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Stock price volatility following dividend announcements: A systematic literature review

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Abstract: This study explores the impact of dividend announcements on stock price volatility at the Indonesia Stock Exchange, focusing on the critical period around the cum date and ex-date. Utilizing a systematic literature review method, this study integrates findings from various prior research efforts to deepen the understanding of how dividend announcements influence stock prices, especially for stocks with high dividend yields and large Dividends Per Share (DPS). The analysis was conducted by comparing stock price data before and after announcements to assess volatility and market reactions. The findings reveal that dividend announcements often act as catalysts that enhance stock prices. However, there is a significant increase in volatility approaching the cum date and ex-date, with a tendency for stock prices to decline. This suggests that investors might opt for exit strategies to leverage these volatile conditions. These findings imply the importance of timing in making investment decisions related to dividend announcements. The study is limited to the analysis of stocks on the Indonesia Stock Exchange and does not explore the influence of external factors that might impact stock price volatility. Therefore, the results may not be fully generalizable to other markets. This research offers valuable insights for investors and regulators in understanding the influence of dividend policies on stock market dynamics.

Keywords: *Dividend Announcements, Dividends Per Share, Event Study, Dividend Yield, Indonesia Stock Exchange, Stock Price Volatility, Systematic Literature Review.*

1. Introduction

Dividends remain one of the most studied phenomena in corporate finance field, not least due to the no less varying empirical results [1]. These discrepancies suggest a nuanced relationship between dividend announcements and stock price volatility, likely affected by several internal and external factors related to firms [2]. For example, Nguyen, et al. [3] explains that dividend policies are framed considering internal factors like cash flow stability and growth expectations so that these internal factors can affect the volatility of stock prices. External factors, including macroeconomic conditions and geopolitical tensions, also have a substantial impact on investor risk perceptions and market responses to dividend announcements [1]. According to a study by Prakash and Yogesh [4] stock price volatility represented a great deal as the market reacted with extreme sensitivity to external news, including dividend announcements during the COVID-19 pandemic period [5].

While there is literature exploring the dividend announcement impact on stock price movements, there is still a substantial number of gaps in the literature regarding specific mechanisms that may serve as mediators within this relationship under distinct market conditions [6, 7]. Although there are diverse theories explaining how dividend policies affect stock prices, a study carried out by Frankfurter

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and Wood Jr [8] emphasizes that no agreement exists on the mechanism by which these dividends activity impacts on stock prices. Building on research from Baker, et al. [9] but this relationship varies immensely between markets and time periods. That little this it shows that, although much has been written on how dividend declaration affects the price of stock, not enough research has been done on the details of the impact of dividend declaration on stock price under the influence of circumstances.

For example, this period of intense geopolitical tension ranging from late 2023 to 2024 has been generating great waves of volatility in the global financial market, requiring multiple companies to adjust their financial policies such as dividend policies and at the same time to reconsider how they convey trustworthiness and the sense of stability to investors [8, 9]. Also, given the high uncertainty conditions, dividend announcements is the perfect tool to signal financial stability to reduce risk perception on investors [10]. Yet to grasp how these announcements affect stock price volatility — and the broader context of their volatility, which recently showed significant correlation with geopolitics — is still murkier.

In the literature, two opposing hypotheses regarding the influence of stock volatility on dividend policy are often debated. According to the traditional view with transaction costs, there is a negative relationship between the volatility of stock price and dividend payments Nguyen, et al. [3]. It is rooted in the idea that more mature companies, or ones with stock prices that are more fixed, have better clarity on future projected cash flows and thus pay higher dividends. On the contrary, Bhatta and Duwal [11] finds another explanation, according to which increased volatility in stocks of a company causes the management to increase the dividends, in an effort to reduce uncertainty and boost investors' confidence.

The premise of the hypothesis put end by Bhatta and Duwal [11] is that because the market often sees high stock volatility as a signal of increased risk, this leads to a higher cost of capital (stock price, or cost of equity) for firms with higher stock volatility. In response to this unfavorable perception, firms choose to distribute larger dividends in an attempt to realign themselves with shareholders and to maintain stock price stability [12]. Stable or growing dividend payments may signal greater financial strength and predictability in highly volatile market conditions [12], making them attractive to investors at risk-averse and security-seeking profiles.

Therefore, due to these diverse issues, this study classified the stock volatility and corporate dividend policy as one of the core objectives of the study is to explore the existence of bidirectional relationship between stock volatility and corporate dividend policy through existing events. Thus, in this research it is to be determine if there exist any relationship between stock volatility and dividend payment so that if there are some criteria in which the influence of dividend is higher than the influence of market conditions. This is achieved through the selected literature and market conditions comparison for some high-stock-dividends in the Indonesia Stock Exchange.

