 |
| TVAafter | 0,364 | 31 | 0 | 0,495 | 31 | 0 |
| NPMbefore | 0,518 | 31 | 0 | 0,199 | 31 | 0 |
| NPMafter | 0,537 | 31 | 0 | 0,178 | 31 | 0 |
| ROEbefore | 0,13 | 31 | 0,197 | 0,919 | 31 | 0,022 |
| ROEafter | 0,172 | 31 | 0,02 | 0,937 | 31 | 0,069 |
| ROAbefore | 0,179 | 31 | 0,004 | 0,864 | 31 | 0,001 |
| ROAafter | 0,185 | 31 | 0,008 | 0,895 | 31 | 0,005 |

Source: Data Processing, 2020.

Table 3 presents the results of hypothesis testing on stock liquidity variables. Because the data on stock liquidity is not normally distributed, data analysis will be conducted using Wilcoxon rating test. The result of Wilcoxon's rating test on TVA data obtained a significance value of 0.003. The result indicates that the significance value is less than the value a=0.05, then the hypothesis was accepted. Thus it can be concluded that the hypothesis that states there is a significant difference between the company's TVA before and after the stock split is proven.

Table 3. Hypothesis Tets Result for TVA

| | **TVAafter - TVAbefore** |
|---|---|
| Z | $-3{,}018^{b}$ |
| Asymp. Sig. (2-tailed) | 0,003 |

Source: Data Processing, 2020.

Table 4 shows the test results of the financial performance variable hypothesis projected with NPM. The test results used Wilcoxon's rating test on NPM data so that a significance value of 0.699 was obtained. The results indicate that the significance value was greater than a=0.05. Thus, the hypothesis regarding NPM there was no difference between before and after the stock split.

Table 4. Hypothesis Tets Result for NPM

| | **NPMafter - NPMbefore** |
|---|---|
| Z | $-{,}387^{b}$ |
| Asymp. Sig. (2-tailed) | 0,699 |

Source: Data Processing, 2020.

Table 5 shows the test results of the financial performance variable hypothesis projected with ROA. Because ROE data indicates normal distributed data, data analysis tests will be conducted using paired sample t-test. The results of hypothesis testing using paired sample t-test on ROE data obtained a significance value of 0.854. Since the result of the significance, value was greater than the value a=0.05, it can be stated that the hypothesis was rejected. Thus, the conclusion that can be known that the hypothesis states, there was no difference in the significance of ROE between before and after the stock split.

Table 5. Hypothesis Tets Result for ROE

| | | Paired Differences | | | | | t | df | Sig. (2-tailed) |
|---|---|---|---|---|---|---|---|---|---|
| | | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | |
| | | | | | Lower | Upper | | | |
| Pair 1 | ROEbefore - ROEafter | -0,21065 | 6,31043 | 1,13339 | -2,52533 | 2,10404 | -0,186 | 30 | 0,854 |

Source: Data Processing, 2020.

Table 6 shows the test results of the financial performance variable hypothesis projected with ROA. Due to abnormally distributed ROA data, data analysis will be conducted with Wilcoxon rating test. the results of the hypothesis test using Wilcoxon's rating test on ROA data obtained a significance value of 0.754. Since the result of the significance, value was greater than the value a=0.05, it can be stated that the hypothesis was rejected. Thus the conclusion that can be known that the hypothesis states, there was no difference in the significance of ROA between before and after the stock split.

Table 6. Hypothesis Tets Result for ROA

| | ROAafter - ROAbefore |
|---|---|
| Z | -,314[b] |
| Asymp. Sig. (2-tailed) | 0,754 |

*4.2 Discussion*

This study was conducted to test the difference between trading volume activity (TVA) and financial performance projected by net profit margin (NPM), return on asset (ROA), and return on equity (ROE) before and after the stock split announcement. The population used in this study was companies registered in the Indonesia Sharia Stock Index (ISSI) in 2016-2018. The samples used in this study numbered 31 companies that met the criteria. Testing was conducted using observations on t-5 days to t+5 after the stock split announcement for trading volume activity and h-1 year to h+1 year for the company's financial performance.

