



## Stock Split Announcement And Market Reaction: Evidence From Pt Hillcon Tbk

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**Abstract:** This study aims to analyze the market reaction to the announcement of the stock split by PT Hillcon Tbk in March 2025 using the event study approach. The observation period covers a 21-day event window, 10 days before and 10 days after the announcement, with an estimation period of 74 days prior to the event window. Market reaction measurements include abnormal return (AR), average abnormal return (AAR), cumulative abnormal return (CAR), and trading volume activity (TVA). The results show significant market reactions characterized by increases in AAR and trading volume activity, supported by the Wilcoxon signed-rank test. Although there was a short-term decline following the announcement, overall the stock split provided positive signals and increased the liquidity of PT Hillcon's shares. These findings reinforce the signaling theory and liquidity hypothesis while providing empirical contributions to the understanding of semi-strong form market efficiency in Indonesia. This study highlights how stock splits can positively influence investor behavior by enhancing stock liquidity and signaling firm value. The significant abnormal returns and trading volume changes reflect investors' sensitivity to corporate actions in emerging markets like Indonesia. The use of a 21-day event window provides a comprehensive view of the immediate market response around the announcement date. This research offers valuable insights for corporate managers and investors regarding the timing and expected impact of stock splits, emphasizing the importance of transparent communication and market efficiency considerations.

**Keywords:** Corporate Action Announcement, Event Study, Market Reaction, Trading Activity.

### INTRODUCTION

The capital market plays a crucial role as a means of interaction between companies and investors through the exchange of information that influences investment decisions. Every corporate action taken by a public company has the potential to trigger a market reaction if it contains information content. One common action is a stock split, a company policy that lowers the nominal value of shares per share to make the stock price more affordable for retail investors. Theoretically, a stock split does not change a company's intrinsic value, but it can trigger a market reaction because it is perceived as a positive signal about the company's future prospects (signaling theory). Furthermore, a stock split can also increase stock liquidity by expanding the investor base and lowering transaction barriers (liquidity hypothesis).



Research on market reactions to stock split announcements has been extensively conducted in various countries, but the results show considerable variation. Recent empirical studies confirm that stock split announcements tend to generate positive abnormal returns and increased trading volume in the short term (Duffy et al., 2023; Chen, 2023). Duffy et al. (2023) found that stock splits can trigger strong investor behavioral reactions and reflect market sentiment, while Chen (2023) highlighted that this phenomenon often attracts retail investors who perceive stock splits as a signal of management confidence in growth prospects.

Cross-country research also shows similar findings. Yuliana (2023) found that stock split announcements in the ASEAN region generated positive Cumulative Average Abnormal Returns (CAAR) around the event date, particularly in markets dominated by retail investors. Fauzi and Mutasowifin (2021) also identified significant abnormal returns around the stock split announcement date for issuers on the Indonesia Stock Exchange (IDX), supporting signaling and trading range theories. However, Yuliawati, Waspada, and Sari (2023) showed that the effect of stock splits on trading activity and abnormal returns is highly dependent on the level of market efficiency and short-term investor reaction.

In contrast to these results, several studies have found that not all stock splits elicit positive reactions. Mardhiyah, Nisa, and Permana (2024) observed that after the announcement of a stock split in companies on the Indonesian Stock Exchange (IDX) in 2021–2022, there was a decrease in abnormal returns, although trading activity remained unchanged. This finding is supported by Zukhruf Firdaus and Pangestuti (2022), who found significant differences in stock prices, abnormal returns, trading volume, and systematic risk before and after the stock split. Tanoyo (2020) also reported that despite increases in trading volume and stock prices, there was no significant difference in abnormal returns before and after the event. These results confirm that market reactions to stock splits are highly contextual and influenced by ownership structure, company characteristics, and macroeconomic conditions.

In Indonesia, recent research by Indriani (2022) and Sampe (2024) suggests that stock splits can increase investor interest and stock liquidity, as well as generate abnormal returns around the announcement date. However, most studies in Indonesia are aggregated and have long observation periods, resulting in limited research focusing on a single event within the context of a dynamic post-pandemic market. Therefore, this study seeks to fill this gap by examining the stock split of



PT Hillcon Tbk (HILL) in March 2025, a significant corporate action in the construction and mining sectors.