2. Literature Review

This study uses Dividend Irrelevance Theory and Dividend Relevance Theory as the theoretical basis. The reason for selecting these two theories is that their usage together for testing dividend policy is still a rare phenomenon according to Budagaga [13] footnote. However, there are several theories and models that try to account for the reasons behind the dividends, as well as the impact of dividends on share price volatility, which are not mutually exclusive and are at times combined to obtain a holistic description of dividend policies.

Then comes the announcement of dividend distribution which is an important step of financial decision making by company. In Miller and Modigliani [14] proposed the so-called dividend irrelevance theory according to which dividend policy is directly uncorrelated with the market value of a company. Nevertheless, the notion of the ideal capital market is only an abstraction [15]. As a result, research literature offers arguments in favor of both pro-dividend and anti-dividend.

Research by Ed-Dafali, et al. [16] there is no one single theoretical model that could fully explain the impact of dividend payments on stock price volatility, indicated by the research from the study of

Frankfurter and Wood Jr [8]. The present analysis of the existing literature outlines five central theories that are prevalent in studies of dividend policy; given as Free Cash Flow Agency Costs, Asymmetric Information and Signaling, Asset Pricing Models, Tax and Tax Client Preferences, and the Bird-in-the-Hand Theory [16].

The limited theoretical understanding of dividend announcement or policy emphasizes the need to move from theory to market testing for dividends, and potentially to gain insights from other theories. Thus, this study seeks to examine the relationship between dividends announcements and volatility of stock price through Dividend Irrelevance and Relevance Theories, to give a wider and deeper view on the effect of dividends announcements on volatility of stock price which is lacking in previous studies [16].

2.1. Irrelevance Theories of Dividend

According to Miller and Modigliani [14] a company's dividend policy does not have any major influence on the value of the company in the market, this is known as Dividend Irrelevance Theory Budagaga [13] Thus, there is no specific dividend policy offered which can determine to maximize or minimize wealth to the shareholders [4].

According to this theory, a company's market value is essentially equal to the present value of all future projected returns, discounted at the expected rate of return [17]. These cash flows may come as future dividends or capital gains. In an efficient market, investors forgo dividends in a given period can offset this by selling proportionately some of their shares to generate the income equivalent to the dividends that they would have received [18]. This way, the transaction does not incur a tax increase or a transaction fee, and it does not influence the market price of the company's stock. Thus, based on this theory, management of the company cannot increase the value of the company by selecting a specific internal dividend policy [13]. That is, in access of cash dividends are irrelevant in firm value [4].

Miller and Modigliani [14]: Dividend irrelevance hypothesis: A number of studies provide evidence of dividend irrelevance hypothesis. Ali and Hegazy [19] conducted research on stocks with high and low dividends and concluded that both of these types of stocks do not have a significant difference in their effect on the stock prices. So it means dividend not helps in any way towards stock price volatility or abnormal stock returns [4].

2.2. Relevance Theories of Dividend

Within the process of dividend relevance theory, dividend payment is seen as a strategic decision of great importance that affects both the company value as well as volatility and liquidity of stock prices [15]. On the other hand, the dividend-supportive view relates to the opinion that high dividend-paying companies generally maintain a more stable market value than low or irregular dividend-pay companies [20]. The idea is that because investors generally prefer the certainty of receiving dividends over a highly uncertain and risky future capital gains, it may lower the overall volatility of stock price by decreasing a market of speculative prices in the economy [20, 21].

According to agency theory, regular dividend payments reduce the cash at their disposal to undertake unnecessary projects that do not add value [22] thereby minimizing the risk of poor investments [23]. This usually leads to a favorable reaction within the market, which reflects a reduction in agency risk and the betterment of operational efficiency thereby improving stock liquidity within the market [4]. Moreover, good dividend-green light is frequently perceived by the market as reflecting a firm s financial well-being and soundness which has an effect on risk perception and increases stock liquidity [20-24].

Therefore, according to the dividend significance theory, dividends paid strategically will not only add value to the company, but will also help lower its stock price volatility and increase the liquidity of the market [12-25] which will lead to a more fluid and less costly trading process, allowing investors to purchase or sell shares with little to no impact on their price.

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3. Method

This research intends to review some scientific articles which address the influence of dividend announcement to the stock price volatility and published in reputable international journals indexed in Scopus. Therefore, to reach this goal, this study follows the Systematic Literature Review (SLR) approach, enabling an organized search of heterogeneous literature [26-28]. These tasks involve reviewing the literature for active trends, investigating research gaps, and assessing the methodological qualities of the existing research regarding dividend announcements and its effect on stock price volatility [29]. SLR is applied here with a much more detailed scientific approach than is ever found in traditional literature reviews [13-30] and includes concepts from empirical research to improve clarity and the potential replicability of this study [26-30]. This methodology has the strength of serving as a strong basis for understanding the realities experienced and for conceiving effective recommendations for actions by stakeholders, as well as, academic research on this area of knowledge [31].

