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THE INFLUENCE OF CORPORATE ACTIONS TOWARD THE CHANGE OF STOCK PRICES MEDIATED BY THE TRADE INTENSITY

(An empirical study on the company with paying dividend policy and stock splits in the Indonesia Stock Exchange (IDX) in the period 2005-2014)

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Abstract : The aims of this research are to extend a new model empirical research and to find out whether there is any significant influence of corporate actions such as: stock split and dividend distribution towards stock prices mediated by the intensity of trading stocks of public listed company (PLC) in IDX from the period of 2005 to 2014. This research was conducted by the phenomenon of price's turmoil that occur in the Indonesian capital market. The Structural Equation Modeling (SEM-AMOS) is used to analyze the data, and the result shows high goodness of fit and the simultaneous and individual tests also generate a significant result. The results of this study prove that corporate actions have positive effect and significance to stock prices, and its influence grows stronger with the total effect of the intervening variables in the proposal of this study. Therefore, it may be concluded that the results evidently show that the intensity of trading in the stock is able to mediate the influence of corporate actions towards the change of stock prices.

Keywords: Stock, Actions, Intensity, Prices

1. INTRODUCTION

The movement of stock trading volume and frequency in the Indonesian capital market is very volatile. It is characterized by a constant change in equity prices. The condition is influenced by several factor, including information from external and internal environments such as stock split and dividend distribution.

Based on the existing phenomenon, companies often perform corporate actions to affect the stock price. Stock split is an effort of the company to attract investors. Stock is split into smaller nominal value. Thus, the number of outstanding stocks will increase proportionally with the reduction of par value. Smaller nominal value results in changes in the volume of stock trading. For example, in the extraordinary general meeting of stockholders approved a plan of a stock split of Bank Rakyat Indonesia (BRI) on November 24, 2010. Previously, Sofyan Basir (2007) the President Director of BRI had expected that stock split could have increased the stock's price and trading volume of BRI. That situation can be more explained by the fact that the announcement of the dividend distribution can overcome the uncertainty of income for investors who invest in the stock market. Investors will take an early action if there is an indicator of the uncertainty of income, and they will be willing to pay higher price for the stocks that offer dividend and have impact on the trade volume. For example, PT. Telekomunikasi Indonesia, Tbk (Telkom) held a General Meeting of Stockholders (AGM) at the Hotel Borobudur, Jakarta, on Friday (17/4). In the the AGM it was approved a dividend of IDR 8.8 trillion. This dividend consisted of cash dividend and special dividend. The cash dividend was IDR. 7.3 trillion or IDR. 74.55 per stock, while the special dividend amounted to IDR. 1.5 trillion or IDR.14.91 per share. Telkom's excellent performance in 2014 was reflected in its increase of stock price. The company's stock price

rose by 33%. http://*www.telkom.co.id/telkom-konsisten-tumbuh-di-atas-rata-rata-industri-siap-menjadi-the-king-of-digital.html*.

He, et al (2012) analyzed the stock price daily, five days before and five days after the date of the announcement of a stock split. In four to five days prior to the stock split, the average price of the two samples was almost equal. However, within four days following the split, the stock price of companies that conducted stock split were much higher than the price companies that did not do the stock split.

James Hackard, et al (2010) examined the effects of the split in the current stock price resulting in stocks arising from the split is reflected in the fund (the price of "ex-date"). There are a number of studies in the literature investigating the effect of the stock split on individual stocks. We investigated the effect of stock split into two categories: transaction costs and trading characteristics around the date of the event. Transaction cost analysis measurement employs the bid-ask spreads, which determine the profitability of a trader.

Song Zhu, et al (2011) found that in the action of stock split in the securities market of China, there was a significantly positive relationship between corporate action and cumulative abnormal return for one day, three days, ten days, 30 days, and on the first day of market reopening after the action, Also, the profitability of listed companies in the past would increase the positive relationship between conservatism and market reaction.

Xiao-Xuan and Yang (2013) also found an abnormal return and significant changes in stock prices around the even dates (especially three days prior to the date of stock split) and four to six days after the date of the stock split. Research shows that this phenomenon is sensitive to the ratio of the split and the overall market condition as well as insensitivity to the industry and the size of the company and cash dividend.

Nopphon Tangjitprom, (2013), Laabs, et al (2013) noticed that the dividend, together with capital gains, are gifts to the investors holding stocks of the company. The investors will be interested to invest in stocks that pay dividend.

In this case, the authors would like to examine the changes of stock prices that occurred in the Indonesia Stock Exchange. The authors had the idea that the intensity of trading is a proxy for the stock trading volume and frequency of trading. It may mediate the influence of the stock split and dividend distribution to the stock price. So, the authors formulate the research problems as follows; (1) Do the corporate actions have positive effect on the changes of stock prices, (2) Do the corporate actions have positive effect on the intensity of stock trading, and (3) Do the intensity of stock trading have positive effect on the the changes of stock prices.

