Dividend-Timing Strategy and Market Performance: Evidence From Indonesian Listed Companies

Nurfitri Desliniati[1]
Wendy Kesuma[2]
Dwi Islamiyati Safitri[3]
[1,2,3]Faculty of Economics and Business, Universitas Darwan Ali, Indonesia
Correspondences* **: nurfitri@unda.ac.id

ABSTRACT

Fluctuations in stock prices around dividend distribution dates create opportunities for short-term trading through a dividend-timing strategy. This study aims to analyze the performance of the dividend-timing model for companies listed on the Indonesia Stock Exchange (IDX) during 2018–2025 by assessing returns and risks over different time horizons and comparing them with the Indonesia Composite Index (IHSG). A total of 1,838 dividend-paying companies were analyzed using E-Views. The results show that the dividend-timing model generates positive returns across all horizons, with the highest gains in Horizon 1 (buying three days before the cum-dividend date and selling at the ex-dividend opening). Horizon 7 has the lowest risk, with the smallest Price Drop Ratio (PDR). Compared to the IHSG, this model provides higher returns and lower risk. These findings indicate that a dividend-based strategy is effective for earning short-term profits with controlled risk.

Keywords: Dividend-Timing Model; Stock Return; Price Drop Ratio (PDR); Risk and Return; Indonesia Stock Exchange; Investment Strategy

Strategi Dividend-Timing dan Kinerja Pasar: Bukti Empiris dari Perusahaan Tercatat di Indonesia

ABSTRAK

Fluktuasi harga saham di sekitar tanggal pembagian dividen menciptakan peluang strategi perdagangan jangka pendek melalui dividend-timing strategy. Penelitian ini bertujuan menganalisis kinerja dividend-timing model pada perusahaan yang terdaftar di Bursa Efek Indonesia (BEI) selama 2018–2025 dengan menilai return dan risiko pada berbagai horizon waktu serta membandingkannya dengan Indeks Harga Saham Gabungan (IHSG). Sebanyak 1.838 sampel perusahaan yang membagikan dividen dianalisis menggunakan E-Views. Hasil penelitian menunjukkan bahwa dividend-timing model menghasilkan return positif pada seluruh horizon, dengan keuntungan tertinggi pada Horizon 1 (pembelian tiga hari sebelum cum-dividend dan penjualan pada pembukaan ex-dividend). Horizon 7 memiliki risiko terendah dengan nilai Price Drop Ratio (PDR) paling kecil. Dibandingkan dengan IHSG, model ini memberikan return lebih tinggi dan risiko lebih rendah. Temuan ini menunjukkan bahwa strategi berbasis dividen efektif untuk memperoleh keuntungan jangka pendek dengan risiko yang terkendali.

Kata Kunci: *Dividend-Timing Model; Return Saham; Price Drop Ratio (PDR); Risiko; Strategi Investasi*

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INTRODUCTION

The growth of retail investors in Indonesia indicates that the capital market is no longer an exclusive arena for institutional investors but has evolved into an inclusive platform for the broader public. This dynamic shows that the increasing number of investors in Indonesia is not merely a temporary phenomenon but a structural change supported by technological adoption and greater financial awareness among the public (Damayanti & Nirmala, 2024; Lemiyana et al., 2024). Among various capital market instruments, stocks remain the primary choice because they offer two sources of income: capital gains and dividend income. For investors, dividends serve a dual function—as a means of profit distribution and as a signal to the market (Tran, 2024).

In stock trading practice, dividend distribution creates short-term price anomalies around two key dates: the cum-dividend date and the ex-dividend date. This phenomenon gives rise to a trading approach known as the dividend-timing strategy, which exploits price movements around dividend distribution dates to gain short-term profits (Edin & Korver, 2017; Paudel et al., 2020). However, the effectiveness of this strategy highly depends on timing accuracy and managing price volatility risks. Mistiming the selling horizon may lead to losses if the stock price drops more sharply than the dividend amount received a condition known as the dividend trap (Du et al., 2020; Qadar et al., 2023; Heng et al., 2018; Zhang et al., 2024).

