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-RESEARCH ARTICLE-

CORPORATE ACTION, SHARE PRICES, RANDOM EFFECT MODEL APPROACH

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─Abstract─

Corporate action is a common thing on the IDX. The study verified the effects of corporate action on stock prices with the objective of issuers performing on rights issues, cash dividends, stock splits and acquisitions listed on the IDX during 2016-2019. The

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secondary data employed were 57 samples and the sampling technique was the purposive one. Hypothesis testing utilized a panel regression model approach with STATA 16.0 software. The results were that right issue, cash dividends and stock split had significant effects on the stock prices, except for acquisition. The results are worthwhile for financial science, particularly the corporate action theory and also for the company managers to choose the type of corporate action that can affect stock prices. It is also beneficial for shareholders or investors since companies that carry out corporate actions do not always bring positive aspects or benefits

Keywords: right issue, cash dividends, stock split, acquisition, stock price

1. INTRODUCTION

Signaling Theory is required by companies to convey information in oder that investors or businessmen can analyze the prospects of a company in the future. Therefore it can be used as a reference tool for making company decisions in investing. It will also give a positive signal about the company's growth in the future, thereby increasing the stock price index in the capital market. The signals can be in the form of company information in carrying out corporate actions to improve company performance. Corporate action is an activity carried out by a company and is likely to affect stock prices on the stock exchange

Corporate actions are consistently taken by any company that wants to expand. They are ranging in various forms such as changes in company management, dividend distribution, stock splits, reverse stock, mergers, acquisitions, divestment, issuance of new shares, distribution of bonus shares, stock dividends, share swap, debt share swaps, and private placements to make participation in other companies (Budiman, 2019). Company actions or steps are in order to improve or show performances both in the short and long terms. Corporate action is any action or activity of the issuer that affects to the number of shares, share prices and the interests of the shareholders both positively and negatively (Darmadji & Fakhruddin, 2011).

The impact of corporate actions is that investors can gain or lose financially. It occurs because stock prices fluctuate significantly up and down. Stock prices that go up and down can cause the funds invested by investors to increase or decrease. It means that investors can gain or lose due to the increase or decrease in stock prices after the corporate action. The up and down of stock prices is a common thing in trading in the capital market. The enhancement and reduction of stock prices as a result of a corporate action can motivate the researchers to conduct research. Based on the problems mentioned above, the purpose of this study is to analyze the effect of right issue, cash dividend, stock split and acquisition on stock prices.

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2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1 Definition of Share Price

Shares are one of the most sought-after capital market instruments by investors, because they are able to provide an attractive rate of return (Ainun, 2019). They are a unit of ownership in a company or financial asset. They are given to investors in the form of share certificate. It is a legal document that states the number of shares owned by investors in the company. Shareholders will receive dividends if the company earns profits or shareholders can enjoy capital gains if the company value increases.

The share price is the price of one share of the number of shares sold by the company. It is the highest amount that someone is willing to pay for the shares, or the lowest amount that can be purchased. Price is a reflection of the company value paid by the public for a company's share. Share prices can go up and down, based on various factors that affect them. Stock prices determine shareholder wealth (Eugene F Brigham & Houston, 2015).

2.2 Corporate Action

Corporate action is any action or activity of the issuer that affects the number of shares, share prices and the interests of shareholders both positively and negatively (Darmadji & Fakhruddin, 2011). Corporate actions are initiatives carried out by corporate entities that bring about changes to their shares. There are many types of corporate actions that issuers can choose from with different objectives. A good understanding on corporate actions provides a clear description of the company's financial health and determines whether to buy or sell certain stocks.

A research was conducted (Arulsulochana et al., 2019) on the effect of corporate action on stock prices with 19 companies listed on the NSE as samples and using the Z test to examine the impact of corporate action on stock prices. The test results prove that the announcement of corporate actions has an impact on stock prices. Previous Research (Veny, 2019) the research sample was 18 basic and chemical industrial companies listed on the IDX with research period of 2015-2017. The research

through the research with purposive sampling method was carried out using multiple regression method. The results of the study show that corporate action (dividend per share) has a positive and insignificant effect on stock price.

1]. Issuance of new shares (Rights Issue) and share price

If a company wants to increase its funds, then one thing that can be done is a right issue or increasing the number of shares on the stock exchange, to finance expansion plans and to finance company operations (Ramirez-Arellano et al., 2018).

A series of studies have been conducted, including (Rachpriliani, 2019). In this study, the author uses the object of observation on companies that carry out rights issues listed on the Indonesia Stock Exchange (IDX) in 2016-2018. The results of the study for the average abnormal return (AAR) at the event date, namely t-10 to t0 with t0 to t+10

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showed a significant level of 0.413 <0.05, which means there is no significant difference. In the research (Ogada & Kalunda, 2014), the sample of this study was 18 companies listed on the NSE. The secondary data collected were lasted for 7 years from 2005-2012. T-test analysis is used to test whether there is a significant difference in share returns. The result is that the expected returns and market returns are significant after the rights issue compared to before the rights issue. However, abnormal returns are not significant after the rights issue. This informs that the rights issue does not affect stock returns.