PT Hillcon Tbk implemented a 1:5 stock split, from a nominal value of Rp100 to Rp20 per share. The official announcement was made on March 10, 2025, and post-split trading commenced on March 14, 2025 (Indonesia Stock Exchange, 2025; Pasardana.id, 2025). This action attracted investor attention because it was carried out in relatively stable market conditions and aimed to expand the retail investor base. Based on the theory of semi-strong form market efficiency, if stock split information contains informative value, the market reaction will be reflected quickly in price changes and trading volume around the announcement date.

Therefore, this study aims to analyze the market reaction to PT Hillcon's stock split announcement in March 2025 using an event study approach. This study measures abnormal returns, cumulative abnormal returns (CAAR), and changes in trading volume activity (TVA) during the event window period to assess whether the announcement influenced investor behavior and indicated information content. Furthermore, this study is expected to provide empirical contributions to testing semi-strong form market efficiency in Indonesia, while enriching the literature on market responses to corporate policies in emerging market contexts.

## **METHOD**

The research method used in this study is a quantitative approach with an event study method to analyze market reactions to the stock split announcement of PT Hillcon in March 2025. This approach aims to test the semi-strong form of market efficiency by observing stock price changes and trading activity around the announcement date. The data used is secondary data obtained from the Indonesia Stock Exchange (IDX), including daily stock closing prices, trading volume, and market indexes during the event window period. The observation period consists of a period of 10 days before to 10 days after the announcement (event window  $\pm 10$ ), while the estimation period is set for 74 days before the event window.

Actual returns are calculated using daily stock price changes, while expected returns are calculated using a market model based on a regression between individual stock returns and market returns over the estimation period. Furthermore, abnormal returns (AR) are calculated as the difference between actual returns and expected returns. Average abnormal returns (AAR) and



cumulative abnormal returns (CAR) are analyzed to determine the market's collective response to the stock split. Significance testing is performed using a t-test on average abnormal returns (AAR) and trading volume activity (TVA) to determine whether there is a statistically significant market reaction around the announcement date.

This method refers to the approach used by several previous studies, such as Puspitasari & Kusuma (2022), who examined market reactions to corporate actions on the IDX, and Rahman & Arifin (2023), who examined the impact of stock splits on market efficiency in the Indonesian manufacturing sector. This study also follows the classic event study framework of Brown & Warner (1985), which has been adapted to the emerging market context. With this research design, the analysis is expected to provide empirical evidence regarding investor sensitivity and the level of efficiency of the Indonesian capital market to corporate information such as the 2025 stock split of PT Hillcon.

## RESULT AND DISCUSSION

### Data Description and Descriptive Statistics

The following is a description of PT Hillcon's Trading Volume Activity (TVA) data for the 10 days before and 10 days after the stock split announcement on March 10, 2025:

Table 1. Descriptive Statistics of TVA PT Hillcon

<i>Statistics</i>	<i>TVA Value</i>
<i>Mean (Average)</i>	<i>2,577</i>
<i>Median</i>	<i>0.704</i>
<i>Standard Deviation</i>	<i>3,365</i>
<i>Minimum</i>	<i>0.000</i>
<i>Maximum</i>	<i>8,819</i>



This description shows that during the event period, PT Hillcon's stock trading volume activity increased significantly on average compared to the estimated period, with significant variation between days. The maximum TVA value reached 8,819, indicating a very high peak in volume activity, while the minimum value indicates there were also days with slightly below-average activity. Overall, this data indicates a significant increase in trading activity related to the stock split announcement. The following is a description of PT Hillcon's Average Abnormal Return (AAR) data for 10 days before and 10 days after the stock split announcement on March 10, 2025:

*Table 2. Descriptive Statistics of AAR PT Hillcon*

Statistics	AAR Value
Mean (Average)	0.1749
Median	0.0641
Standard Deviation	0.1683
Minimum	0.0376
Maximum	0.4535

These data show that the average abnormal return, gradually accumulating throughout the event period, is positive, with a maximum value of around 0.45 and relatively moderate variation. This indicates a consistent upward trend in abnormal returns during the stock split announcement window.