This study aims to contribute academically with the development model of research on the effects of stock split and dividend distribution on the stock price at the Indonesian Stock Exchange mediated by the intensity of trading which is a proxy for the volume and frequency of trading, and practically as a consideration for the government in determining the policy and regulation of capital market which involve consistent dividend payment for investors.

2. LITERATURE

2.1. Bird In The Hand Theory

According to the theory that has been described as a grand theory, there is a gap theory between Bird in the Hand theory with Dividend Irrelevance theory. Gordon and Lintner (1963) in the Bird in the Hand theory stated that one bird in the hand is better than 10 birds flying. In this case, the dividend announcement is a definite factor that could affect investors' decision to buy stocks. Investors believe that dividend income has higher value than the capital gain or capital income, because the dividend is more certain than capital

income. So, the volume of stock trading will rise in line with the decision of investors to buy the stocks.

2.2. Theory Of Dividend Irrelevance

The theory of Dividend Irrelevance by Merton, M. and Franco Modigliani (1958) believes that the company is only determined by the basic ability to generate profits and anticipate business risks. In other words, the value of a company will depend solely on the income produced by the assets and not on the part of the profits that will be divided into dividend and retained earnings.

2.3. Stock

Stock is one of the instruments of the most popular financial markets. Issuing stocks is one option that the company can do to raise the capital. In addition, the stock is an investment instrument that has been chosen by investors as the stock is able to provide alluring amount of profit. Stock can be defined as a proof of ownership of a person or party (entity) of a corporation or limited company liability. By investing its capital, the party has a claim on the company's revenue, a claim on the company's assets, and is entitled to attend the General Meeting of Stockholders (AGM). Indonesia Stock Exchange (2014) *(http://www.idx.co.id/id-id/beranda/produkdanlayanan/saham.aspx)*.

2.4. Corporate actions

According to Michael in *https://reksadana-manulife.com*, corporate action is an initiative of the company which may have an impact on investor's ownership of stocks or stock price itself. There are many types of corporate actions a company can do, of course with their different purpose and effect. The corporate action can give a signal to the market about the prospects and performance of the company. Therefore, the understanding of corporate actions can help investors decide to buy or sell stocks. Furthermore, in some types of corporate actions, the Financial Services Authority requires an approval from the stockholders through a general meeting of either in the General Meeting of Stockholders (AGM) or the General Meeting Extraordinary Stockholders (EGM). According Fakhrudin (2008, p.49,) the corporate action has always been favorite news for investors in the capital market. This is because the corporate action is often interpreted as a positive signal of the increased performance of the company. In general, information on corporate action has a significant influence on stock price movement in the stock market. Corporate action is represented by two indicators, namely; action of stock split and cash dividend.

2.5. Stock split

According to Horne and Wachowicz (2013, p.291), stock split is to increase the number of outstanding stocks by reducing the par value of the stocks; for example, the solution of 2 to 1 will make the nominal value per stock is reduced by half. Stock split is an effort by the company to attract investors. The market will give a positive response if company makes the stock split credible. The stock split is usually followed by an increase in the dividend and the market will react towards a predicted increase in the dividend. The increased dividend can give more confidence about the future earnings.

2.6. Dividend

Dividend is the advantage given to the company derived from the company's income. Dividend is distributed after having an approval from the stockholders at the AGM. If an investor desire to gain his/her dividend, then he/she should hold the stocks in a relatively long period until he/she deserves to get it. The company's dividend can be either cash dividend or stock dividend. (IDX, 2015). Keown, et al (2013, p.624) said that the financial decision, such

as dividend policy consisting Constant Payout Ratio Policy, Dividend, Regular Dividend Policy, and Low Regular and Extra Dividend Policy made by the management can lead to changes in the value of company's stocks.

2.7. Stock Trading Volume

According to Wu, Liang and Wen (2009: 623), "The trading volume is the transitional variable to examine the non-linear dynamics of stock market", which means that the variable is changing all the time. The trading volume will change depending on the traders or investors. The volume of trading is a variable that indicates the dynamics of capital market, in this case, the situation or the movement of the transactions in the capital market. Changes in trading volume indicates changes in the condition of the capital market, in the sense of whether the stock market is in the state of many traders or not. Meanwhile, according to Malinova and Park (2009: 1), "Volume is generated by the trading activities, which is commonly explained by the diversification and hedging motives, liquidity needs, or asymmetric information." Thus, any activities that occur in the capital market is the activities of trading stocks. On the other hand, the trading volume is the number of stocks traded for the need of liquidity, that is to meet the obligations or debts owned by the investors.

2.8. Frequency of trading

According to Erna Susilawati (2008) and Maknun (2010), the frequency of trading greatly affect the number of stock outstanding, if there is a great frequency of trading, the stock is declared to be the most active stock on the stock trading. An increasing demand for stocks will indirectly increase the frequency of trading. Based on Circular JSX No. SE-03 / BEJ II-1 / I / 1994, it is stated that a stock is considered to be an active one if its frequency of trading for three months as many as 75 times or more.