This phenomenon has also led to the development of dividend-based indices in various global markets (Viana et al., 2024), including the Jakarta Stock Exchange High Dividend Index in Indonesia (Mulya et al., 2020). Such indices serve as a reference for investors who aim to target issuers with stable dividend policies. With the increasing number of digital investment platforms that simplify transactions, dividend-timing strategies have become more accessible to retail investors. This has encouraged greater participation from individual investors who actively respond to corporate events such as dividend distributions, as noted by Ainsworth & Lee (2023) in their study on modern investor behavior.

In Indonesia, studies on stock price behavior around the ex-dividend date have mostly focused on market reactions to dividend announcements or the determinants of dividend policy, often limited to specific sectors (Asnawi et al., 2022; Desliniati & Hilaliyah, 2021; Ifada, 2024; Toni et al., 2021). Meanwhile, empirical studies that explicitly examine the return performance and risk of dividend-timing strategies remain relatively scarce. Previous research in international markets has shown mixed results. For example, Kumari et al. (2024) and Wagner & Wei (2023) found that stock prices declined by less than the dividend value, creating opportunities for short-term profits, while other studies found that this effect disappeared within a few days.

This study aims to provide a new contribution by examining the return and risk performance of the *dividend-timing model* within the context of the Indonesian capital market. The model simulates various combinations of stock buying and selling times around the cum-dividend and ex-dividend dates to identify the optimal horizon that yields the best results. In addition, this study compares the performance of the strategy with the market index (IHSG) as a benchmark for passive investment (Desliniati et al., 2022; Febriani et al., 2022; Handayani & Kesuma, 2021; Rahel et al., 2022). Using data from companies distributing cash dividends during the 2018–2025 period, this research is expected to provide empirical insights into the effectiveness of dividend-timing strategies in an emerging market.

Dividend policy has always been a key consideration in investment decisions because it serves a dual purpose: as a means of profit distribution and as a signal of the company's performance prospects. According to signaling theory, introduced by Spence (1978) and

reinforced by Connelly et al. (2011), dividends are considered a positive signal that indicates sustainable earnings and strong financial health. Companies that consistently pay dividends are perceived as more credible by the market because they are believed to be capable of maintaining long-term profitability. Investors who hold shares until the cum-dividend date are entitled to receive cash dividends. If the shares are sold after the ex-dividend date, the investor may gain a combination of cash dividends and capital gains from stock price movements. Tran (2017) showed that stock prices on the ex-dividend date generally decrease by less than the dividend amount distributed. This indicates an imperfect price adjustment mechanism, creating opportunities for short-term profits. In such cases, investors applying the dividend-timing strategy can buy shares before the cum-dividend date and sell them after the ex-dividend date to benefit from the price gap. Edin & Korver (2017) even found that in some European markets, ex-dividend strategies produced higher returns than cum-dividend strategies, suggesting that markets are not fully efficient in responding to dividend announcements.

H_1: dividend-timing model can generate positive returns across various selling horizons and that there exists a specific time window after the ex-dividend date when maximum profit can be achieved.

Like any other trading strategy, dividend-timing also carries inherent risks. The main risk in this strategy is known as the dividend trap, a condition where the stock price drops more than the dividend received, causing investors to suffer a net loss (Elton & Gruber, 2011). High price fluctuations around the ex-dividend date are often caused by selling pressure from short-term investors who have received dividends and wish to realize their gains quickly. Qadar et al. (2023) found that in the Indonesian market, there are positive abnormal returns before the cum-dividend date and negative abnormal returns after the ex-dividend date, indicating significant price volatility during this period. Nevertheless, this increased risk tends to be temporary, as stock prices usually stabilize a few days after the ex-dividend date (Paudel et al., 2020). This fact suggests that there is a specific point in time after the ex-dividend date when risk reaches its minimum level relative to other periods. Therefore, the analysis of the dividend-timing model not only focuses on profit opportunities but also considers the accompanying risk dynamics.

H_2: risk level of the dividend-timing strategy varies across different selling times, with the lowest risk occurring at a certain point after the ex-dividend date.

