

Linkage Stock Price, Trading Volume Activity, Stock Returns and Trading Frequency on Bid Ask Spread

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ABSTRAK

Tujuan dari penelitian ini adalah untuk menguji pengaruh harga saham, aktivitas volume perdagangan, return saham dan frekuensi perdagangan bid ask spread dari perusahaan LQ45. Penentuan konsistensi sampel penelitian 42 perusahaan dilakukan dengan menggunakan metode purposive sampling. Sedangkan untuk pengujian hipotesis dan instrumen penelitian menggunakan analisis regresi linier berganda SPSS 20.0. Hasil penelitian ini membuktikan bahwa semua variabel independen tidak mempengaruhi spread ask bid.

Kata kunci: Harga Saham, Aktivitas Volume Perdagangan, Return Saham, Frekuensi Perdagangan, Bid Ask Spread

ABSTRACT

The purpose of this study was to to examine the effect of stock prices, trading volume activities, stock returns and trading frequency of the bid ask spread of LQ45 company. Determination of the study sample consist of 42 companies conducted using purposive sampling method. As for hypothesis testing and research instruments using multiple linear regression analysis SPSS 20.0. Result of this study prove that all of the independent variable does not affect the bid ask spread.

Key words: *Stock Price, Trading Volume Activity, Stock Return, Trading Frequency, Bid Ask Spread*

INTRODUCTION

The capital market is a place for companies to raise funds that function to directly finance company activities, the public participates directly in it. namely the economic and financial functions.

One type of index that is on the Indonesian capital market is the LQ45 Index. The LQ45 index was first launched on February 24, 1997. The LQ45 index consists of 45 shares on the Indonesia Stock Exchange with high liquidity. Among the stocks in the Indonesian capital market, LQ45 shares are shares that are much sought after by investors because they have a frequency high trading so that the growth prospects and good financial condition of the stock resulted in lots of shares buying and selling transactions every day.

When an investor intends to buy a portion of shares of a company, a trader will offer anprice ask(ask) for example, Rp 1,000. Vice versa, if the investor intends to sell the same shares, the trader will offer a lowerprice bid(for example, Rp900).. The spreadis the difference between theprices ask and bid, which is Rp 100. The difference between the two prices is called the bid-ask spread (Callahan in Wahyuli Antini, 2015).

In liquid stocks, nowill be found spread high. The lower spread the stock price, the more liquid the stock will be, so that it will be of interest to the market, and in the end can increase share prices in the next period.



Figure 1: Spread LQ45 Company

Data shows a decrease in the level of spread in LQ45 companies. The spread lowest occurred in the February - July 2016 period of 31.7. While the spread highest occurred in the next period, the period August 2016 - January 2017 that is equal to 36.02. This proves the LQ45 index is getting better day by day. Shown by the decreasing level of spread. This is also good news for investors who want to invest in companies listed as LQ45 on the Indonesia Stock Exchange.

The amount of the difference between the bid price and the ask price is influenced by various considerations of investment decisions made by investors in order to obtain gain or net return an optimal and reduce the level of risk as low as possible. There are several factors identified as determinants of bid-ask spreads, namely stock prices, trading volume, and variants return (Stool in Lulu, 2009). The more stock prices increase, the lower the bid ask spread and vice versa.

The lower the stock price, the higher the bid ask spread. Volume Trading illustrates the activity of the number of shares traded on the capital market. The small trading volume tends to show investors' uncertainty about a stock being traded. Conversely, a large trading volume shows that the stock is in demand by

investors. Return in this case represents the risk of the stock which is allegedly able to influence the size of the bid-ask spread stock. Return stock represents shares risks faced by investors. Frequency trading is the number of times a sale and purchase transaction occurs on the relevant stock at a certain time. By looking at the number of times or the frequency of the number of shares traded, it can be seen that the stock is attractive or not by the investor. Increasing the number of trading transaction frequencies, which are usually caused demand by high, the share price will be pushed up so that returns stock will also increase.

LITERATURE REVIEW

Bid Ask Spread

Bid-Ask spread is the difference between the bid price and the ask price. Bid price is the highest price paid by a buyer of a particular security. While the ask price is the lowest price the seller is willing to offer to buyers. The buyer and seller are connected by a dealer who receives a commission. Spread is the difference between the selling rate and the buying rate. The amount of spread depends on the amount of costs incurred. The price of buying demand (bid price) and selling deals (ask price) is a function of the boarding and information held by the broker.

Stock Price

According to M. Samsul (in Yuliastari, 2008), stock price is the price formed in the stock trading market. The stock price is essentially a reflection of the amount of sacrifice each investor must make for participation in the company. According to Lorie and Kimpton (in Yuliastari, 2008) stock price is the price formed from the interaction of the seller and buyer of the stock which is motivated by their expectations of the profit company's. For this reason, investors need information relating to the formation of stock prices in making decisions to sell or buy shares.