3 METHODS

3.1. Research design

This research is causative, where the authors intend to find the independent variable that is the influence of corporate action represented by two indicators (stock split and dividend distribution) on changes in stock prices and the intensity of trade as the intevening variable which are represented by trading volume and frequency of trading. Correlational study is a research that is to find the important variables related to the problem. (Sekaran, Umar, 2006, p165). The study is conducted through hypotheses testing. Study that includes hypotheses testing usually explains the nature of certain relationships, or determining the difference between dependent and independent variables in a certain situation. Hypotheses testing is done to examine the variance in the dependent variable or to estimate the output of the organization. (Sekaran, Umar 2006, p162).

3.2. Operational Variables

In this study, there are several variables (Table 1) that are used, including:

1) The changes of stock price (the dependent variable) which is measured by comparing the daily stock price (in this case using the closing price) in five days before and five days after the date of corporate action. The stock price is used
2) Changes in the trade intensity (the intervening variable) are represented by trading volume and trading frequency measured by comparing the volume of trade and the frequency of daily stock trading (in this case using the closing price) in five days before and five days after the date of coporate action.
3) The corporate action (independent variable) is represented by two indicators: stock split and dividend distribution.

Table 1 : Operasional Variables

No	Variables	Indicators	Measurement/type of data
1	Independent: Corporate Action (X1)	Stock Split, Dividen payout (Cash)	Scale of Ratio, Data Secondary
2	Intervening : Trade Intensity of stock (Y1)	Volume of Trade Intensity of stock, Frequency of Trade Intensity of stock	Scale of Ratio, Data Secomdary
3	Dependent : Stock Price (Y2)	Stock price when closing time.	Scale of Ratio, Secondary Data

The reason why the authors use the data of 2005-2014 is because the number of companies that made the action of stock split and the amount of the paid dividend in that period was very low. The authors took a long time to get the data for the purpose of this research. This study uses the copy of the Capital Market Reference Center (PRPM) of IDX because the source of data on the stock price, trading volume of stock, dividend announcement, and announcement of stock split are in the Capital Market Reference Center of IDX.

3.3. Population and Sample

The population data used in this study were all companies whose stocks were listed on IDX in 2005-2014 and made stock split action and dividend distribution. Population is a generalization region consisting of the object/subject that has certain qualities and characteristics defined by the researchers to be studied (Sugiyono 2013, p115).

According Sugiyono (2012, p116), sample is some portion of the number and characteristics possessed by certain population that becomes the concern of the research. The sample in this study was not done at random but through purposive sampling. The purpose of sampling is to get representative population that matches the criteria. Sampling in this case is limited to certain types of data that can provide the desired information because the data are not occupied by a single source or does not meet some of the criteria set by the researchers (Sekaran, Umar, 2006, p 136). The criteria for the companies that could be taken as samples are:

1. The companies were listed on the Indonesia Stock Exchange in the period of 2005-2014.
2. Companies listed in the Indonesia Stock Exchange made the corporate action of stock split. The samples for the stock split were five days before and after the stock split. The choice of five days before and five days after the stock split was to anticipate the effect of the stock split and to avoid study to be biased.
3. The companies listed on the Indonesia Stock Exchange made the action of stock split and distribution of dividend in the same year.
4. The companies did not make any other corporate actions and did not coincide with other events that can directly affect the stock price and trade intensity.

The restriction of criteria is to avoid the ambiguities presented by such information and to avoid any mistakes in determining sample which could further affect the results of the analysis.

3.4. Data source

In this study, the authors used secondary data which were taken from the Stock Exchange. The data taken was panel data (pooled panel data), which is a combination of cross section data and time series. The data collected were stock prices, trading volumes, stock splits, and dividends of some companies listed on the Stock Exchange in the period of 2005-2014. The information relating to the action of stock split affect stock prices and trading volumes for the decision to sell or buy stocks. This information can be obtained by investors from the information available in the public, namely the Capital Market Reference Center of IDX, www.idx.co.id, and www.ksei.co.id. In addition to, data regarding the dividend distribution, which are associated with the formation of the stock price and volume of stocks, are available in PRPM, www.idx.co.id, and *www.ksei.co.id*.

3.5. Testing and Analysis

The testing method in this study uses the Structural Equation Model (SEM). SEM is a statistical model that provides an estimate of calculation of the strength of hypotheses on the relationship between variables in a theoretical model, either directly or through intermediate variable (intervening or mediating variable). The data analysis in this study uses AMOS (Analysis of Moment Structure) developed by James L.Arbuckle (Gujarati, 2012). This study employs two kinds of analysis techniques, namely; Confirmatory factor analysis and Regression Weight.