To assess the effectiveness of the dividend-timing strategy, a benchmark that reflects overall market conditions is required. In Indonesia, this role is represented by the Jakarta Composite Index (IHSG), which serves as the main benchmark for investors in evaluating the average market return. Since the IHSG includes all listed stocks on the Indonesia Stock Exchange, its fluctuations are influenced by various types of issuers, including high-risk companies (Febriani et al., 2022). he dividend-timing strategy, however, exploits price anomalies that are not always reflected in the movement of the IHSG. Dividend-paying stocks typically come from companies with strong fundamentals and stable management, which makes them more likely to generate positive returns (Mulya et al., 2020). Cross-country empirical evidence shows that dividend-based strategies can produce significant abnormal returns, particularly in the short term (Edin & Korver, 2017; Paudel et al., 2020).

H_3: dividend-timing model provides higher returns than the IHSG over the same period.

Moreover, the broad composition of the IHSG includes many high-risk stocks with sharp price volatility, while dividend-paying stocks are generally issued by companies with strong financial fundamentals and stable cash flows. This makes dividend stocks relatively

more defensive compared to the overall market portfolio (Elton & Gruber, 2011). From the perspective of signaling theory, consistent dividend payments also signal good corporate governance and sound financial health (Connelly et al., 2011). Therefore, compared to the IHSG—which reflects the overall market dynamics—dividend-paying stocks tend to have lower risk while still offering competitive returns. Conceptually, this implies that the dividend-timing model can reduce portfolio risk due to the defensive nature of dividend stocks.

H_4: dividend-timing strategy yields a lower risk level compared to the IHSG.

RESEARCH METHOD

A quantitative approach was chosen because it allows for objective and measurable results through statistical analysis of stock price and dividend distribution data (Basiroen et al., 2025). This method enables the researcher to systematically identify relationships between variables and test the hypotheses developed based on signaling theory and stock price behavior theory. By using secondary data obtained from historical reports of the Indonesia Stock Exchange, this study aims to describe investor behavior and patterns of price changes around dividend distribution dates.

To understand market reactions to dividend payments, this study applies the event study approach. This approach is widely used to assess whether a particular event—in this case, the cum-dividend and ex-dividend dates—causes significant changes in stock prices (Nyandeni et al., 2024). By analyzing price movements before and on the ex-dividend date, it can be determined whether there is a consistent market reaction and whether such movements create capital gain opportunities that can be exploited through dividend-timing strategies. This approach aligns with classical financial studies that examine market efficiency in response to corporate announcements.

Statistical analysis is used to identify quantitative patterns emerging from the event study results. This stage involves measuring return levels and risk (volatility) across various selling horizons around the ex-dividend date. Using difference tests, such as the paired sample t-test, it can be determined whether the average return of the dividend-timing strategy is significantly different from zero or higher than the market benchmark, represented by the Jakarta Composite Index (Mulya et al., 2020). Further analysis is also conducted to identify the optimal horizon—the specific selling period after the cum-dividend date that provides the best combination of return and risk.

This approach not only evaluates whether the dividend-timing strategy generates positive returns but also assesses the stability of these results under different market conditions. Therefore, the constructed model seeks to answer two main questions: (1) whether the strategy can create profits around dividend distribution dates, and (2) whether the strategy remains efficient when considering the risks associated with stock price movements. Through a combination of the event study method and comparative statistical analysis, this research aims to provide deeper empirical evidence on the relevance of the dividend-timing model in the Indonesian capital market—both in terms of profitability and risk management.

Table 1. Research Horizon

Horizon	Strategy	
	Buy	Sold
H1	*Cum H-3*	*Ex (open)*
H2	*Cum H-3*	*Ex (close)*
H3	*Cum H-2*	*Ex (open)*
H4	*Cum H-2*	*Ex (close)*
H5	*Cum H-1*	*Ex (open)*
H6	*Cum H-1*	*Ex (close)*
H7	*Cum (open)*	*Ex (open)*
H8	*Cum (open)*	*Ex (close)*
H9	*Cum (close)*	*Ex (open)*
H10	*Cum (close)*	*Ex (close)*

Source: Created by Author, 2025

The population of this study consists of all companies from various sectors in Indonesia that were listed on the Indonesia Stock Exchange (IDX) from 2018 to May 2025. Based on the predetermined criteria using the purposive sampling method, a total of 1,838 companies were selected as the research sample.