Trading Volume Activity

Trading volume activity is an instrument that can be used to see capital market reactions to information through the parameters of the volume of shares traded on the market (Conroy et al, in Imtihani 2017). According to Halim and Hidayat (2000; in Chadijah, 2010) trading volume activity as shares traded on day t. trading volume activity Stockis one indicator used in technical analysis invaluation stock price and an instrument that can be used to view capital market reactions to information through parameters of trading volume activity activity in stock markets. Therefore, companies that have the potential to grow can function as good news and the market should react positively.

Returns Stock

According to Jogiyanto (2014), returns stockare the results obtained from an investment. Return may be a return of realization (Tirrenus return)or often called the actual return and return expectations(expectedreturn). return Realized(realized return) is a return that has occurred. Returns arecalculated based on historical datas. Return realization can be used as one measure of corporate performance and as a basis for determining returthe expected (expectedreturn) and risk in the future. Returnexpectation is return that is expected to be obtained by investors in the future. In contrast to the returns realization ofthat have already taken place, expectation returns have not occurred.

Trading Frequency

Trading frequency describes the number of times an issuer's shares are traded in a certain period of time. Market participants' interest in certain stock trading will be seen here. Frequency is positively related to the number of shareholders, which means the frequency of describing whether or not active shares in market trading (Eleswarapu and Khrisnamurti in Maknun, 2010).

In a stock exchange or capital market activity, trading frequency activity is one of the elements that becomes one of the ingredients to see the market's reaction to information entering the capital market. The development of stock prices and the frequency of stock trading activities in the capital market is an important indication to study market behavior as a reference for the capital market in determining transactions in the capital market.

Research Framework

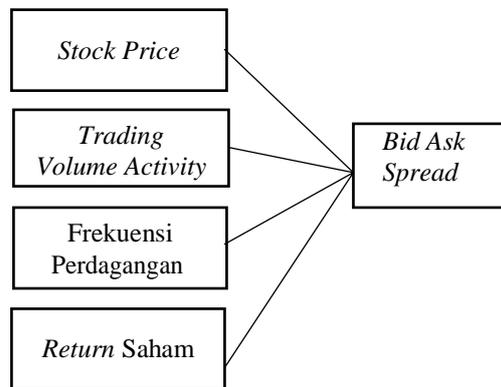


Figure 2: Research Framework

METHODE

This uses quantitative research in the form associative approach which aims to determine the relationship between independent variables and the dependent variable. This research is located on the Indonesia Stock Exchange which can be accessed through the official website, www.idx.co.id. Population and Samples, In this study the population is all companies listed on the Indonesia Stock Exchange as LQ45 companies for the period February 2017 - January 2018. With sampling techniques obtained from the official website of the Indonesia Stock Exchange, www.idx.co.id, www.sahamok.com, and neither www.yahoofinance.com.

Data Analysis Techniques, Data analysis in this research is multiple linear regression test, where the analytical techniques used for influence between variabel. Test goodnes of Fit measured by the coefficient of determination (R²). The coefficient of determination is

between zero and one. A small R² value means that the ability of the independent variables to explain the variation of the dependent variable is very limited. A value close to one means that the independent variables provide almost all the information needed to predict variations in the independent variable (Ghozali, 2011: 95). This t test is used to partially test whether each independent variable significantly influences the dependent variable

RESULTS AND DISCUSSION

The first test was performed using the entire data set numbered 179. But the data is not conclusion (normal distribution). Steps in the next test results with the data of 180 drawn the conclusion that the data has berdistribusi normal, so do the next test is autocorrelation. The results of the data autocorrelation test used turned out to have autocorrelation problems so that it had to be transformed lag. The normality test is repeated with the transformed data.

The normality test used is the Kolmogorov-Smirnov test. The analysis results that the 2-value istailed significant $0.899 > 0.005$. Based on these results it is concluded that the data are normally distributed.

Based to results a DW value of 2.002. This value will be compared to the DW table value. DW tables with $k = 5$ and $n = 179$ are $dL = 1.71000$ and $dU = 1.80128$. Thus it was found that the DW value was between dL and dU . $1.80128 \leq 2.002 \leq 2.19872$ ($dU \leq d \leq 4 - Du$). It was concluded that the data used in the study were free from the classic autocorrelation assumption test problem.

Based result, there is no variable independent that has a value tolerance smaller than 0.1 and a VIF value of more than 10 which means there is no correlation between the variables independent. The conclusion from table 4.3 is that the data is free from the classical multicollinearity

assumption test. Heteroscedasticity test used Glejser test. Decision making criteria if the sig value > 0.05 means heteroscedasticity does not occur.

