

Comparative Analysis of Stock Prices, Abnormal Returns, and Stock Liquidity Before and After Stock Splits in Companies Listed on the Indonesia Stock Exchange

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Abstract

This study is an event study that aims to examine the reaction of the Indonesian capital market to stock split events conducted by companies listed on the Indonesia Stock Exchange during the 2020–2024 period. The study employs secondary data obtained from the official website of the Indonesia Stock Exchange and Yahoo Finance. The observation window spans 20 trading days, consisting of 10 days before the event ($H-10$), the event day ($H0$), and 10 days after the stock split ($H+10$). Data were analyzed using the paired sample t-test and the Wilcoxon signed rank test. 1) The empirical results reveal that there is no significant difference in stock prices before and after the stock split. 2) Furthermore, the analysis indicates no significant difference in abnormal returns surrounding the stock split event. 3) In addition, stock liquidity also shows no significant change before and after the stock split. These findings suggest that stock split announcements do not contain sufficient information to trigger a significant market reaction, indicating that the Indonesian capital market has efficiently absorbed the information prior to the event.

Keywords: *Stock Price, Abnormal Return, Stock Liquidity, Stock Split.*

A. INTRODUCTION

The development of the Indonesian capital market has shown a positive trend in recent years, as indicated by the increasing number of companies listed on the Indonesia Stock Exchange. In 2019, the number of listed companies was 668. This figure increased significantly to 943 companies by the end of 2024. This growth reflects the strengthening confidence in the Indonesian capital market as a means of financing and investment (Bursa Efek Indonesia, 2024). The capital market serves as a platform for investors to allocate their investment funds. Through the capital market, investors can select companies that are considered to have strong performance and promising prospects, thereby offering optimal returns. On the other hand, companies with excess funds also seek to manage these resources through various forms of investment with the aim of generating profits. Therefore, companies

with favorable prospects tend to attract greater investor interest, particularly in stock investments (Setiani and Chinta, 2022).

Information plays a crucial role in determining fluctuations in stock prices in the capital market. An event study is a research approach used to examine how the capital market reacts to a particular event, especially when information related to that event is publicly announced (Lukito and Damayanti, 2023). According to Pasaribu (2023), information is considered informative if it is capable of influencing investors' decisions. Such information serves as a basis for investors when conducting transactions in the capital market.

One type of information that is commonly taken into consideration by investors is a stock split. A stock split is an action undertaken by a company to divide the nominal value of its shares (Oemar and Melani, 2020). Generally, a stock split is conducted when a company's share price is considered too high, which may lead to a decline in demand. Therefore, companies may lower the share price to a more affordable level in order to attract a broader range of investors and, consequently, increase stock demand (Santoso and Silitonga, 2023). The theories that explain the impact and rationale behind stock split policies include the trading range theory and the signalling theory (Lukito and Damayanti, 2023).

This study is motivated by inconsistencies in the findings of previous research. Astuti (2020) and Setiani and Chinta (2022) found that there are significant differences in stock prices before and after a stock split. In contrast, Axelino et al., (2024) reported no significant difference in stock prices before and after a stock split. Furthermore, Santoso and Silitonga (2023) and Pasaribu (2023) concluded that abnormal returns differ significantly before and after a stock split, whereas Sitiyarningrum (2022) found no significant difference in abnormal returns during the same period. With regard to stock liquidity, Pasaribu (2023) and Sitiyarningrum (2022) reported significant differences before and after a stock split, while Santoso and Silitonga (2023) found no significant difference.

Based on the above discussion and the identified research gap regarding market reactions to stock split announcements—particularly in terms of stock prices, abnormal returns, and stock liquidity—this study aims to examine and explain the differences in stock prices, abnormal returns, and stock liquidity before and after stock splits in companies listed on the Indonesia Stock Exchange during the 2020–2024 period.

