

ABSTRACK

MEIGAWATY, The Influence of Changes in Dividend Announcement Towards Market Response and Corporate Profitability Change of The Future (Under the guidance of Delfi Panjaitan, SE, M.Sc.)

This study aimed to determine the influence of changes in dividend announcement paid either increase or decrease towards market as measured by abnormal return and determine whether an increase or decrease in dividends will response be followed by an increase or decrease in the company's profitability of the future. The population in this study was LQ45 companies listed on the Indonesia Stock Exchange in February 2010 until in July 2010. Samples were determined by using purposive sampling. Testing the hypothesis using statistical test one sample t-test and paired sample t-test using SPSS version 17.0. The test results indicate that the first hypothesis (H1) which states that the market will respond positively to the announcement of dividend increase, accepted. The second hypothesis (H2) states that the market will respond negatively to the announcement of the dividend reduction, accepted. The third hypothesis (H3), which states that the increase in dividends at time t to be followed by an increase in profitability in time to $t+1$, rejected. And the fourth hypothesis (H4), which states that the decline in dividends at time t to be followed by a decline in profitability in time to $t+1$, rejected.

Keywords : Corporate action, event study, dividend signaling theory, Average Abnormal Return (AAR), Cummulative Average Abnormal Return (CAAR), Return on Equity (ROE)