Table 2. Sample Determination

Criteria	Total	
Companies distributing cash dividends		2134
Excluded companies:		
No longer listed on the IDX	10	
Exchange-Traded Funds (ETFs)	115	
Incomplete stock price data	27	
Dividend announcement made after 3 days before cum-date	144	
Total exclusions		296
Final research sample		1838

Source: Created by Author, 2025

The strategy applied in this study combines the cum-dividend and ex-dividend periods. The cum-dividend date is the last trading day when shareholders are entitled to receive dividends, while the ex-dividend date represents the period when investors purchasing the stock no longer have dividend rights. A total of 10 horizons are established based on the defined time combinations. The calculation of returns in the dividend-timing model uses the geometric method (Merton, 1974), which incorporates the dividend component into the total return—thus considering both dividend income and capital gain/loss.

$$Return_{i,h} = \ln\left(\frac{P_{ex_{i,h}} + Dividend_i}{P_{cum_{i,h}}}\right) \quad \text{.....(1)}$$

Risk in this study is operationalized using a dummy variable of the Price Drop Ratio (PDR). The magnitude of the price decline on the ex-dividend date is calculated from the difference between the buying price (around the cum-date up to three days before the cum-date) and the selling price on the ex-dividend date. The comparison between this price difference and the dividend received is referred to as the Price Drop Ratio (PDR) (Tran, 2024a). A higher price decline results in a higher ratio value. If the ratio value is mostly below 1, it indicates that dividend-based trading offers investors two forms of profit: a combination of short-term capital gain and passive income from dividends. The ratio thus reflects the level of risk, where the PDR represents the extent of the stock price drop equivalent to the dividend

amount, without taking into account risks, transaction costs, or taxes (Qadar et al., 2023). The measurement of the Price Drop Ratio (PDR) is as follows (Qadar et al., 2023; Tran, 2017).

$$Price\ drop\ ratio_{i,h} = \frac{P_{cum_{i,h}} - P_{ex_{i,h}}}{D_i} \quad \text{.....(2)}$$

After obtaining the PDR value, the next step is to assign a dummy variable based on that value. If PDR ≥ 1, it is coded as 1; conversely, if PDR < 1, it is coded as 0.

The Jakarta Composite Index (JCI) return is calculated using the geometric return formula (Merton, 1974). The JCI calculation follows the same dates used to compute the stock returns of each dividend-paying company.

$$Return\ JCI_{t,h} = \ln\left(\frac{P_{t,h}}{P_{t-1,h}}\right) \quad \text{.....(3)}$$

The risk of the Jakarta Composite Index (JCI) is operationalized as a dummy variable of PD (Price Drop). The magnitude of the price decline on the ex-dividend date is calculated from the difference between the buying price (around the cum-date up to three days before the cum-date) and the selling price on the ex-dividend date. If the JCI experiences a decline, it is coded as 1; conversely, if the JCI experiences an increase, it is coded as 0.

The calculated data are then analyzed using statistical difference tests, comparing returns and risks across each horizon as well as between the horizon results and the JCI. Two types of difference tests are used: the one-sample test and the paired-sample test. The criteria for these tests are as follows:

Ho_1: $\alpha_1 \geq 0.10$, not significant, meaning there is no difference

Ha_1: $\alpha_1 < 0.10$, significant, meaning there is a difference

The direct use of the t-test without performing a normality test can be methodologically justified, especially considering the very large sample size in this study (N > 1,800 observations) (Cain et al., 2017; Knief & Forstmeier, 2021). The main theoretical basis comes from the Central Limit Theorem, which states that the sampling distribution of the mean will approximate normality even if the raw data are not normally distributed, as long as the sample size is sufficiently large (Kwak & Kim, 2017). ecent simulation studies confirm that violations of normality often have a smaller impact than the errors arising from using overly sensitive normality tests, making it more appropriate in many modern empirical applications to skip the normality test (Delacre et al., 2017; Knief & Forstmeier, 2021). Additionally, normality tests such as Shapiro–Wilk and Kolmogorov–Smirnov are known to be highly sensitive with large sample sizes, often indicating "non-normality" even when deviations are not substantive and do not affect the validity of t-test–based inferences (Cain et al., 2017). Given that this study has more than 1,800 observations, the use of the t-test directly without a formal normality test can be scientifically justified.