B. LITERATURE REVIEW

Signaling Theory

Signaling theory was first introduced by Spence in his study entitled *Job Market Signaling*. According to Spence (1973), a signal is a form of communication in which the sender (the party possessing information) attempts to convey important information that can be utilized by the receiver. After receiving the signal, the receiver subsequently adjusts their behavior based on their interpretation of the conveyed information (Maharani & Takarini, 2022). A stock split is regarded as a positive signal because it is generally undertaken only by companies with strong performance. Moreover, a stock split involves certain costs that must be borne by the company. Therefore, through this action, issuers seek to signal favorable future prospects to the market (Pasaribu, 2023).

Trading Range Theory

Trading range theory explains that stock trading activity may experience increased stock liquidity when a company conducts a stock split. This theory emphasizes the effort to maintain share prices within a certain range that is considered optimal, so that the price does not become excessively high or exceed a reasonable level for the company's shares (Lukito and Damayanti, 2023).

The trading range theory also suggests that excessively high share prices or costly trading activity may encourage companies to undertake a stock split. A stock split serves as a corporate action to readjust the share price to the desired range (Amaliyah and Aminah, 2020). According to Sitiyarningrum (2022), this measure aims to ensure that the company's shares remain affordable to a broad spectrum of investors and stay within an optimal price range for trading.

Stock Split

A stock split is a corporate action undertaken to divide shares into a certain number of units, in which the new share price becomes $1/n$ of the previous share price. The objectives of conducting a stock split include increasing the number of outstanding shares to attract new investors, expanding the volume of shares traded on the exchange, enhancing stock liquidity, making share prices more affordable, as well as providing opportunities for small investors and supporting investment diversification (Astuti, 2020).

According to Novitasari and Sari (2024), a stock split involves dividing a given number of shares into a proportionally larger number of smaller units. To increase the number of shares outstanding, a company may conduct a stock split, which is another term for share subdivision. This is carried out by exchanging one old share for two new shares, each having the same value, in a two-for-one ratio.

The primary purpose of a stock split is to improve market performance by attracting a greater number of buyers. A stock split is a corporate action that influences company performance and investors' investment decisions, as it affects changes in the nominal value of shares, market valuation, and the number of shares outstanding. There are two types of stock splits, namely split-down and split-up stock splits (Astuti, 2020).

Stock Price

Stock price refers to the value of a share expressed in rupiah, which is formed through stock trading activities on the stock exchange conducted by market participants. Meanwhile, market value represents the value of a share in the market as reflected in its stock price on the exchange (Astuti, 2020). The price formed on the exchange is determined by the activities of market participants through the mechanism of supply and demand (Axelino et al., 2024).

According to Ridlo (2021), the relationship between signaling theory and stock prices before and after a stock split lies in the market's tendency to perceive a stock split as a positive signal regarding a company's future prospects. This perception can enhance investor confidence in making investment decisions. Investor confidence in the prospects of companies that conduct stock splits is generally reflected in an increase in stock prices following the corporate action.

Abnormal Return

Abnormal returns may arise as a result of a significant increase in stock trading activity and typically occur when a particular event is announced. The level of profit earned from an investment is referred to as return, which is classified into two types: actual return and expected return. The primary objective of investors in investing is to obtain optimal returns (Kusnandar and Bintari, 2020).

Return serves as one of the main motivations for investors to invest and represents compensation for the risk undertaken in the investment. When there is a difference between actual return and expected return following the announcement of an event, it indicates a change in market expectations. These market expectations may shift either positively or negatively, and one event that can trigger such changes is a stock split. If the abnormal return generated after a stock split is positive, the stock provides returns above the normal return to investors. Conversely, if the abnormal return is negative, the return earned by investors will be lower than the normal return (Sitiyarningrum, 2022).

Stock Liquidity

Stock liquidity refers to the frequency with which a stock can be traded with minimal conversion costs between the stock and cash. The level of stock liquidity is measured by how quickly a stock can be converted into cash or exchanged for other assets of smaller value. Investors may hold differing views regarding stock liquidity. The first view considers liquidity to be an important factor; investors with this perspective tend to choose highly liquid stocks, even if the returns are relatively low, in order to realize profits quickly. The second view regards liquidity as a lower priority and tends to favor long-term investment through stock ownership, with the expectation of achieving higher returns from the company's future performance (Santoso and Silitonga, 2023).

