ABSTRACT

THE IMPACT OF THE ANNOUNCEMENT OF INSIDER TRADING SANCTION ON ABNORMAL RETURN AND TRADING VOLUME ACTIVITY
(Case Study of PT Perusahaan Gas Negara (Persero) Tbk During The Period of October 2007 To January 2008)

By

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Insider trading is the trading of securities performed by those classified as "insiders" of the company, of these securities based on the existence of inside information that is important and contains material facts. Insider trading categorized as a crime in the capital market. The Bapepam-LK announced nine people that involved in insider trading case on PGN stocks. As reported by website hukumonline.com on Thursday December 27, 2007.

The objective of this research is to find out whether there is a significant difference between before and after the announcement of insider trading sanction to the abnormal return and its trading volume activity. This research used event study method, with abnormal return and trading volume activity as the variable. The data that used in this research is secondary data. The research object was PT Perusahaan Gas Negara (Persero) Tbk. The research conducted on October 26, 2007 to January 16, 2008, it was 30 days as estimation period, ten days before the event, ten days after the event, and one day when the event happened as the window period. So total of the research time is 51 days.

The statistical test that used to test the hypothesis was paired sample t-test, but make sure that the data was normally distributed. The test result shows that H1 is accepted but H2 is rejected, it means there is no significant difference in abnormal return before and after the announcement of insider trading sanction, but there is a significant difference on trading volume activity before and after the announcement of insider trading sanction.

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