The effect of the announcement of the NSECNX 500 rights issue on stock prices during January 2006 to December 2013 (Ramya & Bhuvaneshwari, 2018). This study uses an event study methodology for sixty days to determine the effect after the announcement of the rights issue and for analysis using the t test. The rights issue has a negative effect on stock prices (Fauzan & Suhendro, 2018). Population and Sample of PT. Telekomunikasi Indonesia Tbk which is listed in the Jakarta Islamic Index (JII). The data collection method uses time series secondary data obtained from the official website of Bank Indonesia and the Indonesia Stock Exchange. The data was collected from January 2013 to December 2016. Multiple linear regression was used as the analysis technique. The results of the study show that the rights issue has an effect on the stock price of PT. Telekomunikasi Indonesia Tbk

2]. Cash Dividend and Stock Price

Dividends are cash payments made by the company to the shareholders (Laopodis, 2020). Otherwise, dividends are distributions of cash, property, or shares to the shareholders of a company (Pratt, 2011). Cash Dividend is a dividend paid in cash (Eugene F Brigham & Houston, 2019). Cash dividends are generally preferred by shareholders and are more often chosen by the company when compared to other types of dividend policies. The results of research on cash dividends with stock prices was conducted (Ainun, 2019). The sample in the study is manufacturing companies listed on the Indonesia Stock Exchange for the period 2011-2015. The data analysis technique used is multiple regression analysis with the assistance of SPSS Statistics 25.0 software. The results of this study indicate that dividend policy has a positive effect on stock prices. In addition, the control variables used have a significant effect except the leverage and the growth.

Dividend policy has no effect on stock prices (Humaira & Susanto, 2020), observation period of 2011–2017 to 14 companies listed on the Indonesia Stock Exchange with regression analysis method and secondary data used. Meanwhile, study with a manufacturing company listed on the Colombo Stock Exchange (CSE) sample shows a positive relationship between Dividend per Share (DPS) and Market Price per share (MPS) (Charith & Davydenko, 2021). This research uses advanced modeling and data visualization techniques (including the recently proposed ‘xdPlot’ dataviz framework). The analysis used is exploratory data analysis (EDA) and Arellano-Bond as a suitable method for regression analysis.

3]. Stock split and Stock Price

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Stock split is one of the important information needed by investors as an activity carried out by the company managers to change the number of shares outstanding and the nominal value per share according to the split factor. With the stock split, the stock price is not too high so that more investors are to be able to transact (Marwata, 2001). Stock split is a company that splits the nominal value of shares into a smaller nominal value or the company divides existing shares into several new shares to increase stock liquidity. The results of the stock split research with stock prices indicate that the stock split has an impact on stock prices (Yuniartini & Sedana, 2020). This research is conducted on companies listed on the Indonesia Stock Exchange that carried out corporate actions in the form of stock splits for the 2016-2018 period with a sample of 47 companies. The data analysis technique uses the Wilcoxon signed rank test.

Otherwise, the announcement of the stock split has an effect on stock prices (Ansary & Hussien, 2017). The study examines the effect of Stock Split and Stock Dividend corporate actions on stock prices, changes in liquidity, and price volatility; and to investigate the efficiency of the Egyptian stock market with companies listed on the Egyptian Stock Exchange (EGX), and apply the "Event Study" approach with a period of 30 days before and 30 days after the announcement. On the other hand, there is no significant difference between the relative stock prices before the announcement of the stock split and after it (Suryansah et al., 2016). And the sample in this study were 26 companies listed on the Indonesia Stock Exchange (IDX). The analytical tool used in this research is the different Paired Sample Test. Based on the results of the study using the different test, there is no significant difference between the relative stock prices before the announcement of the stock split and after it.

4]. Acquisition and Share Price

Acquisition is a merger of companies in order to control the operations of other companies by owning some or all of the shares of the merged company (Beams et al., 1996). Acquisition is an act of taking over assets or equity from a company that is taken over without merging them into one company (Dringoli,2016). When a company has voting rights in another company and the two or more companies continue to run their business operations separately, but they remain in one group (Zhang, 1998). The acquisition research with stock prices show that the market responds negatively to the phenomenon of mergers and acquisitions in the Pakistani Banking sector (Rahman et al., 2018). This study analysis for the period 2002-2012 applying the Market Study Method to calculate abnormal returns and cumulative abnormal returns to analyze the pre and post event effects of these phenomena on stock prices in Banking sector.

The study with data from the Warsaw Stock Exchange (WSE) used show the acquisitions and mergers have an influence in the banking sector (which is still concentrated), but there is no general reaction in other sectors typical measures such as rate of return, standard deviation (risk), correlation and changes in transaction volume are calculated (Kaczmarczyk, 2019). Each case result obtained for the company is compared with the stock market index results: WIG (Warszawski Giełdowy Index – main WSE index),

WIG20 (WSE sub-index of the 20 largest companies), mWIG40 (WSE sub-index of 40 medium companies) and sWIG80 (WSE sub-index of 80 small companies).

The study aims at providing empirical evidence of the effect of mergers and acquisitions on the stock prices of companies listed on the Indonesia Stock Exchange for the period 2012-2016 (Saputra & Hasibuan, 2019). The test used the event study method and the Wilcoxon signed rank test method informs that there is no significant difference in the average abnormal return on the stock price of the acquiring company between the period before and after the announcement of the merger and acquisition, because of the significance value or asymp. .sig obtained is 0.421 > 0.05 (α: 5%; df: n-1).