HYPOTHESIS DEVELOPMENT

Stock Split and Stock Price

According to signaling theory, a stock split can serve as a positive signal indicating that a company has favorable future prospects, thereby leading to expectations of an increase in its stock price. The stock split process involves substantial costs; therefore, it is typically undertaken only by companies with strong prospects and sound financial conditions. As a result, the market tends to respond positively to this signal, as the company is perceived to convey confidence in its long-term outlook (Sesa et al., 2022).

On the other hand, trading range theory suggests that a stock split can reduce the stock price to a level that is more attractive to investors, thereby enhancing stock liquidity. When share prices become more affordable, demand for the stock generally increases, which in turn may drive stock prices upward due to heightened investor interest (Sesa et al., 2022). The impact of a stock split is also reflected in increased stock liquidity, as shares that previously had high nominal values become easier to trade after the split. This enables a broader range of investors to participate in stock trading, thereby

improving market liquidity. Empirical studies conducted by Astuti (2020) and Setiani and Chinta (2022) indicate that there are differences in stock prices before and after stock split events. Therefore, the hypothesis proposed in this study is as follows:

H₁: It is hypothesized that there is a significant difference in stock prices before and after stock split events in companies listed on the Indonesia Stock Exchange during the 2020–2024 period.

Stock Split and Abnormal Return

Pasaribu (2023) stated that it cannot always be proven that signaling theory functions as a positive signal of an issuer's future performance following a stock split event. This is evidenced by a decline in stock liquidity after the stock split. Such a decrease in liquidity indicates that the market responds negatively to stock split actions undertaken by blue-chip companies. This fact suggests that a stock split alone, without being accompanied by additional information or strategic initiatives from the issuer, is insufficient to make blue-chip stocks more attractive for trading in the stock market. Therefore, the effectiveness of a stock split as a strategic action requires supporting factors that can provide added value to investors. Empirical studies conducted by Santoso and Silitonga (2023) and Pasaribu (2023) report significant differences in abnormal returns before and after stock split events. Accordingly, the hypothesis proposed in this study is as follows:

H₂: It is hypothesized that there is a significant difference in abnormal returns before and after stock split events in companies listed on the Indonesia Stock Exchange during the 2020–2024 period.

Stock split and Stock Liquidity

Trading range theory explains that the primary objective of a stock split is to enhance stock trading liquidity in the market. One of the factors contributing to low stock trading activity is a high share price, which tends to limit buying interest, particularly among individual investors with limited capital. Through the stock split mechanism, share prices become lower and more affordable, thereby attracting a larger number of small investors. This increase in the number of investors leads to higher demand for the stock, which ultimately contributes positively to the improvement of the company's stock liquidity in the capital market (Kusumawati and Wahidahwati, 2021). In addition, according to Octaviani and Harianti (2021), companies often conduct stock splits to maintain share prices within a range that is considered reasonable. Empirical studies by Sitiyarningrum (2022) and Pasaribu (2023) indicate that there are differences in stock liquidity before and after stock split events. Accordingly, the hypothesis proposed in this study is as follows:

H₃: It is hypothesized that there is a significant difference in stock liquidity before and after stock split events in companies listed on the Indonesia Stock Exchange during the 2020–2024 period.

C. METHODOLOGY OF RESEARCH

Type of Research

This study is an event study that employs a quantitative data analysis approach.

Population and Sample

The population of this study consists of companies listed on the Indonesia Stock Exchange during the 2020–2024 period. The sample was selected using a purposive sampling method based on predetermined criteria, resulting in a total sample of 12 companies.