4. RESULTS AND DISCUSSION

4.1. Descriptive Analysis

Data used by the authors is to analyze whether there is a significant difference in the stock prices of the companies (those listed on the Stock Exchange that made the action of stock split and the dividend distribution), trading volume, and frequency of trade after the closing period (using the closing price) in the year of 2005 to 2014. The data taken were the secondary data. Here is the list of 46 corporates that made stock splits and dividend distribution in the same year. Appendix A shows the date when the corporate made the action stock split, how much the value of stock split was, as well as how much cash dividend were distributed. The two corporate actions were carried out by each company in the same year. Table 1 shows a fluctuation in stock prices, trading volumes and trade frequencies in the event of corporate actions as follows.

TABLE : 1 The Change Of Stock Price (IDR)

Day	Date	Price	Change	Volume	Frequency
H+5	18-01-2011	5,000	50	25,265,000	1,288
H+4	17-01-2011	5,050	100	45,738,000	1,629
H+3	14-01-2011	5,150	50	38,167,500	1,658
H+2	13-01-2011	5,100	100	62,344,000	3,788
H+1	12/1/2011	5,000	200	53,144,500	2,942
H+0	11/1/2011	4,800	150	93,518,500	4,382
H-1	10/1/2011	4,650	250	181,789,000	5,587
H-2	7/1/2011	4,900	275	120,914,000	6,201
H-3	6/1/2011	5,175	125	43,309,000	2,329
H-4	5/1/2011	5,300	150	47,598,000	2,554

H-5	4/1/2011	5,150	25	55,697,000	2,067

Sources : www.idx.co.id/en-us/home/datadownload/summary.aspx

In general, it is said that the use of SEM requires a large number of samples so that the results could have considerable credibility (trushworthy results). However, there are some practical considerations that can be used as a reference in determining sample. For example, the ratio which is commonly used, where for each parameter to be tested there should be at least 15 (fifteen) samples. Upon the sample data 4 (four) indicators are imposed (Santoso 2014, p.73). In this study, the data observed were 504.
Based on Table 2 below, the composition parameters are:

1) Covariance which is a curve that shows the covariance between the two constructs. However, in the model there is no covariance.
2) Variances are the number of variables that have variance. In the model, all variables are error with the variance of 3 construct for a total of 7 variances.
3) Weight is the total number of arrows that exist in the model, except the error dependen variable. There is a total of 13.

The composition parameters can be shown as follows:

Table 2 : The Summary of Parameters

	Weights	Covariance	Variances	Means	Intercepts	Total
Fixed	8	0	0	0	0	8
Labeled	0	0	0	0	0	0
Unlabeled	5	0	7	0	0	12
Total	13	0	7	0	0	20

Source : Ouput AMOS 22

4.2. Normality Test

For testing the normality of the distribution of the data used in the analysis, the researchers use the statistical test that is provided in the AMOS program. According to Ghozali (2008) and Santoso (2014), the normal assumption is fulfilled if the normality of the data distribution is 2,58 <Critival Ratio (CR) <2.58. Table 3 shows the normality test output after the assessment.

Table 3 Normality Test

Variable	Min	Max	Skew	c.r.	Kurtosis	c.r.
SAHAM	-550	850	2.00863	18.40937	14.38351	65.91354
VOL	-118162500	202245000	1.97822	18.13066	18.47614	84.66829
FREQ	-2457	3872	2.19009	20.07251	17.35784	79.54361
DIV	1.5	1185	4.40509	40.37329	22.06368	101.10847
SPLIT	2	100	4.31217	39.52168	17.06372	78.19577
Multivariate					120.9163	162.22624

Source: Output AMOS 21

Based on Table 3, it can be seen that the results of multivariate normality is 162.22624 which is greater than 2.58. Therefore, it can be concluded that the research data distribution is not normal.

4.3. Test of the Confrimatory Factor Analysis (CFA)

To determine whether the study meets the criteria of goodness of fit, the CFA tes tis necessary to be conducted to determine if the indicators used in the study's variables contains strong factors so that it can form determinant vriabled as i tis shown in Table 4 below.

Table 4 : Testing Results CFA of Variables

		Variable	Estimate
SPLIT	<---	AKSI	,26499
DIV	<---	AKSI	45,180
FREQ	<---	INTEN	,59260
VOL	<---	INTEN	,75508

Source: Output of Amos 21

Based on Table 4 and the figure 1, the variable stock split's loading factor is 0.26499. The meaning of 0.26499 variance of variable corporate action can be explained by the variable of stock split. Meanwhile, the variable dividend payment's loading factor which is 45.180 means that the 45.180 variance ofvariable corporate actions can be explained by the variable of cash dividend. In this case, its loading factor is stronger than that of the stock split. Further, based on Table 5, for the variable of frequency of stock trading in terms of loading factor gets 0.59260**,** which means that the variable of intensity with 0.59260 variance can be explained by the variable of trading frequency. For the variable of trading volume loading factor, i tis obtained 0.75508, which means that he variable of intensity with 0.75508 variance can be explained by the variable of trading volume. In this case the variable whose loading factor is strong enough as the determinant variable is the intensity of trading.