1. First hypothesis
   Based on the wilcoxon rating test calculations showed there was a significant difference between trading volume activity (TVA) before and after the stock split announcement shown in table 4.10 with a significance value smaller than a=0.05 obtained by 0.003.
   The results of the analysis test are in line with research conducted by (Khajar, 2016) where the researchers concluded that there was a difference between before and after the stock split. The difference indicates a decline in the company after the stock split announcement so the market reacts negatively to the information. If viewed from the existing theory, the stock split event should be a positive signal for investors in influencing investor decisions and making stocks more liquid (Firmansyah, 2016). But this study was inversely proportional to the theory, which shows that after the stock split trading activity volume decreased compared to before the stock split event. This is due to the lack of information that supports investors to know the announcement of a stock split policy, so investors can not receive from signaling theory (Lukianto Hanafie, 2016). On the other hand, investors also still fully do not believe that companies that do stock split will give a large return
2. Second hypothesis
   Testing on financial performance variables is proxy with NPM, ROE, and ROA. The results of the analysis tests either descriptively or non-parametric tests of the three indicators showed the same results that were insignificant with significant scores of 0.699, 0.854, and 0.754, respectively. This result supports the research conducted by Dwilita and Hadi who mentioned that the stock split did not have a significant difference in the company's financial performance between before and after (Hadi, 2018).
   Based on the underlying theory, the reason for the stock split activity can make the company's performance better but when viewed from the results is very inversely proportional. This is due to several things, namely, in the period of stock split some companies suffered losses, and in that period the economic condition is unstable which means that there are high inflation and monetary crisis. This greatly affects the company's ability to make a profit.
   The absence of profit growth can be due to the decision of the management of the company that prefers to expand the company from the proceeds of the sale of shares. Where the expansion of the company requires considerable funds and the profit gained from the expansion can be felt for a long period.

## 5. Conclusions and Suggestions

Based on the results of testing and data analysis conducted against companies that conducted stock splits in the period 2016-2018, it can be concluded as follows:

1. There was a difference in trading volume activity (TVA) of the company's shares between before and after the announcement of the stock split in companies listed on the Sharia Stock Index (ISSI) in 2016-2018 obtained by Wilcoxon rating tests showing that the significance level was less than the value of a=0.05. The difference was characterized by a downward trend at the time of the announcement of the stock split and followed by the next five days.
2. There was a difference in the company’s financial performance between and after the stock split projected with NPM, ROE, and ROA in companies listed on the Sharia Stock Index (ISSI) in 2016-2018. The test results from all three indicators result in a significance value greater than a=0,05

### *5.1 Suggestions*

Based on the results of the study and the limitations of the study, researchers can provide suggestions that can be useful to all parties concerned, among others:

1. For investors to reconsider the information provided by the company and be more careful before investing in a company that conducts a stock split because such information will not always be a positive signal for the company's future growth.
2. For further research that will conduct similar research to use larger sample with a research period of more than 5 years so that the research results become more accurate and add other indicators of stock liquidity and can also add indicators of other financial performance.
3. For companies, the results of this study can be taken as a consideration when the company will do a stock split, should look at and reconsider the condition of the company when doing a stock split, whether the performance and prospects of the company are good or vice versa. The company must also be careful in making informed decisions about the timing of stock split announcements.