Also, the publication of the results of this research follows the PRISMA (Preferred Reporting Items for Systematic reviews and Meta-Analyses) scheme, which is a guideline and tool for the implementation of systematic literature reviews. PRISMA helps authors make sense of results from many forms of published research. PRISMA steps followed in this study provide desired inclusion of literature set in clear steps tailored to the objectives and scope of this research.

3.1. Article Inclusion Criteria

Therefore, in this study, the following Inclusion Criteria (IC) was applied for the definition of the article selection guidelines:

IC 1: Research articles (primary research articles), written in English, published in the years 2020-2024 and totally free content Keywords: Dividend announcements and stock price volatility.

IC 2: Suitable literature for studying how dividend announcements affect the volatility of share prices.

Inclusion Criteria (IC 1) is applied to tend to that the literature is up to date or related to recent advances in dividend announcements and their impact on stock returns. On the other hand, IC 2 narrows the analysis on the dividend announcements, which is why the selected full-text literature is directly related to the research topic and the knowledge gained could represent a contribution to the understanding of the phenomena. The above criteria ensures that I remain focused and critically sharp when selecting literature relevant for the aims and scope of this research.

3.2. Article Sources

The literature search process included: Researchers searched through the Scopus electronic database, from which they selected articles addressing the research question. Articles were made available in full text through established eligibility criteria that were previously developed, thus allowing for filtering of low-quality sources not appropriate for further analysis. This selection process ensures that the data collected is both relevant and accurate. Then, a bibliographical review of the selected articles was made. The goal of this review was to discover and gather additional reporting literature that could be supplementary references or aids in the research. Not only does this approach extend the database that is analyzed, but it also promotes fair and transparent practices in the theoretical and methodological basis of the research, incorporating the most recent perspectives and findings related to the studied subject, according to the academic standards in force in the international scientific community.

3.3. Study Selection

Three stages of filtering were conducted in the study selection: first, by entering keywords related to the research topic such as ***"Dividend Announcements" OR "Dividend Policy" AND "Stock Price Volatility" OR "Market Reaction"***. In the context of this research, the use of these combined keywords allows for a broad and in-depth literature search, accessing research that outlines both the direct impact and the market reaction context to dividend policy, thereby enriching the quality and depth of the systematic analysis in the study. Second, using inclusion criteria to assess articles based on title, abstract, and relevant keywords; third, conducting a thorough review of all articles to ensure that only those truly focused on the desired topic are retained. The process of article filtering can be seen in Figure 1.

In the first filtering, these keywords were physically input into databases associated with the research topic, for example; "*Dividend Announcements, Dividend Policy AND Stock Price Volatility OR Market reaction*". Using the combination of these keywords ensures a comprehensive literature search in the context of this research, through which studies providing an outline of the basics of dividend policy and a background on how the market responds accordingly to such policy is included in a one-stop search which caters towards enhancing the quality and depth of the systematic analysis of the study. The second step is evaluating articles against the inclusion criteria based on their titles, abstracts and relevant keywords; and the third is screening all articles through a detailed examination to keep only the articles directly related to the topic of interest. The filtering of articles process is depicted in Figure 1.

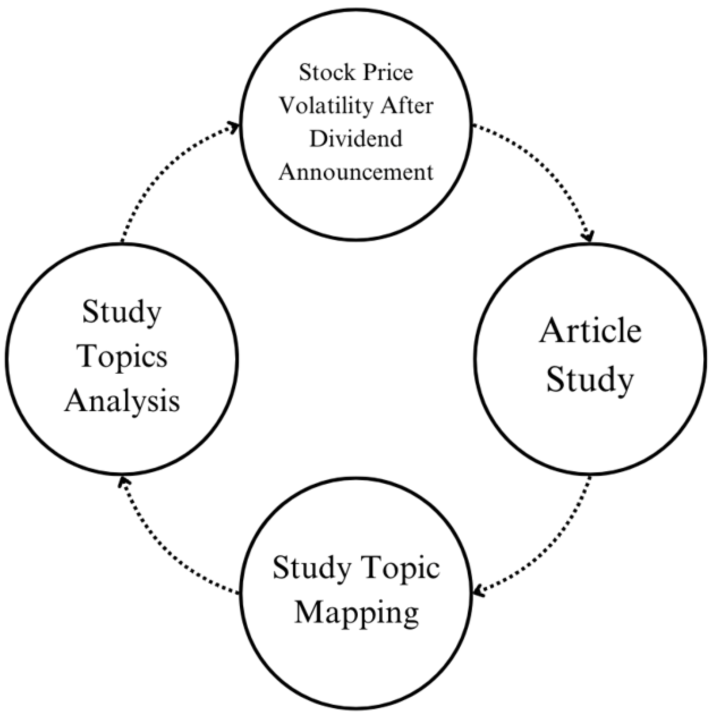

Figure 1.
Article review process.