The criteria used to determine the sample in this study are as follows:

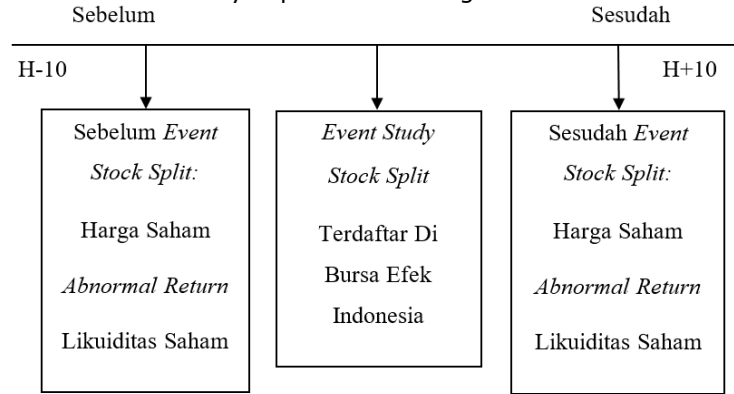
1. Companies listed on the Indonesia Stock Exchange (IDX) that conducted a stock split during the 2020–2024 period and were not delisted.
2. Companies with complete and publicly accessible financial statements for the 2020–2024 period.
3. Companies that officially announced the implementation of a stock split during the study period.
4. Companies that did not undertake other corporate actions, such as rights issues, dividend distributions, or bonus share issues.
5. Companies with complete data required for the analysis in this study.

Data and Data Collection Techniques

The data used in this study are documentary data in the form of historical data. The data sources consist of secondary data obtained through documentation methods.

Research Model

The research model in this study is presented in Figure 1.



Definisi Operasional Variabel

1. Stock Price

According to Mardiyarningsih and Andhitiyara (2020), stock price refers to the value of a share expressed in rupiah, which is formed through buying and selling activities on the stock exchange by exchange members. This value reflects the quality of a company's management in effectively utilizing resources and creating promising business prospects. Therefore, the ability to analyze a company's operational and financial performance, as well as to understand market developments, plays a crucial role in determining investment success in the capital market.

Meanwhile, market value refers to the price of a stock in an active market, and when the stock exchange is closed, the applicable market value is the closing price. The closing price is the final price of a stock at the end of the trading session. This closing price serves as the primary reference for indicating changes in stock prices and will be used in this study. Stock prices themselves reflect all available information, including historical price data, publicly available information, and private information (Mardiyarningsih and Andhitiyara, 2020).

2. Abnormal Return

Abnormal return is defined as the difference between the actual return earned and the expected return. When abnormal return is positive, it indicates that the realized return is higher than the return expected by investors (Santoso and Silitonga, 2023).

a) Actual Return

$$R_{i,t} = \frac{P_{i,t} - P_{i,t-1}}{P_{i,t-1}}$$

Notation:

$R_{i,t}$ = Return of stock i in period t

$P_{i,t}$ = Closing price of stock of company i in period t

$P_{i,t-1}$ = Closing price of stock of company i in period $t-1$

b) Expected Return

Expected return can be estimated using the market-adjusted model as follows:

$$E(R_{i,t}) = R_{m,t}$$

Accordingly, expected return is assumed to be equal to market return. Market return can be calculated using the following proxy:

$$R_{m,t} = \frac{IHSG_t - IHSG_{t-1}}{IHSG_{t-1}}$$

Notation:

$E(R_{i,t})$ = Expected return of company i in period t

$R_{m,t}$ = Market return in period t

$IHSG_t$ = Composite Stock Price Index (Jakarta Composite Index) in period t

$IHSG_{t-1}$ = Composite Stock Price Index (Jakarta Composite Index) in period $t-1$

c) Abnormal Return

$$RTN_{i,t} = R_{i,t} - E[R_{i,t}]$$

Notation:

$RTN_{i,t}$ = Abnormal return of security i in event period t

$R_{i,t}$ = Realized (actual) return of security i in event period t

$E[R_{i,t}]$ = Expected return of security i in event period t

3. Stock Liquidity

Stock liquidity can be assessed through trading volume by comparing trading data over a certain period of time. One method commonly used to measure the level of stock liquidity is Trading Volume Activity (TVA). The higher the TVA value, the higher the level of stock liquidity. Conversely, a lower TVA value indicates that the stock is less liquid (Sitiyarningrum, 2022).

$$TVA_{it} = \frac{\text{Volume saham yang diperdagangkan}}{\text{Jumlah saham beredar}}$$

Notation:

TVA_{it} = Trading Volume Activity of company i on day t

t = Specific time period

i = Sample company

Normality Test

The normality test is used to examine whether the data are normally distributed.