## References

A’la, N. 2017. Reaksi Pasar terhadap Pengumuman Stock Split Tahun 2016. Jurnal Ilmu Manajemen 5(3), 1-47. https://jurnalmahasiswa.unesa.ac.id/index.php/jim/article/view/20085

al, S. Z. 2016. Pengaruh Pengumuman Stock Split terhadap Likuiditas Saham dan Return Saham. Jurnal Administrasi Bisnis (JAB) 18(2), 100-157. http://administrasibisnis.studentjournal.ub.ac.id/index.php/jab/article/view/1521

Aulianisa, F. 2010. Pengaruh Faktor Fundamental dan Risiko Sistematik Terhadap Harga Saham di Padar Moda Syariah. Jurnal Ekonomi Islam 5(1), 85-91. https://www.neliti.com/publications/26075/pengaruh-faktor-fundamental-dan-risiko-sistematik-terhadap-harga-saham-di-pasar

D.Bhuvaneshwari and K. Ramya. 2014. Impact of Stock Split Announcement on Stock Price. International Journal of Management (IJM) l5(3), 1.

Dwimulyani, S. 2008. Analisis Pemecahan Saham Dampaknya Terhadap Likuiditas Perdagangan Saham dan Pendapatan Perusahaan Publik di Indonesia. Jurnal Informasi, Perpajak, Akuntansi dan Keuangan Publik 3(1), 2-6. http://dx.doi.org/10.25105/jat.v1i2.4825.2008.2-6

Hadiwijaya, C. (2015). Analisis Perbandingan Abnormal Return dan Likuiditas Saham Sebelum dan Sesudah Stock Split pada Perusahaan yang terdaftar di Bursa Efek Indonesia Periode 2010-2015. Jurnal Manajemen Bisnis dan Kewirausahaan 2(1),2018, 1-154. https://journal.untar.ac.id/index.php/jmbk/article/view/4801

Handayani, L. A. 2017. Kesiapan Infrastruktur Hukum dalam Penerbitan Sukuk, Sebagi Instrumen Pembiayaan dan Investasi Untuk Mendorong Pertumbuhan Pasar Modal Syariah Indonesia. Jurnal Jurisprudences 7(1), 1-16. https://doi.org/10.23917/jurisprudence.v7i1.4348. 2017. 1-16

Harimawan, N. M. 2004. Pengaruh Pemilihan Umum Legislatif Indonesia Tahun 2004 Terhadap Return Saham dan Volume Perdagangan Saham LQ-45 di PT BEJ. Jurnal Sinergi 7(1), 80-90. https://doi.org/10.20885/js.v7i1.906/ 2004.

Herianingrum, R. A. 2015. Pengaruh Price Earning Ratio (PER), Price book value (PBV) dan Debt to Equity Ratio (DER) Terhadap Return Saham. Jurnal JESST 2(9), 600-700. http://repository.unair.ac.id/57270/

Hernoyo, M. A. 2013. Pengaruh Stock Split Announcement terhadap Volume Perrdagangan dan Return. Management Analysis Journal 2, 111. https://journal.unnes.ac.id/sju/index.php/maj/article/view/2015

Hunan, S. (n.d.). *Teori Portofolio dan Analisis Sekuritas.* Yogyakarta: UPP STIM YKPN.

Indarti, I. 2011. Analisis Perbandingan Harga Saham dan Volume Perdagangan Saham Sebelum dan Sesudah. Jurnal Aset 13(1), 45-58. https://widyamanggala.ac.id/journal/index.php/jurnalaset/article/view/73

Jogiyanto Hartono, (. B.-1. 2017. *Teori Portofolio dan Analisis Investasi.* Yogyakarta: 170-200.

Kaunang, C. A. 2013. Analisis Perbandingan Kinerja Keuangan Perusahaan Menggunakan Rasio Profitabilitas dan Economic Value Added pada Perusahaan Yang tergabung Dalam LQ 45. Jurnal EMBA 1(3), 649. https://doi.org/10.35794/emba.v1i3.2140. 2013.649

Khajar, I. 2016. Analisis Stock Split terhadap Harga Saham dan Volume Perdagangan Saham Indeks LQ-45 Periode 2010-2016. Jurnal Keuangan dan Perbankan 20, 90-405. https://pdfs.semanticscholar.org/1d14/9c60fde224065f4e9a4e76e93764cace8878.pdf