3.4. Information Collection Process from Articles

A manual process was undertaken to extract relevant data and to review literature by applying specific parameterized data points, namely the identity of authors along with the name of the article, year of publication, name of journal, research topics, research origin country, abstract, keywords associated with article study, research method used, and the variables studied. It has become critical to follow this systematic review process so that all relevant information regarding stock price volatility due to dividend announcements can be effectively gathered and examined. In addition, any discrepancies in opinion or interpretation by authors from different sources were reviewed and resolved using structured discussions. These discussions were held according to the established methodology to either form a consensus, or, to enhance the understanding of the implication of the findings so to develop one

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coherent and comprehensive synthesis of knowledge. In accord with the writing standards acknowledged by Scopus-indexed journals, this approach upholds the esteem of the literary examination accomplished.

3.5. Selection of Information Items from Articles

The researchers cited data from each of the selected articles, including the demographics of selected studies, and the factors influencing stock price volatility after dividend announcements. Along with general demographic information, information including the year of publication and country of origin of each study is presented to highlight the accuracy and timeliness of the analyzed data, to clarify if the data is applicable to the current context, as well as to allow careful consideration of potential geographical differences. Including demographic information in citations serves to enhance the validity and credibility of the research and paves the way for a more complete understanding of the topic at hand.

4. Result and Discussion

4.1. Article selection

Article selection was performed at scientists by researchers interested in the topic of stock price volatility after payments of dividends. In details, the search process included the input of keywords precisely relating to the research theme: “Dividend Announcements” OR “Dividend Policy” AND “Stock Price Volatility” OR “Market Reaction”. According to a search in the Scopus database, 74 Articles were published between 1984 and 2024, as illustrated in Figure 2.

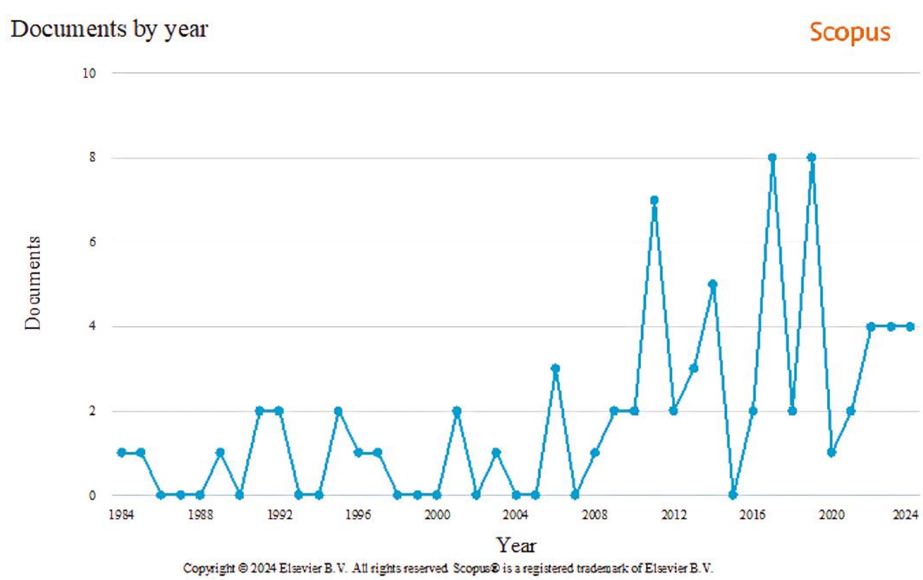

Figure 2.
Document by year.

The results show that the number of articles whose topic is investigated is a small edge during the period which is 74 articles during the period of interest and seems that the topic neither is a hot topic during the previous years nor had received a great consideration during the last decades. Thus, although this topic was one of the most important in terms of financial study, not many researchers have explored even further about the implication of announcing dividends on volatility of stock prices. This suggests that there is still enough room for research, focusing on the consideration of dividend announcements having impact on stock market behavior.

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For this review, the process of literature selection and review was employed according to the guideline of Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) flowchart based on the number of identified articles. Articles were collected with a series of predetermined keywords to yield 74 articles total. This was followed by altering the search options based on Inclusion Criteria 1 (IC 1), which included being published from 2020 until the year 2024, an article written in the English language, being in full-text (open access) format, and containing keywords including dividend announcements, dividend policy, stock price volatility and market reaction. This filtering process yielded 7 articles compliant with these criteria, while the 67 other articles were excluded.

The third stage involved detailed examination of the title, abstract and keywords of the articles to include articles and pre-prints that apparent did or did not fit with the defined criteria. Out of 7 remaining articles, one was discarded based on Inclusion Criteria 2 (IC 2), because it failed to meet the criteria or was irrelevant (not directly related) to the three target main subject, which are; dividend announcements, dividend policy, and stock price volatility. Through data extraction, in-depth review, and discussion based on IC 2, finally, 6 articles were obtained for the main material of this research. This selection mechanism emphasizes the need of being selective, ensuring that the most relevant and highest quality literature is picked and used to support the analysis and conclusion in this study.