1]. Hypothesis Development

2.3 The Effect of Right Issue on Share Prices

The rights issue process is one of the instruments to enhance capital by increasing the existing equity (Pathak & Giri, 2009). Rights issue is one way for companies that lack funds to raise capital for expansion or pay debts. That the market reaction to external financing has a negative impact, companies that publish the rights issues have good cash flows in the current and future periods (Milller & Rock, 1985). Meanwhile, the issuance of securities with a proper knowledge and asymmetry information among investors or the public and company management, investors make the right decisions and become asymmetry information that places all investors on the same level (Myers & Majluf, 1984).

Previous studies show there are significant and positive differences in Right Issue against performance group companies with non-group, which means that group companies are stronger in financial restructuring than non-group companies. A study on the impact of rights issue announcements on the share prices of companies listed on the Nairobi Stock Exchange result is a negative abnormal return for companies that publish the rights issues (Hasim et al., 2020). Otherwise, stock returns have a significant negative or positive effect around the announcement date of the rights issue (Suresha & Naidu, 2012). Other study found that most of the stock prices changed after the announcement of the rights issue in the stock market, there was a significant effect of the announcement of the rights issue on the stock prices of companies listed on KSE (Aijaz et al., 2016). In short, the hypothesis can be formulated as follows:

H1: The Right Issue has an effect on the share price

2.4 The Effect of Cash Dividends on Share Prices

Cash dividends are payments made by the company to the shareholders when it makes a profit and when the company has to pay part of its income to shareholders as cash dividends. Dividends are a policy puzzle regarding firm value forecasting and the strategic development process (Black, 1996). The company's long-term financial strategy is its dividend policy with respect to determining how much income will be earned for investing in the company as opposed to paying dividends to investors. This

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leads to a separation of income between reinvestment in the company and dividend payments to shareholders. High growth firms pay less cash dividends due to higher growth opportunities and reinvest in the business whereas low growth rate firms pay higher cash dividends. investment opportunities (Gilchrist & Himmelberg, 1995).

There is a positive relationship between Dividend Yield and Stock Price and a negative relationship between Dividend Payout Ratio and Changes in Stock Price (Hussainey et al., 2011). While, another research examined the effect of dividend payments on stock prices with samples of 55 companies listed on the Karachi Stock Exchange. The results of the study of dividend yield, earnings per share, return on equity and profit after tax have a positive effect on stock prices, but retention ratios have a negative effect on stock prices (Khan et al., 2011). Other research examined that the DPS, BVPS, and EPS variables have a positive effect on market price per share (MPS) (Poudel, 2016). In short, the hypothesis can be formulated as follows:

H2: Cash dividends have an effect on stock prices

2.5 The Effect of Stock Split on Stock Prices

A stock split is a stock exchange in which five shares are distributed for every four previously outstanding shares (Fama et al., 1969). This means the shareholders get additional shares for each share that previously held. The company managers have found a way that stock split is a good marketing strategy compared to other marketing strategies. In addition, stock splits also include psychological techniques in stock pricing that the new price is more attractive for retail investors to become shareholders; creating greater wealth in order to increase the number of shares owned (Schultz, 2000).

Stock splits also provide a way to reduce the market price of the stock, making it more attractive to small investors. In addition, there is management's desire to increase the number of shares outstanding in order to expand the ownership base (Baker & Gallagher, 1980). Most investors prefer shares that are split. They conclude as the company's future prospects.

The percentage of the bid / offer spread increases after the stock split (Conroy et al., 1990) . The study found a positive reaction to the stock split, which was indicated by an increase in the volume of shares traded after the stock split and also an increase in trading activity after the stock split compared to before the stock split (Aduda & Caroline, 2010). In short, the hypothesis can be formulated as follows:

H3: Stock Split has an effect on stock prices

2.6 The Effect of Acquisition on Stock Prices

M&A activities as the company's efforts to overcome difficulties that arise due to technology and financial deficits for to be innovative and to maintain the continuity of the company (Mittra, 2007). The acquisition provides increased capability for the company in terms of performance. Two companies with different products can combine and expand the company's product line. Another major reason is for cost reduction. If

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two companies are in the same field, then the acquisition will allow the company to reduce costs significantly and help to increase company profits.

Acquisitions have an impact on stock prices and the stock market. It depends on how the market reacts to the news of the acquisition. Sometimes it's profitable and sometimes it's not. The measurement of the success of the acquisition depends not only on the future profits of the combined company after the acquisition, but also on the company's ability to complete the deal at a certain price that does not exceed the (expected) profit (Díaz et al., 2009).

The target company experienced a positive abnormal return on acquisition activity, while the acquiring company experienced a negative abnormal return (Hassan et al., 2007). Meanwhile, the rate of return is higher for the acquiring firm that having a large stake in the target firm (Healy et al., 1997).

