

ABSTRACT

Stock split is one kind of corporate action implemented by companies in order to rearrange stock price to be a more liquid range and provide more positive signal to investor. The purpose of this research is to analyze the differences of trading volume activity and abnormal return before and after stock split event, so that investors could use this event to gain benefit.

This research uses event study method to observe average trading volume activity, and abnormal return, within five days before and after event date. This research uses secondary data that collected from Indonesian Capital Market Directory (ICMD) 2007 up to 2011, IDX Statistics 2011 and www.idx.co.id. The data used in research were taken from : announcement date of stock split applied as event date (t_0), daily closing price, indeks daily closing of the companies applying stock split within observation period (IHSG), the amount of daily traded share and the amount of listed share. There are 30 sampels for this research. They are stocks of the companies which implemented stock split policy within 2007 up to 2011 and which have been listed in BEI.

Results of the study show that there are significant differences of trading volume activity before and after event. And there are no significant differences of abnormal return before and after event.

Keyword: stock split, trading volume activity, abnormal return, event study.