4.4. Test of the model SEM

This research uses SEM testing which starts with a fit test to examine the feasibility of the model used in this study. The results of the testing is shown in Table 5 which proves that the model meets the criteria of goodness of fit index.

Table 5 Model Testing Results

No	Goodness – Off Fit Index	Cut of Value	Result	Criteria
1	*Chi Square*	<α, df	,26031	Fit
2	*Probability*	>0.05	,96731	Fit
3	CMIN/DF	≤2.00	,08677	Fit
4	GFI	≥0.90	,99979	Fit
5	AGFI	≥0.90	,99897	Fit
6	CFI	≥0.90	1,00000	Fit
7	TLI	≥0.90	1,02270	Fit
8	IFI	≥0.90	1,00669	Fit
9	RMSEA	≤0.08	0,00000	Fit

Source: Output AMOS 21

Based on the results on Table-5, by comparing the cut value with the results of the 9 (nine) testing criteria of Goodness of Fit model such as Chi-square, Probability, CMIN/DF, Goodness of fit indexes (GFI), Ajusted Goodness of Fit Indexed (AGFI), and CFI, TLI, IFI, RMSEA, it can be concluded that all meet the ct value, meaning that the model is fit for testing the Hypotheses.

4.5. Test of the Hypothesis

This study uses the program of AMOS version 22 to conduct hypotheses testing, as illustrated in Figure 1 and Table 6 which present the results of the regression analysis of the variables.

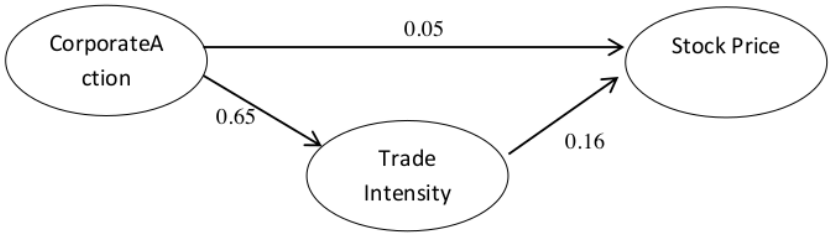

Figure 1: Diagram of the path SEM Full Model

According to Supranto and Limakrisna (2013), to produce the Structural Equation Model as fit, it is formed from AMOS output ver.21 as follows:

Corporate Action = 0.65452 Trade Intensity + error (1)
Stock Price = 0.05209 Corporate Action + 0,15751 Trade Intensity + error (2)

From the first case of structural equation 1 corporate action and other variables are constant, while the intensity of trade will increase by 0.65452 units.
From the second equation when the variable intensity of trading increases one unit and other variables are constant then the stock price will rise 0.05209 units. If corporate action and other variables are constant, then the stock price will rise 0,15751.

Table 6: Hypotheses Testing

			Estimate	S.E.	C.R.	P	Label
Corporate Action	--->	Trade Intensity	,65452	121,987	,53655	,04158	Accepted
Corporate Action	--->	Stock Split	100,000				
Corporate Action	--->	Dividen paid out	8,737,184	3,668,370	238,176	,01723	Accepted
Trade Intensity	--->	Frequency	100,000				
Trade Intensity	--->	Volume	5,300,821,216	2,786,414,745	190,238	,05712	Accepted
Trade Intensity	--->	Stock Price	,05209	,02267	229,752	,02159	Accepted
Corporate Action	--->	Stock Price	157,511	,39153	402,298	***	Accepted

Source: Output AMOS 21

The analysis of this research was conducted with the research hypotheses testing. The test was carried out for 3 (three) hypotheses. The hypotheses testing is done by using t-Value with a significance level of 0.05. T-value in the program AMOS ver.21 is the value of

Critical Ratio (C.R.) on Regression Weights: (Group number 1 - Default model) of the fit model. If the critical value Ratio (c.r.) is more or less between -1.967 up to 1.197 or the value of the probability (p-value) is under 0.05, then the hypothesss are accepted, Santoso (2014).

a. Hypothesis-1 : The Corporate Actions have positive and significant influence on the Change of Stock Prices

Based on Table 6, it can be said that the variable of corporate actions has an influence on stock price movements which is are known to have a p-value of 0.000 or 0.000 <α 0,05, or it can be concluded that the hypothesis is accepted. This means that the corporate actions significantly influence the changes in stock prices with a coefficient of 157.511. This means that if there is any action from the corporate, it will change stock price by 157.511 units.