The effect of acquisitions on stock returns is quite good for developed countries but it is still a debate among researchers in developing countries. This is for a number of reasons which can be attributed to the limited amount of literature on the impact of these events in the developing countries. For this reason, the hypothesis can be defined as follows:

H4: Acquisition has an effect on stock prices

Based on the above arguments, the research has a framework that can be described as follows:

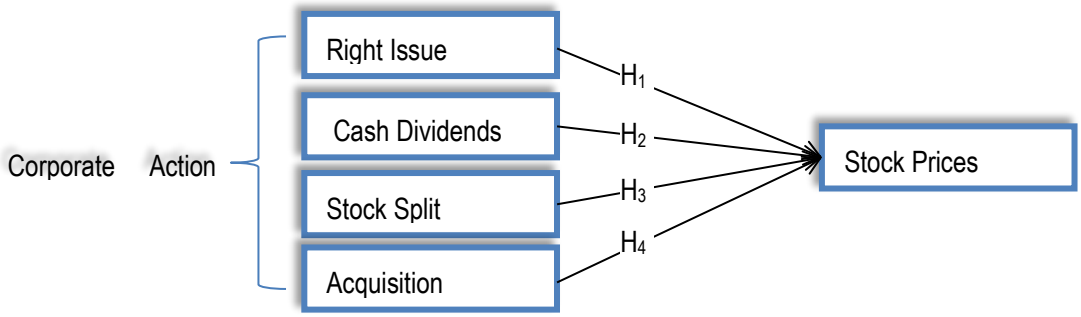

Figure 1. The Research Concept

3. RESEARCH METHODS

3.1 Sample and Research Variables

The population to be the focus of this study is the companies in Indonesia listed on the Indonesia Stock Exchange that carry out corporate actions. The sample is determined using purposive sampling method. It is taken based on the needs or criteria that have been assigned by the researcher with the aim of getting a representative sample in the specified criteria. The sample criteria used in this study are as follows: 1. Companies listed on the Indonesia Stock Exchange that performed corporate actions in 2016 – 2019.

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2. Companies that published complete annual reports for 2016-2019. 3. Includes all the data needed in the calculation of the variables in this study. Based on those criteria, the research samples were obtained as follows:

Table 1. Company Samples

No	Variables	Number
1	Right Issue	12
2	Cash Dividends	23
3	Stock Split	16
4	Acquisition	6
Total		57

3.2 Operational Definition and Measurement of Variables

1]. Rights Issue (RI)

Right issue is a process in which the company gives rights to shareholders to buy new shares that the amount is adjusted to the proportion of existing ownership (Khoso et al., 2016). This variable is measured by the percentage change in share capital. This variable meets the criteria for cooperative action due to the announcement of a right issue from a company whose information can be obtained on the Indonesia Stock Exchange and www.sahamok.com. The formulation is as follows (Samsul: 2006):

$$M_0 = \frac{M_1 - M_{t-1}}{M_{t-1}} \; x \; 100\%$$

Note:

M0 = Change in Company's Share Capital; M_1 = This year's Company's Share Capital; M_{t-1} = Previous year's company Share Capital

Changes in the company's share capital are additional capital from investors because the company conducts a rights issue

2]. Dividend Cash (DS)

Cash dividend is a distribution of funds or money paid to shareholders as part of the current income or accumulated profits of the company. Cash Dividend is a dividend paid in cash (Eugene F Brigham & Houston, 2019). In general, cash dividends are preferred by shareholders and are more often used by the company when compared to other types of dividends. This variable is measured by Dividend Pershare (DPS)

3]. Stock Split (SS)

Stock split is a company that splits the nominal value of shares into a smaller nominal value or the company divides existing shares into several new shares to increase stock liquidity. Stock split is an activity carried out by a go public traded company to increase the number of shares outstanding. This variable is measured by the stock split ratio (E.F

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Brigham & Gapenski, 1994). This variable meets the criteria if there is a stock split announcement from a company that the information can be obtained on the Indonesia Stock Exchange and www.sahamok.com ,the formulation is as follows (Darmadji & Fakhruddin, 2011).

$$Stock\ Split\ Ratio = \frac{Old\ Stock}{New\ Stock}\ x\ 100\%$$

4]. Acquisition (A)

An acquisition is an act of a company to buy most or all of the shares of another company in order to gain control of the company being purchased. Purchasing more than 50% of the target company's shares and other assets allows the acquirer to make decisions about the newly acquired assets without the approval of the other company shareholders. Acquisitions are very common in the business world. This variable is measured by the percentage change in profit/loss. This variable meets the criteria if there is an announcement of an acquisition from a company that the information can be obtained on the Indonesia Stock Exchange and www.sahamok.com. The formulation is as follows:

$$A_0 = \frac{A_1 - A_{t-1}}{A_{t-1}}\ x\ 100\%$$

Note:

A0 = Change in Company Profit/Loss; A1 = This year Company's Profit/Loss; At-1 = Previous Year Company 's Profit/Loss

1.1. Share price

The share price determines shareholder wealth (Brigham & Houston, 2019). It is the sum of the costs to buy one share in a company. The price of a share is not fixed but fluctuates according to market conditions. The share price is likely to increase if the company's performance is considered good, or the share price will decrease if the company does not meet the expectations of stock market participants. The share price variable in this study is measured by the share price "Closing"

4. RESEARCH MODEL

Based on the problem, research objectives and the compiled hypothesis, the research model in the study can be formed with several variables as follows:

$$\textbf{\textit{Stock Prices}} = \alpha + \beta_1\ \textbf{\textit{RI}}_{it} + \beta_2\ \textbf{\textit{DC}}_{it} + \beta_3\ \textbf{\textit{SS}}_{it} + \beta_4\ \textbf{\textit{A}}_{it} + \varepsilon_{it} \quad \text{.....(1.1)}$$

Note: RI = Right Issue; DC = Cash Dividend; SS = Stock Split; A = Acquisition; E = error; i = individual/company; t = research time period

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This equation model is used to explain the effect of corporate actions consisting of Right Issue, Cash Dividend, Stock Split on share prices.