Data Analysis Techniques

1. Descriptive Statistics

Descriptive statistics are used to analyze and describe the collected data without the intention of drawing general or comprehensive conclusions.

2. Hypothesis Testing

Hypothesis testing in this study employs the Wilcoxon signed-rank test. This analysis aims to compare the differences in average values before and after the stock split. The criteria for hypothesis testing are determined using the following equation:

a. Paired sample t -test

1) H_1 , H_2 dan H_3 are accepted if:

Sig. (2-tailed) $< \alpha$ ($\alpha = 0.05$)

2) H_1 , H_2 dan H_3 are rejected if:

Sig. (2-tailed) $\geq \alpha$ ($\alpha = 0.05$)

b. Wilcoxon Signed Rank Test

1) H_1 , H_2 dan H_3 are accepted if:

Asymp. Sig. (2-tailed) $< \alpha$ ($\alpha = 0.05$)

2) H_1 , H_2 dan H_3 are rejected if:

Asymp. Sig. (2-tailed) $\geq \alpha$ ($\alpha = 0.05$)

D. RESULT AND DISCUSSION

Research Results

The results of the data analysis are presented as follows:

1. Descriptive Statistical Analysis

	N	Maximum	Minimum	Mean	Std. Deviation
SP Before	12	0,13111	-0,90000	0,0547000	0,19556868
SP After	12	0,19938	-0,19890	-0,0009131	0,04986378
AR Before	12	0,12491	-0,91341	-0,0552691	0,19576230
AR After	12	0,20564	-0,19943	-0,0026956	0,04996098
SL Before	12	0,00599	0,00000	0,0010179	0,00152041
SL After	12	0,01860	0,00000	0,0012251	0,00247339

Source: Processed data, 2025

2. Normality Test

a. Normality Test Results Before the Natural Logarithm Method

Tabel 2. Normality Test Results

	SP Before	SP After	AR Before	AR After	SL Before	SL After
Kolmogorov Smirnov	0,429	0,216	0,422	0,209	0,252	0,310
Asymp. Sig (2-tailed)	0,000	0,000	0,000	0,000	0,000	0,000

Source: Processed data, 2025

Based on the normality test results presented in Table 2, the Asymp. Sig. (2-tailed) values for the stock price, abnormal return, and stock liquidity variables both before and after the stock split show significance levels of less than 0.05. Therefore, it can be concluded that the data are not normally distributed.

b. Normality Test Results Before Treatment Using the Natural Logarithm Method

Tabel 3. Normality Test Results

	SP Before	SP After	AR Before	AR After	SL Before	SL After
Kolmogorov Smirnov	0,091	0,086	0,160	0,073	0,135	0,086
Asymp. Sig (2-tailed)	0,200	0,200	0,003	0,200	0,000	0,019

Source: Processed data, 2025

Based on the normality test results presented in Table 3, the findings can be described as follows:

1. The stock price (SP) variable before and after the stock split shows Asymp. Sig. (2-tailed) values of $0.200 > 0.05$, indicating that the data are normally distributed.
2. The abnormal return (AR) variable before the stock split shows an Asymp. Sig. (2-tailed) value of $0.003 < 0.05$, indicating that the data are not normally distributed. Meanwhile, the abnormal return variable after the stock split shows an Asymp. Sig. (2-tailed) value of $0.200 > 0.05$, indicating that the data are normally distributed.
3. The stock liquidity (SL) variable before the stock split shows an Asymp. Sig. (2-tailed) value of $0.000 < 0.05$, indicating that the data are not normally distributed. Similarly, the stock liquidity variable after the stock split shows an Asymp. Sig. (2-tailed) value of $0.019 < 0.05$, indicating that the data are not normally distributed.

