ABSTRACT

Dividend is a part of company profits that distributed to investors on every year. Dividends payment will depend profit of company and the company policy. This study discusses the market's reaction are caused by changes dividend payments. This research was conducted on banking stocks which are listed in Indonesia Stock Exchange.

The research used the secondary data obtained from the stock trading at BEI that provided by bloomberg. While the dividend payments data are taken by each company's corporate action provided Indonesian Central Securities Depository (KSEI).

The test is performed by using paired sample t test and independent sample test. The result value is not statistically significant. This implies that investors did not consider the dividends payment to make the decision to buy or sell shares, so that changes in dividends, up, down did not affect significantly to changes in stock prices and trading volume. The result is in line with the theory that developed by Modigliani Miller who said that a company's value is not determined by the size of the Dividend Payout Ratio but are determined by net income before taxes (EBIT) and business risk. So that is irrelevant to make the the decision depend on dividend policy and value of dividend.