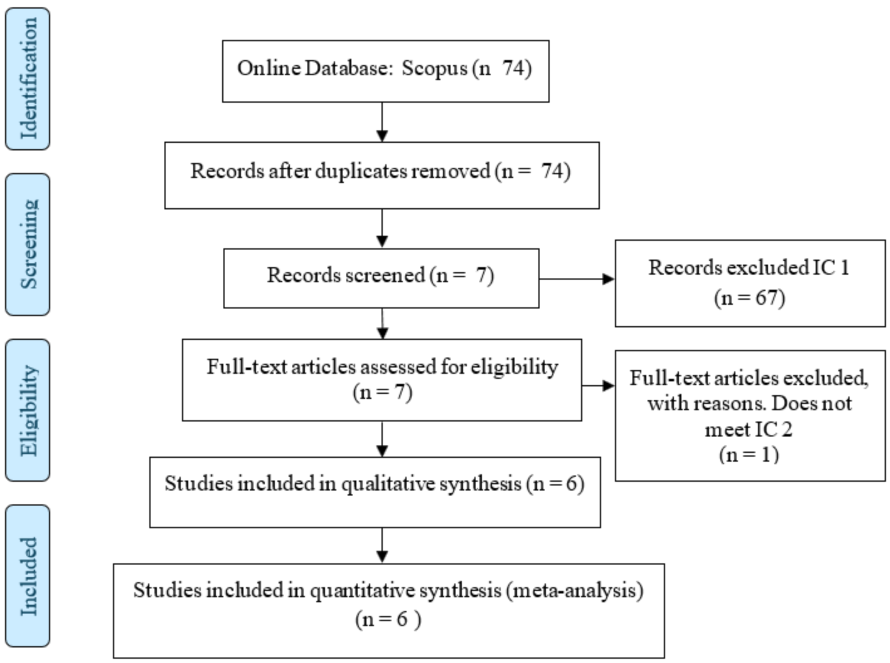

Figure 3.
Flow chart based Prisma guide.

4.2. Selected Article Demography

This section illustrates the year of publication of the chosen articles and the distribution of countries of origin. As for the publication years of the selected articles, they are not shown to be evenly distributed over the period of 2020-2024, and the majority of the selected articles were published in 2022. By observation, there 2 articles published in 2022, Krishnan and Periasamy [32] and Qin, et al. [33]. In the other years, 2020, 2021, 2023, and 2024, there was only one article published: Ham, et al. [34]; Prakash and Yogesh [4]; Nazarova, et al. [35] and Usman, et al. [36] as shown in Figure 4.

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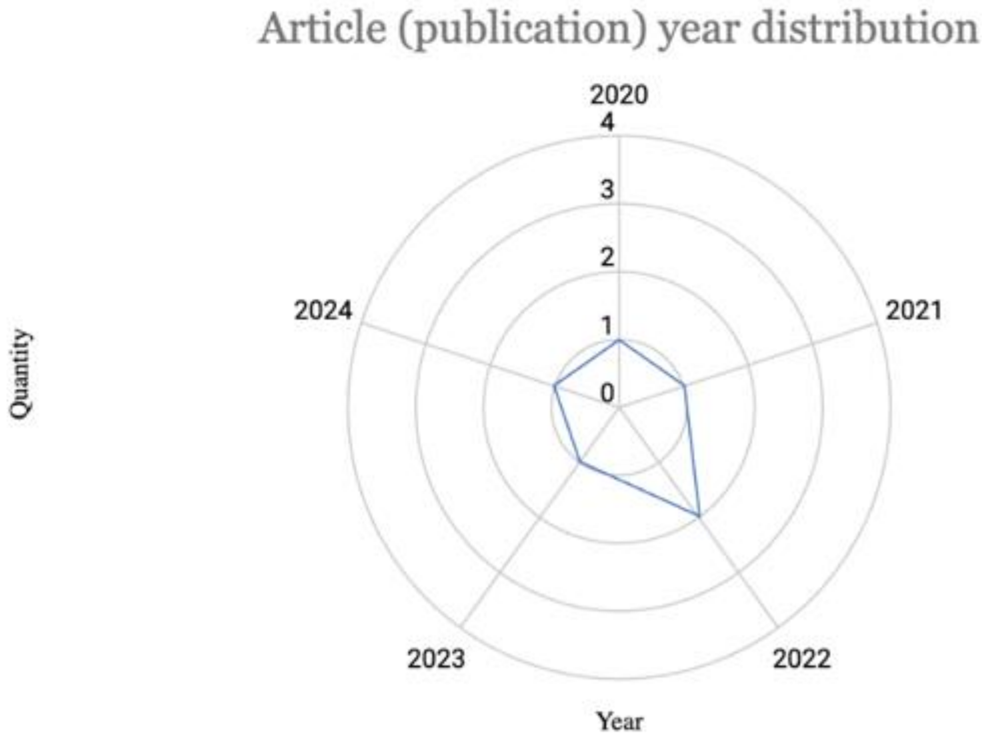

Figure 4.
Article (publication) year distribution.