5. RESEARCH RESULT

5.1 Model Testing and Analysis Results

1]. Model testing

The purpose of the study was to determine and obtain an overview of the effect of corporate actions from 57 companies on share prices on the Indonesia Stock Exchange in 2016-2019. To achieve the objectives of the study, a panel regression model was applied. In general, there are 3 stages of testing in panel regression, namely the Chow test, Hausman test, and the Lagrangian Multiplier (LM) test.

The first is Chow Test (Midesia et al., 2016). It is used to determine the right model between the common and the fixed effects. The initial step of the chow test is to estimate the common effect and then save it with the estimates store cem syntax, then continue by estimating the fixed effects and saving it with the estimates store fem syntax. The assessment is by analyzing at the value of Prob > F from the fixed effect estimation results. If the value of Prob > F is smaller than alpha (0.05), it is recommended that the fixed effect model is better. Then the hypothesis testing the model formed is:

H_0 = common effect model

H1 = fixed effect model

To accept or to reject the hypothesis above is when the results of the Chow Test test are based on the Chi-Square value with = 5% or 0.05. In case the result is > the value of =5%, then H0 is accepted, meaning that the best model is produced using the CEM method. Meanwhile, if the Chow test results are below 0.05 then Ha is accepted. It means that the best model is obtained using the FEM method or a comparison is made between the value of Prob > F with the alpha value (0.05). If Pro>F is smaller (<) than alpha (0.05) then H_0 is rejected, and if the value of Prob > F is greater (<) than alpha (0.05) then H_0 is accepted.

Table 2 shows that the value of Prob > F is greater than alpha (0.05), then H_0 is accepted, so the model chosen is the common effect model.

The second is the Hausman test. It is to determine or choose between the fixed effect and random effect models. The Hausman test step is to estimate the fixed effects and the estimation results are stored with the estimates store fem syntax, then estimate the random effects and the estimation results are stored with the estimates store rem syntax. Next step is performing the Hausman test with the Hausman Fem brake syntax.

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Table 2. Chow Test Results

Fixed effects (within) regression	
Group Variable	Obs
Number of Obs	57
Number of groups	26
R-sq	
within	0.4091
betwen	0.0353
overall	0.0824
corr(u_i, Xb)	-0.4876
Obs per group	
min	1
avg	2.2
max	4
F (4,27)	4,67
orr(u_i, Xb)	-0.4876
Prob>F	0.0054
F test that all u_	0
F (25, 27)	**1.28**
Prob > F	**0.2661**

Share Price	**Coef.**	**Std. Err.**	**t**	**P > t**	**95% Conf.**	**Interval**
Right issue	.2532318	.0904578	2.80	0.009	.0676277	.4388359
Dividen cash	-.0369735	.1330639	-0.28	0.783	-.309998	.2360509
Stock split	.7817909	.3435047	2.28	0.031	.0769775	1.486604
Akuisisi	-.169695	.1095939	-1.55	0.133	-.3945631	.0551731
_cons	2.939255	.1434947	20.48	0.000	2.644828	3.233682
Sigma u	.3642189	.1095939	-1.55			
Sigma e	.28737955	.1434947	20.48			
Rho	.616307	fraction of variance due to u_i)				

Source: secondary data (processed)

The assessment is by analyzing the Prob>chi2 value from the Hausman test results. If the value of Prob>chi2> than alpha alpha (0.05). The prob value is greater than the Chi-Squares value, then the null hypothesis is rejected. It means that the correct model is the Fixed Effect model. Otherwise if the prob value is smaller than the Chi-Squares value, the null hypothesis is accepted. Accordingly it is recommended that the analysis model is the random effect. The hypothesis test formed is:

H_0 = random effect model

H_1 = fixed effect model

To accept or reject the hypothesis above, a comparison was made between the value of Prob > chi2 with an alpha value (0.05). If Pro>chi2 is smaller (<) than alpha (0.05) then H_0 is rejected, and if the value of Prob > F is greater (>) than alpha (0.05) then H_0 is accepted.

Table 3. Hausman Test Results

	B (fem)	**(B) rem**	**(b-B) difference**	**sqrt(diag(V_bV_B)) S.E.**
Right issue	.2532318	.2355313	.0177006	.0603218
Dividen cash	-.0369735	.1398795	-.1768531	.1123369
Stock split	.7817909	.4074994	.3742915	.2948351
Akuisisi	-.169695	.0585084	-.2282034	.0719505

b = consistent under Ho and Ha; obtained from xtreg

B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

chi2(4) = (b-B)'[(V_b-V_B) ^ (-1)] (b-B)

= 21.05

Prob>chi2 = 0.0003

Table 3 shows that the value of Prob > chi2 is smaller (>) than alpha (0.05), so H_0 is rejected, so the model chosen is the fixed effect model. The third test of Lagrangian Multiplier (LM) is to determine and choose the right model between the common effect model and the random effect model. The LM test process is to perform the xttest0 syntax command on the command screen, where the xttest0 command is carried out after the Hausman test results. The assessment is by analyzing the Prob>chibar2 value from the LM test results. If the value of Prob>chibar2 <alpha (0.05) then it is recommended that the analysis model is random effect. then the test hypothesis formed is

Table 3 shows that the value of Prob > chi2 is smaller (>) than alpha (0.05), so H_0 is rejected, so the model chosen is the fixed effect model.

