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## Stocks Spreads around Earnings Statement for Syariah Companies that are listed in BEI

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### ABSTRACT

This study has a purpose to check whether there is an alteration towards bid ask spread around earnings statements in Syariah companies that are listed in Indonesian stock market. The population of the study is 336 Syariah companies that are listed on Daftar Efek Syariah, and 66 companies that fulfill the criteria are chosen. The result of Z-Test shows that the average bid-ask-spread of companies in five days before doing the earnings statement is higher than average bid-ask-spread in five days after doing the earnings statement. Thus, there is a bid-ask-spread difference between before and after earnings statement. The spread improvement stock because of earnings statement is 34,2%, and the rest 65,8% is caused by another factor. This indicates that some investors still consider stock as trade commodity.

**Keywords:** Bid Ask Spread

#### 1. Introduction

In making investment decisions, information is a fundamental requirement for investors in the capital market. The information that is complete, accurate and on time will allow investors to make rational investment decisions so that the results obtained in accordance with what is expected. One of the existing information is profit information in which the company always provides reports on income earned on a regular basis. Profit is an accounting information and company-specific information that is used to meet the needs of the public, including investors. Profit figures contain information that is important because it is the means used by management to convey information about the performance and prospects of the company are managed in the future.

The study of the reaction of the market has been preceded by Beaver (1968) which states that the information will encourage ownership of optimal stock portfolio. Investors will make the purchase and sale of shares so that the earnings statement when trading volume is expected to increase. Followed by Branch and Freed (1977) found the determinants of bid ask spreads, where the percentage spread is significantly positively associated with the percentage change in price from the

previous day and the number of markets where the dealer worked, and significantly negatively related to price, volume and competition for dealers. Stoll (1978) in Callahan et. al. (1997) found that the percentage spread is significant and positively associated with variants price significantly and negatively related to price, trading volume, and the amount of competition for dealers. Lev (1989) in Callahan et.al. (1997) state that the potential benefits of an earnings statement is to reduce the information asymmetry in the stock market. Venkatesh and Chiang (1988) found a significant change in the spread after the earnings statement only in cases where there is no other material information relating to the company that was published in the 30 days before the earnings statement. Brooks (1996) in his research on information asymmetry when earnings and dividends statement stating that the information asymmetry decreases as earnings statement. Asymmetry of information will lead to the dealers try to get a specific signal which can be used as information in order to reduce the uncertainties that it faces, so that the cost of the needed information will tend to be high, resulting in high levels also tend to spread. While the absence of information gaps caused dealers less trying to get a certain signal that can serve as the needed

information will tend to be low, so the rate of spread is also low.

Studies using shares in the spreads of Sharia in Indonesia is interesting to do, even in the context even of more specific and variable. Where Islamic Finance as a financial system that is based on Syaria has advantages compared with the conventional financial system. One of them is the features of Islamic financial products are based on justice and aims to drive the economy of the people. The development of Islamic finance in Indonesia is quite encouraging, especially in the last decade has seen an increase. Figure 1 presents the development of Sharia listed companies on Stock Exchange

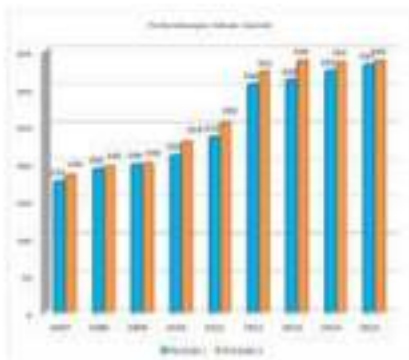


Figure 1. the development of Sharia

From the picture above, shares that are included in the list of Daftar Efek Syariah has developed quite rapidly from 174 in 2007 to 336 at the end of 2015. The proportion of Islamic stocks on Indonesian Stock Exchange has reached 62 percent. The development of Syariah Shares and the number of listed companies in the period 1 2015 were only 331 companies. That number were decreased compared to 2nd period of 2014 as many as 334, or down three issuers. However, when compared to the first period of 2014 as many as 322 listed companies, up to nine issuers.

Referring to the study investigators ever done, which test empirically the bid ask spread changes in manufacturing companies from 2013 to 2015 period, using financial variables showed that average bid ask spread before the dividend date tend to be higher than the average bid ask spread after the dividend date and influence spread trading volume before the dividend date; after the dividend date spread is influenced by trading volume and return variants. This study aims to test the extent to which changes in the company's shares spread Syaria before and after the period of 2013 to 2015 earnings statement.

## 2. Review OfThe Related Literature

Earnings statement is one form of submission of information regarding the condition of the company to the users of financial statements, such as investors and creditors. In this case, the earnings statement is said to contain information if it is able to encourage changes in investor estimates of the distribution of returns in the future, which will result in changes in the value of the balance of the current share price. At the time of the statement of earnings is expected variability of price changes will be greater than in the period beyond the earnings statement even though the direction and magnitude of these changes is unknown without knowing the model of investor expectations. In addition to causing changes in investors' expectations, earnings statement will be said to have a value if the information is able to influence the behavior of decision makers. In this case, the information will encourage ownership of optimal stock portfolio. Investors will make the purchase and sale of shares so that by the time earnings statement is expected to increase trading volume (Beaver, 1968).

