

ABSTRACT

Objective of this research is to ascertain whether the dividend announcement has impact on return, security return variability, and stock trading volume activity in the period surrounding the event.

This research was conducted by using event study method with market adjusted model approach. The sample was 76 companies announcing dividend between 2007-2011 and fulfilling sample criteria. The statistical test used is T-test: Paired sample t-test for mean on the period before the event, at the moment of the event, and after the event. Statistical periods are applied to the extended period (10 observation days).

Result indicate that dividend announcement significantly influence security return variability (SRV) on the period before-at the moment, at the moment-after, and before-after of announcement. Trading volume activity (TVA) on the period before-at the moment and at the moment-after do not indicate any significant difference, but on the period before-after announcement indicate significant difference.

Keywords: Dividend Announcement, Security Return Variability (SRV), Trading Volume Activity (TVA).