As shown in Figure 4, the volume of publications is stable over time, estimating that the stock price volatility after dividends published until 2024 will be completed. The case was an interesting one, with one article published in 2020. 2021 had 1 article also, which means the interest on this subject remained stable, not increasing.

In 2022, however, there was a slight increase with two articles published, which was a period characterized by high market volatility, as observed during and post COVID-19 pandemic [36, 37] but also often means raising new questions about the power of dividend announcements on stock prices. This subject becomes important to explore since investors pay more attention to dividend policies by firms under unstable market situation [38]. This trend leads researchers to interest in studying dividend announcement and stock price movement accordingly.

By 2023, there was only one article published in this region, and this shall affect for its next year (2024). While the swings were not especially large, they are significant — evidence of continuing dynamics in the research related. Since there are no spikes in anything but news publication numbers, the seeming consistency could mean that this topic is offering new avenues for academics across the world and in both developed and developing nation. This also deserves more attention due to a significant research weakness trend for the last year.

By looking at the distribution of the selected articles across the regions, India [4-31, 39-41] has the highest number of publications, as it has two articles. That means there are 38 times more articles in India about this topic than in other countries, such as Russia [35] Indonesia [36] China [33] or the United States [34] which only provided one article each.

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Country	Quantity
Russia	1
Indonesia	1
China	1
India	2
United State	1

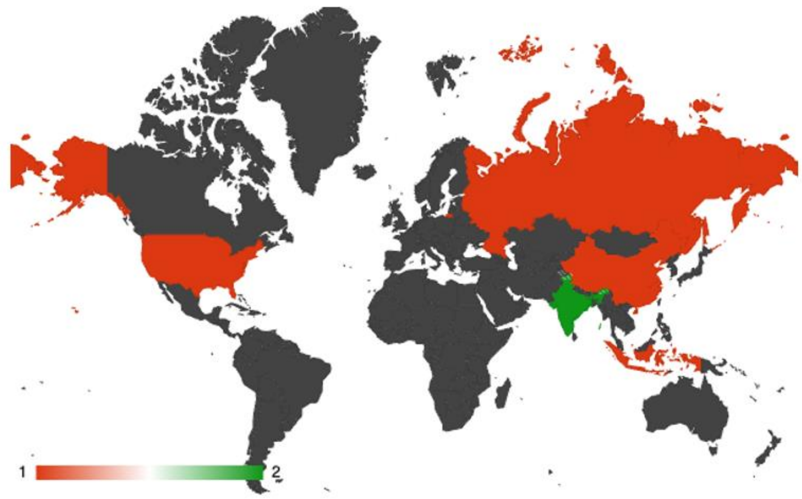

Figure 5.
Article Publication based in country.

Geographic status of articles on stock price volatility due to dividend announcements shows that India finds two articles on this topic [4-31, 39-41]. Such prominence can be justified by the fact that on long-run volatility effects, one segment market of India as well as related research suggested that the Indian Stock market is one of the world's most responsive to volatility impact [42]. Which means stock market volatility in India is more driven by announcements (dividend), economic news, and sentiment of different stock market (US [34] Canada, China [33], Japan, and Australia), in particular periods, Thus, this topic becomes even more relevant and urgent to be studied in this region.

The reason for the high interest in this topic from India can be attributed to the early response of the market with respect to shocks [42]. This phenomenon demonstrates an exceedingly high-level urgency of understanding, how dynamics of market volatility, in particular, how understanding of announcements that impact stock prices, affect investors and markets themselves. Research on post-dividend announcement volatility thus becomes extremely relevant in India where there are very love-lace reactions after new information is on board.

On the other hand, the occurrence of publications from other countries, including Russia [35] Indonesia [36] China [33] and the United States [34] albeit less frequently, highlights the global relevance of this issue. Volatility in these markets may not be as high as what we see in India, yet this is always of interest (and helps define investment ideas and portfolio strategies). As such, the differences in the number of publications by countries showcases the specific research needs within a specific local context, as well as the universal need for research on the topic of stock price volatility caused by changes in dividends.

On the other hand, according to the table of the distribution of the published articles in this area in different journals, it is obvious that we have researched published in various academic journals, worldwide, in the finance and economics field. Sole article appeared in the following journals: Journal of Corporate Finance Research [35] Cogent Business & Management [36] Pacific-Basin Finance Journal [33] Vision: The Journal of Business Perspective [4] International Journal of Professional Business Review [32] Journal of Financial Economics [34].

Table 2.
Selected article source.