This finding is consistent with the research conducted by He, et al (2012) which states that four to five days prior to the stock split, the average price of the two samples is almost equal. However, within four days following the split, the stock prices of the companies that made stock splits to be much higher than that of the companies that do not make the stock splits. According to the research conducted by Laabs, et al (2013) and Nopphon Tangjitprom, (2013, p.45-55), the distribution of dividend is one of the most important and meaningful for the investors to notice. It can be used as direct signals about the strength of the company's liquidity in the market. The distribution of dividend can be viewed in two perspectives: if the dividend is over the expectation of the stockholders, the stock market prices then will be positively affected.

b. Hypothesis -2 : The Corporate Actions have positive and significant influence to the intensity of stock trading

Based on Table 6, it can be said that the variable of corporate actions gives impact on the intensity of trading which is known to have p-value of 0.04158 or 0.04158 < α 0,05, or it can be concluded that the hypothesis is accepted. As the corporate actions affect positively to the intensity of the stock with a coefficient of 0.65452, with that coefficient which gives a positive sign, the variable od intensity of corporate actions is in line with stock trading. This means that if there is any corporate action, it will increase in the intensity of stock trading by 0.65452 units.

This finding is consistent with the study of Wang, et al (2010) where it is stated that the stock split affects the stock trading volume and the stock price. His research has proven that the stock split has a real effect on the trading volume and stock prices. This is also in accordance with the theory that was conducted by Gordon and Lintner (1963). Bird in the hand theory states that the dividend announcement can affect investors' decision to buy stocks. Investors believe that the dividend income has higher value than the capital gain or the capital income, because the dividend is more certain than capital income. Therefore, the number of the stock trading volume will rise in line with the decision of investors to buy stocks.

c. Hypothesis -3 : The Trade intensity have positive and significantly influence to the Changes of Stock Prices

Based on Table 6, it can be said that the variable of intensity of trading has an effect on the stock price movements which is known to have p-value of 0.02159 or 0.02159 <α 0,05, or it can be concluded that the hypothesis is accepted. Since it has significant and positive effect on the changes of stock prices with a coefficient of 0.05209 it means that the variable of intensity of trading is in line with changes of stock prices. This means that if the variable intensity increase by one unit, it will increase the stock price by 0.05209 units.

This finding is consistent with the study of Variyetmi (2012) which states that frequency of trading has significantly positive effect on the stock prices. The higher the frequency of trading, the higher the level of liquidity of the stocks which makes the stock price to be appreciated. Moreover, according to the research conducted by Rifanie (2008), it is declared that the independent variables such as stock trading volume, trading frequency of stocks, cash dividend, Return On Assets (ROA), and Return of Equity (ROE) simultaneously have significant influence on the dependent variable which is the stock price because of the significant F value of <0.05 which is equal to 0.000.

d. Direct, Indirect and Total Effects

Table 7 : Direct, Indirect and Total Effects

	Direct Effect		Indirect Effect		Total Effect	
	Corporate Action	Trade Intensity	Corporate Action	Trade Intensity	Corporate Action	Trade Intensity
Trade Intensity	,01018	,00000	,00000	,00000	,01018	,00000
Stock Price	,06411	,13633	,00139	,00000	,06550	,13633
Volume	,00000	,75508	,00769	,00000	,00769	,75508
Frequency	,00000	,59260	,00603	,00000	,00603	,59260
Dividen paid out	245,180	,00000	,00000	,00000	245,180	,00000
Stock Split	,26499	,00000	,00000	,00000	,26499	,00000

Source: Output AMOS 21

The analysis of effect is to see how strong the effect of a variable on other variables either directly or indirectly. Interpretation of the results will have an important meaning to define a clear strategy to increase revenue. The results of the calculation of the effects of direct, indirect and total by AMOS ver.21 are as follows:

Based on Table 8 and Table 9, the direct effect of corporate action on stock prices is 0,06411, while the indirect effect is 0.00139. Due to the indirect effect of corporate actions on the stock prices is positive it can be concluded that in order to improve the liquidity effect on the change of stock price, it can go through the intensity as the intervening variable. Based on the Table 10, the total effect of corporate action on the stock price is 0.06550. Due to the total effect of corporate action on stock price is greater than the direct effect of corporate actions on stock prices, then in order to increase the total effect of corporate action on stock prices, it is necessary to synthesize either direct effect or indirect effect through the intensity of trade as an intervening variable.

5. CONCLUSIONS

The empirical results of this study help us understand a new model of the causal relationship between the corporate cctions with the change of the stock price mediated by the trade intensity at the company with paying dividend policy and stock split in the Indonesia Stock Exchange. The study draws four conclusions; **(1)**; The corporate action has a dignificantly positive influence on the change of stock price where the p-value of 0.00001 or 0.0001 under (<) α of 0.05, so we can conclude that the hypothesis is accepted, it means that the corporate action has a significant effect on the change of the stock price by a coefficient of 157.511. This means that if there is any corporate action, it can change the price of stock