RESULT AND DISCUSSION

Table 3. Descriptive Analysis of the Dividend-Timing Model Horizon

Horizon	% Loss	Return > 0	Average Dividend-Timing		JCI	
			Return	Risk	Return	Risk
H1	26,55%	1350	3,77%	26,55%	0,10%	44,34%
H2	31,99%	1250	3,04%	31,99%	0,04%	46,79%
H3	26,28%	1355	3,55%	26,28%	0,09%	46,03%
H4	32,81%	1235	2,82%	32,81%	0,03%	47,88%
H5	21,82%	1437	3,46%	21,82%	0,09%	41,95%
H6	31,12%	1266	2,73%	31,12%	0,03%	47,55%
H7	10,61%	1643	3,29%	10,61%	-0,01%	45,59%
H8	29,27%	1300	2,56%	29,27%	-0,07%	49,84%
H9	24,86%	1381	3,19%	24,86%	0,07%	31,94%
H10	34,71%	1200	2,47%	34,71%	0,01%	47,55%

Source: Created by Author, 2025

The descriptive table above shows that purchasing at the opening price for each selling period results in a lower percentage loss (%loss) and a higher number of events generating positive returns. The dividend-timing model also produces the highest return at Horizon 1 (H1), where investors gain an average return of 3.77% for each dividend distribution event. The lowest risk in the dividend-timing model occurs at Horizon 7 (H7), where 26.55% of dividend-paying stocks have a Price Drop Ratio (PDR) greater than one. This indicates that 26.55% of stocks experienced a price decline larger than the dividend received. In comparison, the Jakarta Composite Index (JCI)—used as a benchmark for the dividend-timing model—shows lower returns, including some negative returns. The JCI's risk level is also higher than that of the dividend-timing model, reflecting that during the observation period, the JCI frequently produced returns below zero, or in other words, negative returns.

The difference test used in this study is a t-test, chosen to obtain more valid test results. The testing criterion states that the results are significant if the probability value is less than 10% ($\alpha < 0.10$). For more detailed interpretation, the significance levels are divided into three categories: 1%, 5%, and 10%.

Table 4. Results of Return and Risk Tests for Dividend-Timing Model Horizons

Horizon	Return	Risk
H1	0,038***	0,267***
H2	0,030***	0,323***
H3	0,036***	0,264***
H4	0,028***	0,334***
H5	0,035***	0,219***
H6	0,027***	0,318***
H7	0,033***	0,106***
H8	0,026***	0,302***
H9	0,032***	0,250***
H10	0,025***	0,352***

Source: Created by Author, 2025

Table 4 shows the results of a one-sample test, comparing the event data with the theory proposed by Miller & Modigliani (1961). According to Miller and Modigliani (1961), dividend payments should have no impact on investor wealth because the stock price would drop by the amount of the dividend, leaving investors neither gaining nor losing, and thus implying no risk. The test results indicate that all horizons generate positive returns. This

suggests that the dividends received are sufficient to offset any losses from the stock price decline. Table 4 shows that the average returns across all horizons (H1 to H10) are positive and statistically significant at the 1% confidence level (marked with ***). Horizon 1 (H1) provides the highest average return (0.038 or 3.8%). These findings empirically reject the initial proposition of the Miller & Modigliani (1961). According to M&M, dividend payments should not substantially affect investor wealth because the post-dividend stock price drop would exactly match the dividend received. If the M&M theory held, the average return should be close to zero and not significant. This phenomenon can be explained by the fact that dividends received by investors exceed the losses caused by the stock price drop on the ex-dividend date. The incomplete price drop occurs due to information asymmetry and micro-market inefficiencies. Investors react positively to dividends, creating buying pressure that keeps stock prices relatively high just before the ex-dividend date, so the price drop does not fully reflect the dividend distributed.

The risk assessment of the dividend-timing model shows that dividend payments introduce volatility in stock price movements. However, the results indicate that, for most stocks, the price decline is smaller than the dividend received. This provides important insights into the nature of this risk. The average risk values across different horizons are all below 1 (for example, H7 is 0.106, the lowest risk, and H10 is 0.352, the highest). These values represent the ratio of the stock price drop relative to the dividend received. The fact that the average risk values are consistently well below 1 indicates that the stock price decline in the market is much smaller than the cash dividends received by investors. In this context, risk does not refer to absolute loss but rather to volatility that tends to favor short-term investors. Investors who buy shares before the cum-dividend date and sell after the ex-dividend date still outperform the theoretical M&M benchmark because, on average, the price drop they experience is relatively small compared to the dividends they collect. The table also shows that Horizon 1 provides the highest average return, while Horizon 7 exhibits the lowest average risk.