No	Format	Publication (Journal)	Number Article
1	Article	Journal of Corporate Finance Research	1
2	Article	Cogent Business & Management	1
3	Article	Pacific-Basin Finance Journal	1
4	Article	Vision: The Journal of Business Perspective	1
5	Article	International Journal of Professional Business Review	1
6	Article	Journal of Financial Economics	1
Total			6

The scope of journals included in the articles suggests that stock price volatility reaction post-dividend announcement is a topic of broad interest and salience across different disciplines and geographical settings. The contribution of articles to a variety of journals indicates that this topic is multifaceted, that is theoretical, practical, and methodological in nature, and it emphasizes relevance of this issue in both academic course of action and global financial practice.

Typically focused on financial economics, journals including the Journal of Financial Economics [34] enhance the theoretical discussion of the research as those such as Cogent Business & Management [36] show where this research can apply further afield to business management. Further, this variety of journals recommends the importance of the theme of stock price volatility after dividend announcement not just for academician but also to practitioners & policymakers [43] who aim to have a clear understanding regarding the complex market process and its effect over the stability of world economy. This is useful for analysis and the implications for financial and investment policy, and for understanding how markets react to financial information in the short term and long term [43].

Table 3.
Stock Price Volatility Variable

Main Variables	No. of Variable	Relevance	Irrelevance	Reference
Abnormal Returns (ARs)	1	✓	-	Prakash and Yogesh [4]
Cumulative Abnormal Returns (CARs) (CARs)	2	✓	✓	Prakash and Yogesh [4] and Budagaga [13]
Dividend Announcements	1	✓	-	Usman, et al. [36]
Dividen Yield	1	✓	-	Nazarova, et al. [35]
Dividen Payout Ratio	3	✓	-	Prakash and Yogesh [4]; Qin, et al. [33] and Nazarova, et al. [35]
Social trust	1	✓	-	Qin, et al. [33]

Fontys Hogeschool HRM & Law | GBS Semester | THM1010458 | 8 7 Identification of main variables According to the theoretical analysis in Table 3, six main variables that have been used in the studies of return volatility on the effect of dividend announcement or dividend signaling. These input variables are: Abnormal Returns (ARs), Cumulative Abnormal Returns (CARs), Dividend Announcements, Dividend yield, Dividend payout ratio and Social trust. In this analysis, studies reported that variables like Abnormal Returns and Cumulative Abnormal Returns were significant in both dividend relevance and irrelevance theoretical perspectives [4-31, 39-41].

As Dividend Announcements and Dividend Yield were only related with the dividend relevance theory it shows that this variables are main words to convince how the dividend announcements could be seen as a positive signal for the market that is interpreted as the stability or good performance of the firms. On the other hand, Social Trust proposed just the relevance theory as well where social factors and trust influence the perception of dividends themselves and thus has an essential impact on stock prices.

Similarly, the Dividend Payout Ratio which has been referred in three references [4, 33, 35] is consistent with the relevance theory. The consistent use of this variable highlights the relevance of the magnitude of profits paid out to shareholders and the perception of company value as it relates to investors.

This concludes that based on the analysis of the variables of the research variables in the various studies, the research is more in line with the dividend relevance theory with the emphasis on dividend policy as one of the important communication tools between the company and the market. In the later part of the paper we will detail how these variables affect the volatility for the market which lets us further understand the relationships between dividend policy and volatility.

4.3. Discussion

As is the case in the Indonesia Stock Exchange, dividend announcements can impact stock prices directly [36]. This pattern, identified in prior research, can serve as a sentiment catalyst for market sentiment concerning the foundation and investor trust of the firm. Findings by Usman, et al. [36] conclude that dividend announcements by Indonesian companies are associated with significant positive returns and cumulative abnormal returns [4, 32].

Earning returns for stock investments through dividends is seen as a reliable return in times of economic downturns [36] but on the other hand, it can also be seen in the stock market reaction situation that weakens outside the crisis conditions, as occurred in 2023 for one of the stocks listed on the Indonesia Stock Exchange, PT Bukit Asam Tbk. These findings intuitively bolster the notion that, in the realm of dividend yield variables [35] DPS [4, 32-34] and Dividend Announcements [36] dividend announcements may not necessarily be perceived as positive signals, as demonstrated by the bias towards stock depreciation in the Indonesian market.