equal to 157.511 units. In this study, the variable of corporate action is a unobserved variable which is represented by the stock split and the dividend distribution. For stock split the loading factor is 0.26499, which means that variance of the variable of corporate actions can be explained by the variable of stock split. For the variable of dividend payment, the loading factor is 45.180 meaning that the variable of corporate actions can be explained by the variable of cash dividend. In this case, the loading factor of the dividend is stronger than the stock split. These results are consistent with the findings of the previous researchers. **(2)** The corporate action has a significant positive influence on the intensity of trading where the p-value of 0.04158 or 0.04158 <α 0,05, so we can conclude that the hypothesis is accepted. It means that the corporate actions has a significantly positive effect on the intensity of the trading stock by a coefficient of 0.65452. It means that the variable intensity of corporate actions is in line with stock trading. This means that if there is any corporate action, it will increase in the intensity of stock trading at 0.65452 units. For the variable of frequency of stock trading, the loading factor is 0.59260, which means that 59.260% of the variance of the variable intensity can be explained by the variable of trading frequency. The loading factor of the trading volume is 0.75508, which means that 75.508% of the variance of the variable intensity can be explained by the variable of trading volume. In this case, the variable is strong enough to be a determinant variable of intensity of trading. **(3)** The intensity of trading has a significantly positiv influence on the change of the stock price, with the p-value of 0.02159 where 0.02159 <α 0,05, so we can conclude that the hypothesis is accepted, which means that the intensity of trading has a significantly positive impact on the changes in stock price with a coefficient of 0.05209. Such coefficient is a positive sign which means that the variable intensity of trading in line with the change in the stock price. This means that if the variable intensity increases one unit, it will increase the stock price by 0.05209 units. **(4)** The total effect of corporate action on the intensity of trade amounts equals to 0.01018 while the total effect of corporate action on the stock price equals to 0.06550 and the total effect of the intensity trade on the change stock price equals to 0.13633. As the total effect of the corporate action on the stock price is greater than the direct effect of corporate actions on the stock price, then as what the author proposed in this study, in order to increase the influence of corporate action on stock price, it is necessary to synthesize either the direct effect or indirect effect through the intensity of trade as the intervening variable. So, it can be concluded that the trade intensity is capable to mediate the effect of the corporate action on the stock prices.

5.1. Implication

This study offers some implication, **(1)**, Academically, this study provides implications to fill the gap between theory Bird in The Hand theory with Dividend Irrelevance theory, by proposing trade intensity variable, indicated by the volume and frequency of transactions, as the intervening variable between the variable of corporate actions to increase the stock value. This research proves that the impact of the corporate action variable on the value of the stock is weaker when compared to the total effect of the variable corporate action and trade intensity. **(2),** Practically, if a corporate intends to get its stock price rose, it can perform some corporate actions such as stock split and payment of dividend. Due to the fact that the action of the stock split could increase the stock price because of the stock price in the range of more affordable and desirable, thus attracting the interest of investors to invest in the stocks of the result increases in the demand for stocks, rising demand for stocks may boost the stock price. In addition, the distribution of dividend it will make the investors feel that the stock is at least providing an income so it is more trusted to invest in the stocks of the listed companies that pay dividend than those who do not pay

dividend. The distribution of dividend is more valuable and more uncertain compared to capital gain, if the corporate desires to get its stock price rose, it may consider the condition of the intensity of the stock trading because with the rising volume of the stock trading that reflects the high demand of the stock and the increasing frequency of the trade, it show frequent transactions of the stocks. Therefore, with the rising demand and the more frequent stock transaction, it will affect the stock price. This is in accordance with the law of demand, and the bullish stock. The law of demand explains that when demand rises (trading volume and frequency), the stock price will rise. A bullish is the time when trading in the stock market tends to be crowded, then resulting in the rise of frequency and amount of trading volume affecting the rising stock prices. **(3)** If the corporate desires the intensity of the stock trading to increase, it can perform corporate actions such as stock split action and payment of dividend, because the action of the stock split could increase the intensity of trade as it makes trading volume rise and the stock becomes more liquid, so the investors are willing to invest their funds to buy the stock in large quantities. In addition, the frequency of trading will also occur because of many investors who intend to invest for the stocks of lthe isted companies that make corporate actions. **(4)**, The company's stock price may be increased by simultaneously increasing the intensity of trade and corporate action by increasing transaction volume and frequency of transactions of shares and by increasing the distribution of cash dividend and stock split.

5.2. Limitations of Research

This research is still far from perfect. Several limitations are acknowledged although this study provides significant results for the corporate. Those limitations should be considered for future research. **(1)** The observation is still limited only for the years of 2005-2014. It is hoped that the further research will take longer period of time of data so that the study will more closely illustrate the impact of the corporate actions on the stock prices. **(2)**, The variables are only from corporate action represented by stock split and dividend distribution and the changes of stock price. It is hoped that the further research will add some other variables relating to the corporate actions, such as search warrant and rights issues, or other authors can add a moderate variable (macro-economic) that may affect the stock price, such as inflation and interest rates.