3. Hypothesis Testing

a. Paired Sample t-Test Results

The results of the paired sample t-test in this study are presented in Table 4 below:

Table 4. Paired Sample t-Test Results

Variabel	Sig. (2-tailed)	Conclusion
SP before and after	0,337	H ₁ is rejected

Source: Processed data, 2025

b. Wilcoxon Signed-Rank Test Results

The results of the Wilcoxon signed-rank test in this study are presented in Table 5 below:

Table 5. Wilcoxon Signed-Rank Test Results

Variabel	Sig. (2-tailed)	Conclusion
AR before and after	0,122	H ₂ is rejected
SL before and after	0,723	H ₃ is rejected

Source: Processed data, 2025

The results of hypothesis testing presented in Tables 4 and 5 can be explained as follows:

Results of the First Hypothesis Test (H₁)

The paired sample t-test results show a Sig. (2-tailed) value of $0.337 > 0.05$. Therefore, the first hypothesis, which states that there is a significant difference in stock prices before and after the announcement of a stock split in companies listed on the Indonesia Stock Exchange

during the 2020–2024 period, is rejected. Thus, the findings indicate that there is no significant difference in stock prices before and after the stock split.

Results of the Second Hypothesis Test (H_2)

The Wilcoxon signed-rank test results show a Sig. (2-tailed) value of $0.122 > 0.05$. Accordingly, the second hypothesis, which posits that there is a significant difference in abnormal returns before and after the announcement of a stock split in companies listed on the Indonesia Stock Exchange during the 2020–2024 period, is rejected. Therefore, the results indicate that there is no significant difference in abnormal returns before and after the stock split.

Results of the Third Hypothesis Test (H_3)

The Wilcoxon signed-rank test results show a Sig. (2-tailed) value of $0.723 > 0.05$. Thus, the third hypothesis, which states that there is a significant difference in stock liquidity before and after the announcement of a stock split in companies listed on the Indonesia Stock Exchange during the 2020–2024 period, is rejected. Consequently, the findings indicate that there is no significant difference in stock liquidity before and after the stock split.

DISCUSSION

The discussion of each variable is presented as follows:

1. Effect of Stock Price on Stock Split

The results of testing the first hypothesis indicate that there is no significant difference in stock prices before and after the stock split. This finding is consistent with the study conducted by Axelino et al., (2024) on publicly listed companies on the Indonesia Stock Exchange during the 2018–2019 period, which also found no difference after the implementation of a stock split.

According to signaling theory, a stock split policy is undertaken by companies to signal that the firm is in good condition in the future, which is expected to increase market stock prices as the policy is positively perceived by market participants (Ridlo, 2021). The absence of differences after the stock split may occur due to a lack of investor reaction to the announcement, as investors may perceive the reduction in stock price as economically insignificant. This condition may also arise because investors do not receive complete information regarding the stock split announcement.

2. Effect of Abnormal Return on Stock Split

The results of testing the second hypothesis show that there is no significant difference in abnormal returns before and after the stock split. This result is in line with the research conducted by Sitiyarningrum (2022) on publicly listed companies on the Indonesia Stock Exchange during the 2020–2021 period, which also reported no difference following the stock split.

Signaling theory reflects the market's response to new information that provides signals regarding a company's future prospects. When companies deliver positive signals—such as through policies like stock splits, earnings announcements, or growth strategies—investors typically respond by purchasing the company's shares. This increases stock demand, which may result in above-average returns, known as abnormal returns (Romadhon and Septiyanti, 2024). However, the absence of differences after the stock split may occur due to varying market reactions that perceive stock splits as insignificant events. Consequently, the market may fail to interpret the stock split announcement as a positive signal and may not regard the decision as favorable information. In addition, this condition may result from information dissemination that does not reach all investors, leading to no increase in stock prices. When stock prices do not rise, stock returns also fail to increase significantly.

3. Effect of Stock Liquidity on Stock Split

The results of testing the third hypothesis indicate that there is no significant difference in stock liquidity before and after the stock split. This finding is consistent with the study conducted by (Santoso and Silitonga, 2023) on companies listed on the Indonesia Stock Exchange during the 2016–2020 period, which also found no difference following the stock split. *apa terjadi karena investor tidak mengetahui informasi lengkap dari pengumuman stock split.*

Trading range theory suggests that stock splits are intended to improve stock trading liquidity. One reason for low trading activity is excessively high stock prices, which reduce demand, particularly among individual investors with limited funds. Through stock splits, share prices become more

affordable, attracting small investors and increasing demand, which in turn is expected to enhance stock liquidity (Kusumawati and Wahidahwati, 2021). However, the absence of differences after the stock split may be attributed to the assumption that stock splits will increase liquidity by making trading volume more liquid and encouraging new investors to invest due to lower stock prices. In practice, the stock split announcement may trigger a negative market reaction, as it is perceived as unfavorable information for the company rather than a positive signal.