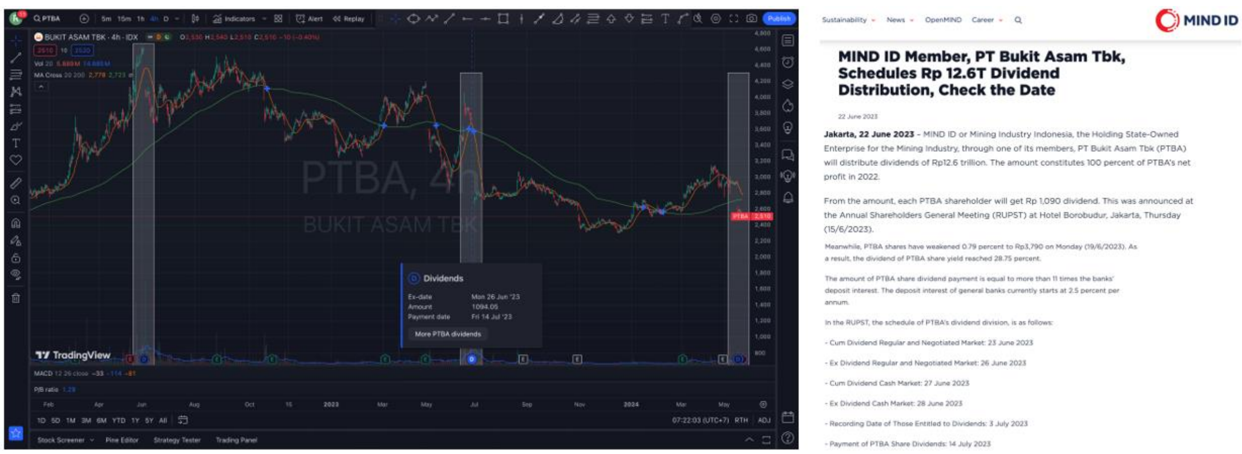

Figure 6.
Stock Volatility PT. Bukit Asam.

Higher fluctuations leading to the cut-off date for stocks to be recognized as dividend holders (cum date and ex date) are generally considered as indicators for investors to implement exit strategies to obtain maximum revenue [44] be it from dividends or capital gain. This trend was also found by Krishnan and Periasamy [32] meaning that when the stock price experiences high volatility, perpetrators are inevitably engaged in speculation [43] in anticipation of when the register for receiving dividends is approaching. Investors use the volatility in such a way that they tend to exit their positions to book profits, primarily for stocks with high dividend yield percentages and DPS [4, 30, 31, 41]. This explains why volatility, even though coming at a cost, is also an opportunity for increased profit for some investors.

Moreover, when deciding on dividend announcements [36] rises in stock price volatility often exhibit a positive trend [33]. This suggests that while volatility is often used as a barometer for

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uncertainty, with respect to dividend announcements, it can be interpreted as the markets anticipating the prospective monetary upside from an Augusta value of a dividend in the future. Such are the intricacies of dividend expectations and investor strategies that this response in the market displays. In the context of this, volatility does not measure uncertainty (risk) only but may also indicate a potential opportunity for the profit [42]. Thus, the nature of the nature of this relationship can be a significant determinant of investor behavior subsequent to dividend decisions and thus stock price dynamics, especially during the time leading to the dividend announcement.

Moreover, according to a recent study [9] these volatile market situations also have an impact on management decisions on dividend policies. During periods of instability in the market, companies often issue larger dividend payments to reduce the momentum of risk and boost consumer confidence [33]. However, the recent rally is not always sufficient to stabilize stock prices since the market is addressing other serious problems affecting the economy in general like geopoles tension or financial crisis. Splitting up these components provides a vague look at why dividends can be understood and at times frustratingly containing contradictory through deeper and more contextual interpretation due to the landscape in which dividends operate.

5. Conclusion

These studies confirm that dividend announcements on the selected articles has relevance towards the conditions on the Indonesia Stock Exchange and acts as a catalyst that affects stock prices, as also concluded by Usman, et al. [36] and Prakash and Yogesh [4]. The announcement of dividends is regarded as a positive signal by the market, evidence of the company's financial health, and leads to an increase in market value. Nevertheless, it is closer to the cum date and ex-date, the volatility of stock prices will increase significantly, especially on the Indonesia Stock Exchange. This is particularly the case for high dividend yield and high dividend per share stocks, suggesting the market responds not only to the dividend but also to the upward drift in stock volatility.

The market also reacts to dividend announcements, which can prompt exit strategies from some investors trying to cash in on volatility for short-term profits Stark as it may sound, research by Krishnan and Periasamy [32] sheds light on the fact that despite being a risk in general volatility, in the domain of dividend announcements may also signify lucrative profit opportunities for investors. Thus, it's essential for deeper analysis of the market to comprehend the impact of dividend announcements on investor behavior and stock price mechanics.

6. Limitation

There are multiple important limitations of this study that should be highlighted. First, the study is only limited for companies that are listed on the Indonesia Stock Exchange (IDX), where the resulted cannot be generalized to other markets. Second, this study might not consider external factors such as macroeconomic factors or government policy changes that could also affect market reaction to dividend announcements.

Transparency:

The authors confirm that the manuscript is an honest, accurate, and transparent account of the study; that no vital features of the study have been omitted; and that any discrepancies from the study as planned have been explained. This study followed all ethical practices during writing.

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