H_0 = common effect model

H1 = random effect model

To accept or reject the hypothesis above, a comparison was made between the value of Prob > chibar2 with an alpha value (0.05). If Pro>chibar2 is smaller (<) than alpha (0.05), then H_0 is rejected, and if the value of Prob>chibar2 is greater (>) than alpha (0.05), then H_0 is accepted.

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Table 4. Lagrangian Multiplier (LM) Test Results

	Var	**Sd=sqrt (Var)**
Stock prices	.1103671	.3322155
e	.082587	.2873796
u	0	0

Source: data processed, 2020

Breusch and Pagan Lagrangian multiplier test for random effects

Stock Price [obs, t] = Xb + u[obs] + e [obs, t]

Estimated results:

Test: Var(u) = 0

chibar2(01) = 0.00

Prob > chibar2 = 0.0000

Table 4 described about the the result of Lagrangian Multiplier Test. This test is used to choose the right model between the common effect model and the random effect model. The assessment is if the value of Prob>chibar2 < alpha (0.05), it is recommended that the model is random effect, and if the value of Prob>chibar2 > alpha (0.05), it is recommended that the model is common effect model. The result showed that the values of Prob>chibar2 (0.000) is smaller than alpha (0.05), so it can be recommended that the rigt model it common effect.

2]. Classical assumption test

Based on the model selection test above, the most appropriate model to use is the random effect model. It uses the GLS (generalized least squares) method only needs to test the classical assumptions of normality and multicollinearity or even does not need to test the classical assumptions (Ajija & Kusreni, 2011). The testing of these two assumptions has also been carried out by several previous studies, such as: In this study, the normality test method used the Shapiro Wilk test. The data is said to be normally distributed if the result of the significance of Prob > z is greater than 0.05. The results of the Shapiro-Wilk W normality test can be seen in table 5, then the results of the multicollinearity test can be seen in table 6.

Table 5. Shapiro - Wilk Test

Shapiro-Wilk W test for normal data					
Variable	Obs	W	V	z	Prob>z
res	**57**	**0.96225**	**1.970**	**1.457**	**0.07258**

Source: data processed, 2020

The results of the normality test with the Shapiro-Wilk W test resulted in a Prob>z value of 0.07258> 0.05, it can be stated that the research data is normally distributed.

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Table 6. Multicollinearity Test

Variable	VIF	1/VIF
rightissue	**1.14**	**0.873581**
Dividen cash	**1.14**	**0.876055**
Acquisition	**1.10**	**0.908159**
Stock split	**1.09**	**0.916295**
Mean VIF	**1.12**	

Source: data processed, 2020

When the VIF value is > 10 or the tolerance (1/VIF) is .01 or less, it indicates the presence of multicollinearity or vice versa if all variables have a VIF value < 10, it means that the regression model is free from multicollinearity cases.

3]. Hypothesis test

Research hypothesis testing was conducted to test model 1.1 on the panel data regression equation. Testing is done by observing the significance value of each independent variable. The following is the results of the panel regression test of the random effect model approach:

Hypothesis Testing 1: Effect of rights issue on share prices

Based on the results in table 7, it can be seen that the right issue variable has a p-value of 0.000 < alpha (0.05). This shows that the influence of the rights issue on share prices supports the data. It shows that the first hypothesis is proven that the rights issue has an effect on stock prices.

Companies in growth or expansion need capital and to increase additional capital, the company conducts a right issue option (Kithinji et al., 2014). It is a process for shareholders to be given the option to buy new shares issued by the company. It is one of the corporate actions taken by the company to increase capital through the issuance of new shares by giving pre-emptive rights to existing shareholders. The general purpose of issuing a rights issue is to improve the company's capital structure in order to develop the business and repay debt. Therefore, the rights issue is a signal that may be good or bad news for investors in making investment decisions depending on the company's goals (Sugiana & Surya, 2013).

The existence of a rights issue will cause the share price to fluctuate. Usually, the share price of the issuer after the right issue will decrease. This is natural because the price for implementing the right issue is always lower than the market price. This was deliberately done by the issuer company by providing discounts of between 20-30% to make attractive offers for existing shareholders (Becket,2012).