Table 5. Results of Return and Risk Test for Horizon 1

Horizon	Return	Risk
H2	0,007***	-0,054***
H3	0,002***	0,003***
H4	0,009***	-0,063***
H5	0,003***	0,047***
H6	0,010***	-0,046***
H7	0,005***	0,159***
H8	0,012***	-0,027***
H9	0,006***	0,017***
H10	0,013***	-0,082***

Source: Created by Author, 2025

Based on the difference test results shown in Table 5, all horizons exhibit positive values, meaning that returns in Horizon 1 are higher and statistically significant at the 1% level. The price declines in each horizon are still offset by the dividends received, consistent with the trade-off theory of by Miller & Modigliani (1961), which suggests that price drops are smaller than the dividends received, as supported by the studies of Tran (2017) and Edin & Korver (2017). The smaller price drops relative to dividends are significant throughout the observation period. The fundamental reasons for this phenomenon are investor behavior

focused on dividends and the imperfect role of arbitrageurs. This analysis provides strong evidence that investors do not need to hold stocks for the long term to achieve optimal dividend gains. The dividend-timing strategy is effective even over very short periods (Horizon 1). Short-term investors flock in before the cum-dividend date, creating artificial demand that keeps prices high. When they sell at the ex-dividend date, selling pressure is not strong enough to fully match the dividend payout, so the price drop remains smaller. The analysis shows that investors consistently earn positive returns across all horizons, albeit with varying magnitudes. This reflects the consistency of the strategy in providing potential gains. Therefore, investors do not need to hold stocks long-term, as the strategy remains effective in the short term.

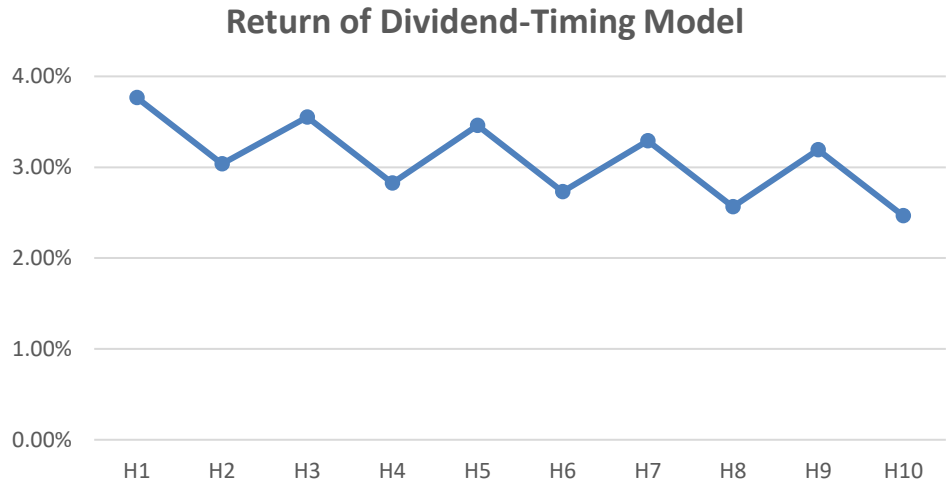

Figure 1. Return of Dividend-Timing Model

Source: Created by Author, 2025

Further analysis shows that Horizon 1 is the most optimal period for generating profits for investors. The strategy of buying shares at the closing price three days before the cum-dividend date and selling at the opening price on the ex-dividend date proves to deliver the best results. This finding indicates that a short-term dividend momentum strategy can be used to achieve positive returns without holding stocks for the long term.

Overall, the dividend-timing model offers a simple yet effective approach to creating profit opportunities. Investors only need to pay attention to the dividend calendar and key dates to determine the right timing for transactions. Although stock prices tend to decline after the ex-dividend date, the dividends received are generally higher than the price drop, so total returns remain positive. These results strengthen the evidence that dividend-based trading strategies have the potential to consistently provide profitable returns.