E. CONCLUSION

This study examines market reactions to stock split events, proxied by stock prices, abnormal returns, and stock liquidity, in companies listed on the Indonesia Stock Exchange during the 2020–2024 period. The results of the study indicate that:

1. There is no significant difference in stock prices before and after stock splits in companies listed on the Indonesia Stock Exchange during 2020–2024. Fundamentally, a stock split only alters the nominal price structure without affecting the company's intrinsic value. Therefore, the market does not respond to this action with meaningful price adjustments. This finding suggests that investors tend to base their investment decisions more on fundamental performance and long-term prospects rather than technical changes such as stock splits. In addition, the absence of stock price differences indicates that information related to the stock split may have already been absorbed by the market prior to its implementation, resulting in limited price reactions at the time of execution.
2. The absence of a significant difference in abnormal returns before and after stock splits in companies listed on the Indonesia Stock Exchange during the 2020–2024 period indicates that stock split events do not provide opportunities to earn returns above the normal market return. This finding suggests that the market responds rationally to such information and does not exhibit excessive reactions. Within the context of signaling theory, stock splits are often perceived as positive signals regarding a company's future prospects. However, the results of this study imply that such signals are not sufficiently strong to influence short-term investor behavior. Consequently, investor returns are more strongly determined by market dynamics and the company's fundamental conditions than by corporate actions in the form of stock splits.
3. The lack of a significant difference in stock liquidity before and after stock splits in companies listed on the Indonesia Stock Exchange during the 2020–2024 period indicates that stock splits do not automatically increase trading activity. Although, in theory, a reduction in price per share is expected to encourage greater investor participation and increase trading volume, the findings of this study suggest that liquidity is more strongly influenced by market interest levels and perceptions of company performance. This condition reflects that investors do not consider changes in the number of outstanding shares as a primary factor in trading decisions, but rather place greater emphasis on fundamental information and overall market conditions.

Research Implications

1. Theoretical Implications

From a theoretical perspective, the findings of this study indicate that signaling theory has limitations in explaining market responses to stock split events on the Indonesia Stock Exchange during the 2020–2024 period. Stock split actions are not always perceived as signals capable of influencing investor perceptions regarding a company's future prospects, particularly when such information has already been reflected in stock prices prior to the official announcement. These findings support the concept of semi-strong form market efficiency, in which stock prices have incorporated all publicly available information, resulting in insignificant market reactions to stock split events.

2. Practical Implication

a) For Investor

The findings suggest that investment decisions should not rely solely on stock split actions, as such events are not proven to generate abnormal returns or enhance stock liquidity. Therefore, investors are advised to place greater emphasis on analyzing company fundamentals, long-term growth potential, and broader economic and market dynamics.

b) For Corporate Management

The results indicate that the implementation of stock splits does not automatically increase market interest or stock trading activity. Accordingly, corporate management should consider stock split policies as part of a more comprehensive strategy, supported by improvements in operational performance, stronger corporate governance, and the delivery of clear and credible information to investors.

3. Suggestions for Future Research

Future studies are recommended to:

- a) Incorporate additional variables such as nominal price, bid-ask spread, stock price volatility, and Trading Volume Activity.
- b) Use a larger sample size or compare companies that conduct stock splits with those that do not, in order to obtain more robust and generalizable results.
- c) Extend the observation period to capture long-term market reactions.
- d) Consider differences in industry sector characteristics to examine whether market reactions to stock splits vary across sectors.
- e) Take into account the timing and type of stock split announcements, such as differences between initial announcements and effective dates, to examine whether market reactions differ at each stage of the event.

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