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Table 7. Random Effect Model Regression Test Results

Random-effects GLS regression						
Group Variable	Obs					
Number of groups	26					
Number of Obs	57					
R-sq						
within	**0.2071**					
betwen	**0.2691**					
overall	**0.2122**					
corr(u_i, Xb)	**0 (assumed)**					
Obs per group						
min	1					
avg	2.2					
max	4					
Wald chi2(4)	**14.01**					
Prob > chi2	**0.0073**					
Share Price	**Coef.**	**Std. Err.**	**z**	**P > z**	**95% Conf.**	**Interval**
Right issue	**.2355313**	**.0674084**	**3.49**	**0.000**	**.1034132**	**.3676493**
Dividen cash	**.1398795**	**.0713191**	**1.96**	**0.050**	**.0000966**	**.2796625**
Stock split	**.4074994**	**.1762603**	**2.31**	**0.021**	**.0620355**	**.7529632**
Akuisisi	**.0585084**	**.0826677**	**0.71**	**0.479**	**-.1035173**	**.220534**
_cons	**2.887613**	**.0867255**	**33.30**	**0.000**	**2.717634**	**3.057592**
Sigma u	**0**					
Sigma e	**.28737955**					
Rho	**0**	fraction of variance due to u_i)				

Source: data processed, 2020

Based on statistical tests, it is concluded that testing of the first hypothesis proved that the rights issue had a significant effect on share prices. The results of this research test have a positive effect, the conditions and characteristics of manufacturing companies may cause a positive reaction to the rights issue corporate action. It is because first the rights issue price is set at a lower price than the market which this will usually drag down the parent's share price during the time of the rights issue. Second, the issuance of new equity used to pay debts will reduce the company's leverage ratio, so that the risk of debt becomes smaller. Investors will react negatively if the rights issue will be used to pay or settle the company's debt.

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The rights issue used to pay debts is something that is not profitable (Asquith & Kim, 1982). Companies that use rights issue funds to pay debts do not capture an investment that can benefit the company. Others, (Masulis, R. W and Korwar, 1986) showed a negative relationship between abnormal returns on the announcement day and changes in debt related to the issuance of these shares. The greater the decrease in debt, the more negative the abnormal return.

The results of this study are in accordance with previous research (Fauzan & Suhendro, 2018). They expose that the rights issue had an effect on the stock price of PT. Telekomunikasi Indonesia Tbk. This is shown in the t-count value of 3.271 with a significance of 0.000. Because the significance value is <0.05 and the t-count value (3.271) is > the t-table value (3.143). These results indicate that the rights issue causes an increase in stock prices. It happens because of several things. Theoretically when the price of the rights issue shares becomes cheaper it will cause many people to be able to buy the shares. The demand for shares will increase and the share price will also increase. In addition, the projection that the rights issue funds entering the company will be used for business expansion which will lead to better company performance and will attract investors to invest. The similar results of study were conducted (Ramesh & Rajumesh, 2014), (Masulis, R. W and Korwar, 1986), (Eckbo & Masulis, 1997), show that rights issues affect the stock prices.

5.2 Hypothesis Testing 2: The Effect of Cash Dividends on Share Prices

Based on the results in table 7, it can be seen that the cash dividend variable has a value of p>|z| 0.050 is smaller with an error rate of 10% (0.10). This shows that the effect of cash dividends on share prices supports the data. It shows that the second hypothesis is proven that cash dividends have an effect on share prices.

Dividend policy is important to investors, managers, lenders and other stakeholders. Choosing an appropriate dividend policy is an important decision for the company because the flexibility to invest in future projects depends on the number of dividends that the company pays to shareholders. If the company pays more dividends, then less funds are available for investment in future projects. The main purpose of dividend policy is to maximize shareholder wealth (Arnold, 2005). Optimal dividend policy will maximize the company's share price and this leads to the maximization of shareholder wealth and thus will have an impact on rapid economic growth (Azhagaiah & Priya, 2008). The company's dividend policy leads to an increase in shareholder wealth through its influence on the company's stock price and increasing company value (Salih, 2010). Dividend policy is one of the important factors that can influence investors to invest, causing stock prices to rise. Dividend policy by presenting the concept of relevance to dividend theory, which says that dividend policy affects firm value and stock market prices (Gordon, 1989). The results of other research show that dividend and dividend payments have a significant effect on share prices (Nazir et al., 2010).

Based on statistical tests, it was concluded that testing the second hypothesis proved that cash dividends had an effect on share prices. Dividend policy, through the payment of

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dividends, causes .an increase in shareholder wealth so that it has an effect on the price of the company's common stock. Therefore, company managers should increase dividend payments to increase the company's share price and encourage current investors to keep their investments or attract more investors.

The test results argue that there is a positive and significant relationship between cash dividends and share prices. It implies that cash dividends per share can lead to an increase in closing stock prices of manufacturing companies listed on the Indonesia Stock Exchange.

The results of this study are in accordance with previous research which indicate that dividend policy has an effect on stock prices (Ainun, 2019). This can be seen from the DPR sig value of 0.42 which is below 0.05, which means the research hypothesis has been proven true. The results of this study confirm the signaling theory which shows that investors respond to the dividend policy carried out by the company. Investors view dividend policy as a signal indicating that the company is in good condition and has favorable prospects for investors. Therefore investors will be interested in buying company shares and in the end will increase share prices due to great demand. These results are in agreement with previous one who found a positive and significant relationship between DPS and closing stock prices (Al-Troudi & Milhem, 2013).

5.3 Hypothesis Testing 3: Effect of Stock Split on Share Prices

Based on the results in table 7, it can be seen that the stock split variable has p>|z| 0.021 is smaller with an error rate of 5% (0.05). This shows that the effect of stock splits on share prices supports the data. This shows that the third hypothesis is proven that stock splits have an effect on share prices.