The analysis also shows that each time horizon in the dividend-timing model carries varying levels of risk. These differences in risk arise because stock price movements do not always follow the same pattern after dividend payments. Qadar et al. (2023) support this observation, showing that the Indonesian market exhibits positive returns before the cum-dividend date but turns negative after the ex-dividend date. This pattern reflects considerable stock price volatility around dividend events, emphasizing the importance of understanding market dynamics to determine optimal transaction timing.

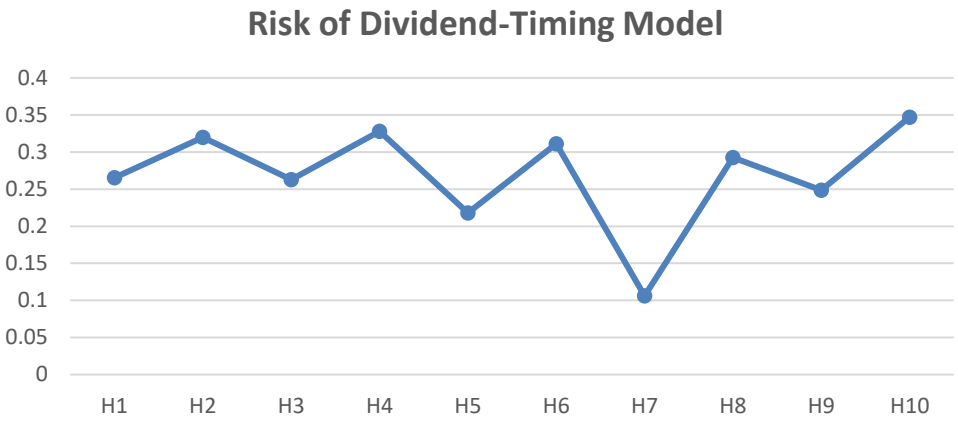

Figure 2. Risk of Dividend Timing Model

Source: Created by Author, 2025

Further findings show that Horizon 7 has the lowest Price Drop Ratio (PDR) greater than one compared to other horizons. This indicates that, during this horizon, the stock price decline after the dividend payment is relatively smaller than the dividend distributed, resulting in lower risk for investors. In other words, the smaller the PDR value, the lower the potential loss from post-ex-dividend price adjustments.This horizon suggests that the strategy of buying shares at the opening price on the cum-dividend date and selling at the opening price on the ex-dividend date is the most effective approach for minimizing risk. This strategy allows investors to participate in dividend gains without being overly exposed to sharp price fluctuations after the ex-dividend date. Therefore, Horizon 7 can be considered a more conservative investment alternative within the dividend-timing model, particularly for investors focused on stability and risk management.

Table 6. Results of Return and Risk Tests for the Dividend-Timing Horizon and JCI

Horizon	Return	Risiko
H1	0,037***	-0,178***
H2	0,030***	-0,148***
H3	0,035***	-0,197***
H4	0,028***	-0,151***
H5	0,034***	-0,201***
H6	0,027***	-0,164***
H7	0,033***	-0,350***
H8	0,026***	-0,206***
H9	0,031***	-0,071***
H10	0,025***	-0,128***

Source: Created by Author, 2025

able 6 shows that all horizons exhibit differences in returns between the dividend-timing model and the IHSG. All return differences are positive and statistically significant at the 1% level (***), indicating that the dividend-timing model consistently generates higher returns than the IHSG, thus supporting the third hypothesis.

During dividend events, the data show that the IHSG sometimes yields negative returns, while the dividend-timing strategy continues to deliver positive returns across all defined horizons. These findings align with the studies of Edin & Korver (2017) and Paudel et al. (2020), which demonstrate that dividend-based strategies can produce significant positive returns, especially in the short term. The consistency of results across different time

horizons reinforces the evidence that the dividend-timing model can be relied upon as an investment strategy capable of outperforming overall market performance.

Figure 3. Comparison of Return

Source: Created by Author, 2025

The performance difference between the dividend-timing model and the Jakarta Composite Index (JCI) can be explained by the fundamental characteristics of companies that regularly distribute dividends. According to Mulya et al. (2020), firms that consistently pay dividends generally have strong financial conditions, stable management, and clear business prospects. These factors make their stock prices more resilient to market pressures and external volatility. Consequently, the dividend-timing model not only offers higher return potential but also provides greater stability compared to market-based investment strategies. Therefore, this strategy can be considered an effective investment alternative, especially during periods of market downturns or uncertainty.

