

ABSTRACT

Right Issue or also called Preemptive Rights (ER) is the company's policy to increase the number of shares outstanding. This study aims to analyze the market reaction to the announcement of the rights issue, by observing abnormal return and the security return variability. The study population was all companies listed on the Indonesia Stock Exchange (IDX) 2009-2011. Samples determined by purposive sampling method, as the number of samples obtained was 36 companies. Data were tested using paired sample test (paired samples). The results showed that, prior to the announcement abnormal return is not different from the abnormal return on the day of the announcement, abnormal returns after the announcement is no different with the abnormal return on the day of the announcement, abnormal returns after the announcement date abnormal return is no different from before the date of the announcement, SRV before date announcement is no different with SRV during the announcement, SRV after the date of the announcement is no different from the time of the announcement SRV, SRV after the announcement date different from the SRV before the announcement date.

Keywords: Right Issue, abnormal return, and security return variability