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 cost(bid-ask spread), trading volume activity, and excess return before and after stock split announcement event, so that investors could use this event to gain benefit.

This research uses event study method to observe average trading cost(bid-ask spread), trading volume activity, and excess return within five days before and after event date. This research uses secondary data that collected from finance.yahoo.com and www.sahamok.com 2010 up to 2013. The data used in research were taken from : announcement date of stock split applied as event date (t 0), daily closing price, index 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 for this research. They are stocks of the companies which implemented stock split policy within 2010 up to 2013 and which have been listed in BEI.

Results of the study show that there are no significant differences of trading cost, trading volume activity, and excess return from pre and post event. The results also give empirical evidence that stock split event support the semi-strong form of market efficient hypothesis (EMH).

Keyword : stock split, bid—ask spread, stock price, trading volume activity, excess return, event study.