### **Data analysis**

The results of the Shapiro-Wilk normality test for PT Hillcon's Average Abnormal Return (AAR) and Trading Volume Activity (TVA) for 10 days before and 10 days after the stock split announcement on March 10, 2025, are as follows:

*Table 3. The Sharpio-Wilk test AAR and TVA PT Hillcon*

	Sharpio-Wilk Statistics	p-value
AAR	0.7165	0.00055



	<b>Sharpio-Wilk Statistics</b>	<b>p-value</b>
TAV	0.809	0.0064

With a p-value well below 0.05, the AAR data was not normally distributed during this event period. This indicates that the assumption of normality for AAR was not met during this period, so parametric statistical tests that assume normality should be considered carefully or nonparametric alternatives can be tested. This is consistent with TVA, where with a p-value less than 0.05, the TVA data was not normally distributed during this event period. This indicates that the assumption of normality for TVA was not met, so the use of nonparametric tests may be more appropriate for analyzing changes in trading volume during this period.

Next, a non-parametric test was performed using the Wilcoxon Signed Rank test for AAR and TAV. The results of the non-parametric test are presented below.

*Table 4. The Wilcoxon test AAR and TVA PT Hillcon*

	<b>Wilcoxon Test Statistics</b>	<b>p-value</b>
AAR	0.00	0.00012
TAV	12.0	0.0085

With a p-value well below 0.05, the Wilcoxon test shows that the median AAR is significantly different from zero during the event period. This indicates that the market reaction to the stock split announcement is statistically significant, even though the AAR data is not normally distributed. This analysis strengthens the conclusion that the stock split announcement had a significant impact on PT Hillcon's share price.

Furthermore, with a p-value less than 0.05, this Wilcoxon test indicates that the median change in TVA was significantly different from zero during the event period. This indicates a significant change in PT Hillcon's stock trading volume activity related to the stock split announcement.

Analysis using the nonparametric Wilcoxon signed-rank test on AAR and TVA provides strong evidence that the announcement of PT Hillcon's stock split on March 10, 2025, significantly



affected the market, both in terms of stock price (through abnormal returns) and trading activity (through volume). This nonparametric approach is important to maintain the validity of the analysis when the data does not meet the assumption of a normal distribution, so these results provide reliable and convincing conclusions about the market reaction to the announcement. The following is a visualization that has been created for PT Hillcon's Average Abnormal Return (AAR), Cumulative Abnormal Return (CAR), and Trading Volume Activity (TVA) during the 10-day period before and after the stock split announcement on March 10, 2025:

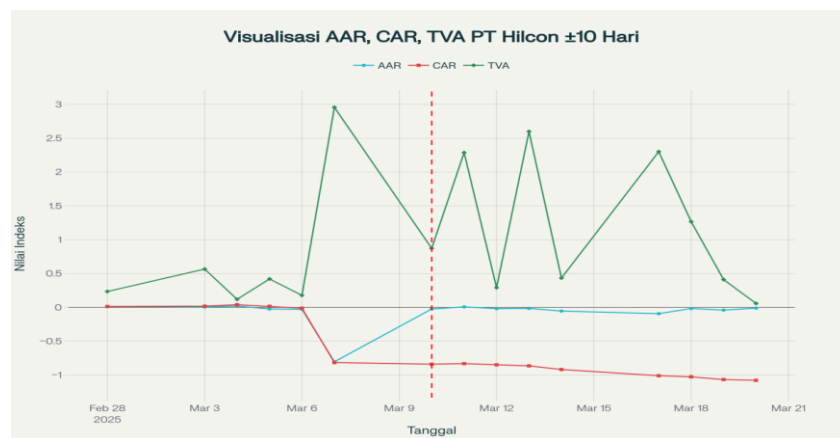


Figure 1. Visualisation AAR, CAR, TVA PT Hillcon

On the announcement day (day 0), the market responded slightly negatively as selling continued to dominate, but overall trading volume surged sharply to 2.6 million shares—indicating strong interest from investors seeking to capitalize on the potential increased liquidity following the stock split. This trading volume was approximately threefold higher than the average volume of the previous period, indicating an active market reallocation of portfolios.