Latifah, N. 2007. Analisis Pengaruh Stock Split terhadap Perdagangan Saham di Bursa Efek Jakarta. Jurnal Fokus Ekonomi 2(69). https://stiepena.ac.id/wp-content/uploads/2012/11/pena-fokus-vol-2-no-2-65-80.pdf

Lukianto Hanafie, d. L. 2016. Pengaruh Pengumuman Stock sPllit Tehadap Return Saham, Abnormla Return dan Trading Volume Acitivity. Jurnal Bisnis dan Komunikasi 3(2), 19. http://research.kalbis.ac.id/Research/Files/Article/Full/X13OVDQ7M57ZH85UIT63VM4NI.pdf

Mardiyati, U. 2011. Studi Komporatif Harga, Likuiditas, dan Risiko Saham Sebelum dan Sesudah Perusahaan Melakukan Stock Split dan Reverse Stock Split di Bursa Efek Indonesia. Jurnal Riset Manajemen Sains Indonesi 2(1), 76. http://journal.unj.ac.id/unj/index.php/jrmsi/article/view/762

Masyitoh, S. 2018. Stock Split Saham dan Dampaknya terhadap Volume Perdagangan dan Abnormal Return Saham. Owner Riset dan Jurnal Akuntansi 2(1), 45-6. http://polgan.ac.id/owner/index.php/owner/article/view/45

Patel, M. 2016. Stock Split And Liquidity Effect Of Stock Split: Evidence From Indian Stock Market. International Journal of Management & Research 6(5), 100. https://search.proquest.com/openview/42efff3d33509224830f8cf88069bd39/1?pq-origsite=gscholar&cbl=2028922

Purnamasari, A. S. (201). Pengaruh Stock Split terhadap Likuiditas Perdagangan Saham di BEI 2007-2012. E-Jurnal Akuntansi Universitas Udayana 3(2), 261. https://ocs.unud.ac.id/index.php/Akuntansi/article/view/5508

Sakti, H. M. 2008. Analisis Perbedaan Liquiditas Saham, Kinerja Kuangan, dan Return Saham di Sekitar Pengumuman Stock Split. Jurnal The Winners 9(1), 7. https://doi.org/10.21512/tw.v9i1.727. 2008. 7.

Sartika, D. 2016. Analisis Perbedaan Kinerja Keuangan Sebelum dan Sesudah Stock Split pada Perusahaan yang Terdaftar di Bursa Efek Indonesia Tahun 2008-2014. *Banjarmasin:STIE Indonesia*, 76. http://eprints.stiei-kayutangi-bjm.ac.id/738/

Soemitra, A. 2017. *Bank lembaga keuangan syariah.* Depok: Kencana.

Sucipto, A. 2006. Analisis Likuiditas Saham Sebelum Saat dan Sesudah Pengumuman Stock Split. Jurnal "el Harakah 8(1), 133. https://search.proquest.com/openview/0ed14bdca49715d45d137aa12cfd1c36/1?pq-origsite=gscholar&cbl=2049068

Sugiyono. 2017. *Metode Penelitian Kombinasi.* Bandung: Alfabeta.

Sutrisno, W. 2000. Pengaruh Stock Split Terhadap Likuisitas dan Terun Saham di Bursa Efek Jakarta. Jurnal Ekonomi Manajemen & Kewirausahaan 2(2), 2-8. https://doi.org/10.9744/jmk.2.2.pp.%201-13. 2000. 2-8

Yuliari, N. V. 2019. Analisis Pengaruh Stock Split terhadap Harga Saham, Abnormal Return dan Risiko Sistematika Saham Perusahaan (Studi pada Perusahaan yang terdaftar di BEI 2016-2018). Jurnal EKonika 4(1), 45-96. https://core.ac.uk/download/pdf/235152103.pdf