Knowledge of share prices allows investors to choose companies to invest wisely. It means nothing but related to income and net assets, an investor will determine whether the stock is over or undervalued to invest. However, not all investors are well-informed, thus making decisions based on a narrow view of share price movements.

The high share price will reduce the purchasing power of investors in the stock. The corporate action by conducting a stock split is expected to increase the ability of investors to buy the shares. Stock splits are relatively common. This implies that there are benefits to stock splits, both real and perceived, as a result of companies doing stock splits. Managers separate stocks to get stock prices into the optimal trading range (Baker & Gallagher, 1980).

Yet, it must also be understood that the stock split does not always have a significant effect on share prices. The share price after the stock split becomes low or down can encourage small investors or retail investors to participate in activities in the capital market. However, it turns out that the activities of small investors can pose a risk of restraining stock movements so that it can slow down the rate of increase in stock prices. This happened in this study where the results of this study concluded that testing the

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third hypothesis proved that the stock split had an effect on stock prices. This means that corporate action in the form of a stock split has an effect on stock prices.

The results of this study are in accordance with previous research (Rohim, 2021). The results of this study indicate that there are differences in the value of stock prices after the company conducts a stock split, both seen from five days after the split or three days after the split. The results of testing samples 5 before and 5 after the stock split obtained a Z value of -3.408 with a significance of 0.01. Then 3 before and 3 after the stock split, the Z value is -3.408 with a significance of 0.001. Because the significance value is less than 0.05 (5%). It means that there is a significant difference between the average relative market price of the sample companies before and after the stock split. It is carried out by the issuer and has a significant impact on the relative stock market price. This is consistent with the Trading Range Theory that by the stock split, the stock price will not be too high with the result that many investors are able to transact. By directing the stock price to a certain range, it is hoped that more market participants will be involved in trading and will increase the liquidity of the stock on the stock exchange. The results of the same research were carried out before (Yuniartini & Sedana, 2020),.

5.4 Hypothesis Testing 4: The Effect of Acquisitions on Stock Prices

Based on the(Ansary & Hussien, 2017) results in table 7, it can be seen that the acquisition variable has p>|z| 0.479 greater with an error rate of 5% (0.05). This shows that the effect of acquisition on share prices does not support the data. It shows that the fourth hypothesis is not proven that the acquisition has an effect on share prices.

Acquisition is a form of corporate action. News about the corporate action plan which is widely publicized by the mass media can be a consideration for market participants in making investment decisions. This information can be categorized as "bad news" or "good news". News of corporate action plans can have an influence on stock prices. However, news about corporate action plans may also not have an impact on stock prices. Announcements of mergers and acquisitions issued can reflect the description of all information and the effect on changes in stock prices (Halpern, 2016).

The company has the view that making acquisitions is the easiest and fastest way to grow. Even though this view is acceptable to a certain extent, many companies that make acquisitions do not turn out as expected. In accordance with the results of the study which concluded that testing the fourth hypothesis did not prove that acquisitions had an effect on share prices. The results of corporate action research in the form of acquisitions have no effect on stock prices. This is because the first company does not get a significant advantage in making the acquisition. Second, because there are post-acquisition integration problems and failure to achieve projected results. Third, acquisitions can create forms of managerial ego fulfillment that lead to the creation of large corporate empires. Fourth, if the acquisition made by the company is not in accordance with the objectives of the shareholders and the value of the shareholders is not increased.

The results of this study are in accordance with previous research (Saputra & Hasibuan, 2019). Their research uses the Wilcoxon signed rank test method which produces a significance value or asymp.sig obtained at 0.421 > 0.05 (α: 5%; df: n-1). It means that announcements of mergers and acquisitions do not produce abnormal returns, which is significant on the share price of the acquiring company that carries out the merger and acquisition. This is because abnormal returns before and after the announcement of mergers and acquisitions are not statistically different. Although around the announcement of mergers and acquisitions there is an abnormal return that is statistically significant on 5 days before and 1 day after the announcement day of mergers and acquisitions. The same results as the research found abnormal stock returns were not significant at the time of the acquisition announcement (Asquith & Kim, 1982). The same results also showed that the acquisition had no effect on stock returns (Sutrisno and Sumarsih research, 2004).

6. CONCLUSIONS AND SUGGESTIONS

Based on the test results, the study gave findings that the results of the corporate action test, namely the right issue variable, cash dividend and stock split have an effect on share prices, while the acquisition variable shows no effect on share prices.

After analyzing the results of the research, then to further researchers in corporate financial management and practitioners in the financial sector, the following suggestions are submitted:

1.2. For further researchers who want to examine the effect of corporate action on share prices, it is recommended to add other variables, namely bonus shares, earnings announcements, initial public offerings, stock conversions, stock buybacks and ESOP

1.3. A similar study can be conducted with a large sample size and a long period of time to determine the reaction of corporate actions to share prices so that it can add another perspective to the stock prices of issuers listed on the IDX.

1.4. Manufacturing companies must ensure that after carrying out corporate actions, they become better by increasing profitability and share prices so that investors are attractive to invest in companies that carry out corporate actions.

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