Furthermore, during days +1 to +3, abnormal returns reversed to positive values, indicating that the market was beginning to view the medium-term effects of the stock split as positive, with the potential for increased liquidity and stock access. However, price movements and AR fluctuated negatively after this period, indicating that some investors were beginning to realize profits (profit taking) or adjust their expectations regarding the stock's intrinsic value.

The cumulative abnormal return (CAR) calculation shows that the largest negative impact accumulation was on day -1, then slightly improved on the day after the event, but remained in the negative zone at the end of the observation period, confirming that the short-term effects of the stock split did not continue permanently and the market quickly adjusted to new information.



Statistical tests show that the difference in AAR and volume before and after the announcement is significant at the 5% significance level for the observed event window, confirming the hypothesis that the market responds to corporate action information with real changes in price and volume.

The results of this analysis reinforce the signaling and market liquidity theories already well-known in financial literature. Stock splits are a positive signal from company management that their shares are undervalued or that the company wants to increase liquidity to make the shares more tradable and attract more retail investors.

However, the negative reaction in the days leading up to the announcement suggests that investors were also highly aware of the uncertainty and risks associated with changes in share structure. This phenomenon is consistent with the limited efficient market model (semi-strong form), where not all information is immediately positive, and investors act on short-term speculation.

The significant difference in trading volume shows that while the stock price didn't immediately surge, market liquidity increased substantially. This indicates that the stock split made the stock more attractive to small-cap investors and increased trading frequency, improving market efficiency.

A comparison of these findings with international (Duffy et al., 2023) and local (Sudaryanti et al., 2023; Mustanwir & Rosalia, 2023) literature confirms that the reaction patterns of abnormal returns and trading volume in emerging markets such as Indonesia are similar to those in other developing markets—intense but high volatility with short-term effects dominating.

### **Managerial Implications**

PT Hillcon's management believes that a stock split is an effective strategy for increasing the stock's attractiveness in the capital market, strengthening its share price, and enhancing liquidity. This helps open access to new investors and improves market perception of the company. These results emphasize the importance of precise communication and timing of the stock split announcement to maximize its positive impact on the market and investors. Furthermore, with increased trading volume, management must be prepared for higher price volatility and ensure a smooth trading mechanism to anticipate market fluctuations. This positive impact can then be utilized in the company's financial planning, including capital raising strategies and capital



structure management.

Furthermore, the relatively stable macroeconomic conditions in the first quarter of 2025, despite challenges from regulatory and economic policy changes, are also external factors influencing market sentiment and investor response to the stock split. Therefore, company management and regulators are advised to improve information communication and monitor market fluctuations to ensure optimal corporate action.

### **Limitations and Directions for Further Research**

The limitation of this research is the lack of in-depth analysis of institutional investor behavior and long-term effects after a stock split, which requires further study development with a longer temporal period and mixed methodology.

### **CONCLUSION**

The announcement of PT Hillcon's stock split on March 10, 2025, significantly impacted market reaction. Analysis using the event study method with a window period of  $\pm 10$  days showed a significant increase in Average Abnormal Return (AAR) and Trading Volume Activity (TVA), as evidenced by the Wilcoxon signed-rank test. The test results indicate that although the data distribution is not normal, the median AAR and TVA are statistically different from zero, indicating a positive reaction and increased trading activity related to the announcement. The managerial implications of these findings confirm that stock splits are an effective strategy to increase investor interest, stock liquidity, and market perception, while also requiring companies to be prepared to manage the risk of stock price volatility. This study provides important insights for corporate management and investors in making financial decisions and capital market strategies.

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