Table 6 shows that all horizons exhibit differences in risk between the dividend-timing model and the JCI. All risk differences are negative and statistically significant at the 1% level (***). The test results indicate that the dividend-timing model carries lower risk compared to the Indonesia Composite Index (IHSG), thus supporting the fourth hypothesis. The negative risk differences suggest that a dividend-timing–based portfolio experiences smaller price declines or fewer negative returns compared to overall market movements. These findings confirm that dividend-based strategies not only generate positive returns but also act as a protective mechanism against market volatility. Compared to the IHSG, the model demonstrates lower volatility and greater stability of returns across different time horizons.

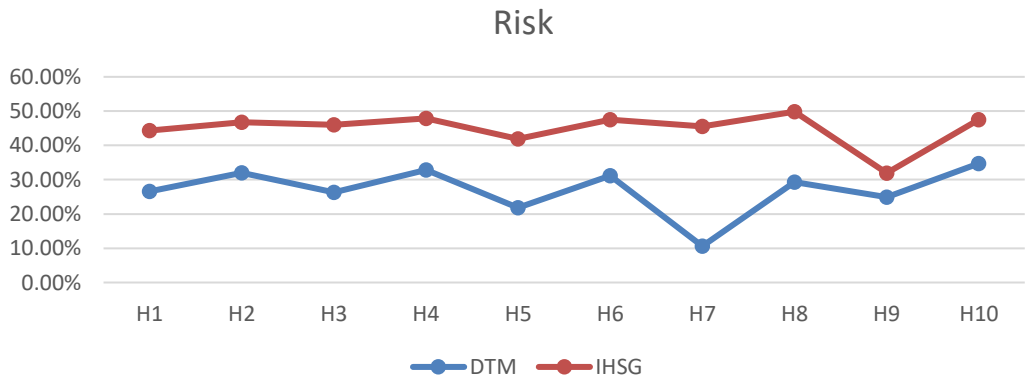

Figure 4. Comparison of Risk

Source: Created by Author, 2025

This finding is consistent with previous empirical studies showing that dividend-based strategies possess more defensive characteristics. For instance, Elton & Gruber (2011), argue that dividend-paying stocks tend to reduce portfolio risk due to their stable nature and their ability to attract conservative investors. In this context, the dividend-timing model proves to be more effective in mitigating market fluctuations compared to the Jakarta Composite Index (JCI), which reflects overall market risk. For investors, this implies that the strategy enables the achievement of attractive returns without excessive exposure to market volatility. By focusing on companies that consistently distribute dividends, investors can build a balanced portfolio that optimizes both return potential and investment safety. Therefore, the dividend-timing model not only promises superior performance but also provides valuable insights into the quality and stability of the firms forming the basis of the strategy. For investors, this means that the strategy allows for achieving attractive returns without being heavily exposed to high market risk.

CONCLUSION

Based on the results and discussion presented, several conclusions can be drawn. First, the dividend-timing model generates positive returns across all defined horizons, with Horizon 1 providing the highest return compared to other horizons. Second, the model exhibits varying levels of risk across horizons, with Horizon 7 showing the lowest level of risk. Third, the dividend-timing model consistently produces higher returns than the Jakarta Composite Index (JCI) across all observation periods. Fourth, the model demonstrates lower risk compared to the JCI at every defined horizon.

Future research is expected to refine these findings by addressing several remaining limitations. First, it is important to include elements such as taxes and transaction costs, as both factors can significantly affect the actual net returns received by investors. Second, future studies should also consider all types of dividends, not only cash dividends, to provide a more comprehensive understanding of market responses to different dividend forms. Furthermore, researchers could compare the performance of stock purchases made on cum-dividend and ex-dividend dates to explore differences in potential returns and risks between the two strategies. In addition, investment performance measurement can be expanded by incorporating indicators such as abnormal returns, to assess excess performance, and drawdown, to capture the maximum portfolio decline. Finally, future studies are encouraged to divide the observation period into sub-periods, allowing the analysis to capture changes in market behavior and the evolving effectiveness of dividend-based strategies over time.

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