Test goodness of fit seen from the coefficient of determination Adjusted R Square of research. value Adjusted R Square ranging between a value of 0 - 100. The larger the value of Adjusted R Square, the better. The coefficient of determination test results, that the value R Square is 2.2%, which means that the independent variable is only able to explain the dependent variable by 2.2%. But seen from the Adjusted R Square value of 0.00. This shows that the independent variables namely stock price, trading volume activity, return stock and trading frequency are not able to explain the variable bid ask spread.

Based on the results of the analysis, there is no one independent variable that affects the bid ask spread. This study used koefisimatrix.en correlation The way to make decisions in correlation analysis is by looking at the significance value. If the significance value < 0.05 then there is a correlation. Conversely, if the significance value > 0.05 then there is no correlation.

The relationship between stock prices and bid ask spread, variable stock prices indicate a negative direction to the variable bid ask spread. Based on this direction, it can be concluded that if the variable stock price increases, it will not be followed by the variable bid ask spread in companies listed as LQ45 companies in the Indonesia Stock Exchange from March 2017 to February 2018. High stock prices indicate that the shares are shares which is of interest to investors and is a liquid and good stock. But stocks that are too high will also cause demand for these shares to decline. This decline usually occurs because not all

investors are interested in investing in stocks at high prices, especially for investors who have limited funds such as individuals. This indicates that the higher the stock price, the bid ask spread the smaller. The results of the study which showed that there was a negative relationship between the variable stock price and the bid ask spread were supported by several other studies. Research Chadijah (2010), Shobriati ddk (2011), Napitupulu (2012), Aprilia (2015), Patoni and Lasmana (2015) and Putra (2017).

Relationship between trading volume activity and bid ask spread, The variable trading volume activity shows direction a positive towards the variable bid ask spread. Based on direction, this it can be concluded that if the variable trading volume activity has increased, it will be followed by a variable bid ask spread on companies registered as companies LQ45 Stock Indonesian Exchange period March 2017-February 2018. The volume high trading indicates that the company in question which is favored by investors. If there is enough demand for a stock, the company can be said to be in good condition. This encourages an investor to raise the selling price and the purchase price of his shares in the hope that a stock will increasingly provide more profit. This will automatically cause the value of the spread to widen. This study is in line with research conducted by Istanti (2009), Cahdijah (2010), Anggraini et al (2014), Paramita and Yulianto (2014) and Putra et al (2017) which states that the variable trading volume activity has a positive relationship with the bid ask spread .

The relationship between stock returns with bid ask spread, The variable return stock shows a positive direction to

the variable bid ask spread. Based on these directions, it can be concluded that if the variable return stock increases, it will be followed by the variable bid ask spread in companies listed as LQ45 companies in the Indonesia Stock Exchange from March 2017 to February 2018. An investor wants a high return on investment in the market capital. Stocks that produce returns high are very popular with investors. Indicates that the company is a liquid company or in good condition. Indirectly, an investor will choose to increase the selling price and purchase price of a stock in the hope that the profit or return obtained will be greater than the costs incurred earlier or today. This will cause the value spread to increase. The results of the study stating that returns stock have a positive relationship are supported by research Ambarwati (2008), Nurmayanti (2009), Shobriati et al (2011), Fitriyah (2012), Rasyidi and Murdayanti (2013), and Perdana (2014).

The relationship between trade frequency and bid ask spread, the trade frequency variable shows a positive direction towards the variable bid ask spread. Based on this direction, it can be concluded that if the variable frequency of trading has increased, it will be followed by the variable bid ask spread in companies listed as LQ45 companies in the Indonesia Stock Exchange from March 2017 to February 2018. Frequency trade shows how many times a stock transaction is carried out in one day. The higher frequency of trading of a stock, the better means such shares or stock is said to be liquid and in good condition. This makes an investor raise the selling price and buying price of a stock in the hope that the longer the stock is better and liquid so that it can produce higher profits as well. This research is in line with the results of

research conducted by Patoni and Lasmana (2015).

CONCLUSION

Based Based on the results of the study, the conclusions obtained are: 1). Variable stock prices have a negative and not significant relationship to the bid ask spread; 2) The variable trading volume activity has a positive and not significant relationship to the bid ask spread; 3) Variable return Stock has a positive and not significant relationship to the bid ask spread; 4) The variable frequency of trade has a positive and not significant relationship to the bid ask spread. From the results of the study put forward some suggestions that can be made recommendations for further researchers and for investors. For Investors, to obtain the expected benefits investors or potential investors should know and pay attention to other factors or external factors relating to the shares to be purchased and already. This is done to anticipate the losses incurred as a result of transactions that will and have been carried out on the trading floor. For Further Researchers It is a recommended for future researchers who will conduct similar research to use the mediation variable risk of return which is allegedly able to prove the effect of variables stock price, trading volume activity, returns stock and trading frequency on bid ask spread. and Increase the observation period for at least 3 years so that the results obtained are more accurate and varied.

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