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APPENDIX – 1 : Table List Of Sample Companies

NO.	CODE	NAME OF ISSUER	DATE OF STOCK SPLIT	RATIO SPLIT	NOMINAL BEFORE	NOMINAL NOW	DIVIDEN
1	HEXA	PT. Hexindo Adiperkasa.Tbk.	9/1/2005	1:5	500	100	215
2	CTRS	PT. Ciputra Surya. Tbk.	25/07/2005	1:2	500	250	25
3	TGKA	PT. Tigaraksa Satria. Tbk.	30/08/2005	1:10	1,000	100	150
4	EKAD	PT. Ekadharma International. Tbk.	2/10/2005	1:2	100	50	25
5	HITS	PT. Humpuss Intermoda Transportasi. Tbk.	15/12/2005	1:5	500	100	30
6	TMAS	PT. Pelayaran Tempuran Emas. Tbk.	17/03/2006	1:2	250	125	36
7	LPKR	PT. Lippo Karawaci. Tbk.	28/06/2006	1:2	500	250	10
8	PJAA	PT. Pembangunan Jaya Ancol. Tbk.	10/7/2006	1:2	500	250	61
9	JRPT	PT. Jaya Real Property. Tbk.	14/08/2006	1:5	500	100	35
10	TSPC	PT. Tempo Scan Pasifik. Tbk.	14/09/2006	1:10	500	50	300
11	EKAD	PT. Ekadharma International. Tbk.	19/10/2006	1:2	50	25	12.5
12	APOL	PT. Arpeni Pratama Ocean Line. Tbk.	24/11/2006	1:2	500	250	15
13	PLIN	PT. Plaza Indonesia Realty. Tbk.	26/12/2006	1:5	1,000	200	12.5
14	BMTR	PT. Global Mediacom Tbk.	24/04/2007	1:05	500	100	24
15	ANTM	PT. Aneka Tambang (Persero), Tbk	12/7/2007	1:5	500	100	326
16	AKRA	PT. AKR Corporindo. Tbk.	27/07/2007	1:5	500	100	65
17	SMGR	PT. Semen Gresik. Tbk.	7/8/2007	1:10	1,000	100	109
18	SOBI	PT. Sorini Agro Asia Corporation.Tbk.	22/08/2007	1:5	500	100	60
19	CPIN	PT. Charoen Pokhphand Indonesia. Tbk.	1/11/2007	1:02	100	50	196
20	LPKR	PT. Lippo Karawaci, Tbk	26/12/2007	1:2.5	250	100	50
21	INCO	PT. International Nickel indonesia, Tbk	15/01/2008	1:10	250	25	198
22	PANS	PT. Panin Sekuritas, Tbk	15/01/2008	1:2	250	125	25
23	BBCA	PT. Bank Central Asia, Tbk	28/01/2008	1:2	125	62.5	63.5
24	TINS	PT. Timah (Persero), Tbk	8/8/2008	1:10	500	50	177
25	ARNA	PT. Arwana Citra Mulia, Tbk	11/9/2009	1:2	100	50	5
26	KKGI	Resource Alam Indonesia, Tbk	18/03/2010	1:4	200	50	20
27	TURI	PT. Tunas Ridean, Tbk	17/06/2010	1:4	100	25	72
28	DVLA	PT. Darya - Varia Laboratoria, Tbk	12/11/2010	1:2	500	250	45
29	CPIN	PT. Charoen Pokhphand Indonesia, Tbk	8/12/2010	1:5	50	10	38
30	BBRI	Bank Rakyat Indonesia (Persero) Tbk	11/1/2011	1:2	500	250	70
31	MAIN	Malindo Freedmill Tbk	15/06/2011	1:5	100	20	23
32	AUTO	Astra Otopart Tbk	24/06/2011	1:5	500	100	30
33	SSIA	Surya Semesta Internusa Tbk	7/7/2011	1:4	500	125	4.5
34	PTRO	Petrosea Tbk	6/3/2012	1:10	500	50	192.15
35	PWON	Pakuwon Jati Tbk	30/03/2012	1:4	100	25	1.5
36	ASII	Astra International Tbk	5/6/2012	1:10	500	50	66
37	IMAS	Indomobil Sukses International Tbk	7/6/2012	1:2	500	250	118

38	DKFT	Central Omega Resources Tbk	3/8/2012	1:05	500	100	100
39	ACES	Ace Hardwae Indonesia Tbk	2/11/2012	1:10	100	10	25
40	AMRT	Sumber Alfaria Trijaya Tbk	29/07/2013	1:10	100	10	51
41	TLKM	Telekomunikasi Indonesia Tbk	28/08/2013	1:05	250	50	436
42	BATA	Sepatu Bata Tbk	4/9/2013	1:100	1,000	10	1185
43	ALMI	Alumindo Light Metal Industry Tbk	12/2/2014	1:2	500	250	20
44	INAI	Indal Aluminium Industry Tbk	12/2/2014	1:2	500	250	8
45	TOTO	Surya Toto Indonesia Tbk	25/07/2014	1:2	100	50	100
46	MLBI	Multi Bintang Indonesia Tbk	6/11/2014	1:100	1,000	10	119

Source: Pusat Referensi Pasar Modal Bursa Efek Indonesia

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