If an investor wants to buy or sell a stock or other Stocks in the capital market, he usually conducts transactions through dealers who specialize in security. This dealer is ready to sell to investors to ask a price if an investor wants to buy a security. If the investor already has a security and wants to sell, then these dealers will buy these Stocks at the bid price. The difference between the bid price and the ask price is the spread. So bid-ask spreads are the difference between the highest buying prices for the dealer is willing to buy a stock and the price at which the dealer is willing to sell the stock (Callahan et al, 1997).

According to Demsetz, 1968, that the bid ask spread set consists of three cost components, namely: (1) the cost of share ownership (inventory holding cost); (2) the cost of processing orders (order processing cost); and (3) the cost of adverse selection. Share ownership costs are opportunity costs and risks associated with ownership of shares of shares. Order processing costs represent costs incurred in set transactions, record transactions and perform bookkeeping activities. Cost adverse selection occurs because the information is distributed asymmetrically among capital market participants, so the dealers face the problem of adverse selection because he did the deal with investors who have superior information. Bid ask spread could be implemented as follows (Jones, 2005):

$$\text{SPREAD} = \frac{(\text{the ask price} - \text{the bid price})}{(\text{the ask price} + \text{Bid}) / 2} \times 100\%$$

Information:

- Ask is the highest asking price that occurred on the day-t.
- Bid is the lowest bid price that occurred on the day-t.

Study Results Demsetz (1968) states that the dealers are compensated by buying shares on the bid price is generally lower than the true price and sell at the ask price is generally higher than the true price. Studies Branch and Freed (1977) found the determinants of bid



ask spreads, where the percentage spread is significantly positively associated with the percentage change in price from the previous day and the number of markets where the dealer worked, and significantly negatively related to price, volume and competition for dealers. According to the model Kim and Verrecchia (1994), the earnings announcement will make a market maker increase the bid-ask spread along a short distance of one or two days around the announcement. This is to protect the market maker to excellence temporary information possessed by the public information processing. While the study Brooks (1996) in his research on asymmetric information during the announcement of earnings and dividends declared that information asymmetry decreases as earnings announcements, but only small changes in volume occur around earnings announcements. It can be concluded that the earnings announcements can reduce information asymmetry faced by capital market participants. The study results Wijyantini (2016) on the effect of the stock dividend date to spread manufacturing company in Indonesia Stock Exchange by using data from year 2013 to 2015, found that there are differences in the bid-ask spread significantly between the time before and the time after the dividend date (an average bid-ask spread before the dividend date is higher than after the dividend date).

Based on the theoretical study that has been presented and from some previous research, the alternative hypothesis proposed and which will be tested in this study are as follows:

H<sub>a</sub>: There is a difference between the spread before earnings statement to the spread after the earnings statement for the period from 2013 to 2015 the company's shares Sharia.

Headings are numbered and capitalized. All major headings are centered in bold in 10 fonts. Do not put a period after the text of the heading. Leave one line above a major heading, and one line clear below before the start of the next paragraph or second-level heading.

### 3. Research Methods

#### 3.1 Population and Sampling

The study population was all of the company's shares that are included in the Islamic Sharia Stock List per December 31, 2015 at 336 companies. The research sample was determined by purposive sampling method. The criteria for sending research samples are as follows:

1. The Company must be registered in the List of Islamic Stocks per December 2015,
2. Includes classification Sharia-listed company emitted in the Indonesia Stock Exchange (IDX) since the year 2013 to 2015 continuously (never did delisting),
3. The company reported its company profit.
4. Including Company that is actively traded.
5. Lack of no other announcements or corporate action by the company into the sample both before

and after the earnings statement to avoid bias accounting for their other information

Table 2. Selection Process of Sample Company

No	Information	Total Companies
1	Syariah companies that are listed in BEI per 31 December 2015	336
2	Syariah companies that are delisted from BEI per research period.	48
3	Company that doesn't announce splitting profit in the whole research period	122
4	Company that its stock is inactively traded in the whole research period	59
5	Company that does other announcements / corporate action in the whole research period	41
6	The number of companies that are passed the criteria in collecting sample	60

Source: www.idx.co.id and www.ojk.go.id

#### 3.2 Variable Operational Definition of Research

Variables that are used in this research are :

- Bid ask spread

Bid ask spreads are defined as the proportion of the selling price and the bid price of buying demand during the study period. The percentage of bid ask spread is determined as follows Jones, 2005):

$$\% \text{ Bid-ask spread} = \frac{(\text{Ask}_t - \text{Bid}_t)}{\text{Bid}_t} \times 100\%$$

Information:

- Ask is the highest asking price that occurred on the day-t.
- The bid is the lowest bid price that occurred on the day-t.

#### 3.3 Data Analysis Technique

The analytical methods used in this study are described respectively as follows (all of which will use the software SPSS and Excel).

##### 1. Descriptive Statistics

Descriptive statistics include the number of measures of central tendency, which is the average, median, minimum, maximum, and standard deviation. In the study, the data will be described to get a picture of the pattern or movement of data in each study variable.

##### 2. Differential test

To test the hypothesis used different test-Z. This is done to will examine whether there are differences or changes in spreads that occurred during the 11 days around the earnings statement, which is five days before the announcement, five days after the announcement and the first day of the event earnings statement

In this test the variable spreads are grouped into two, spread before the earnings statement and spread after

the earnings statement. By using the Z test will evaluate whether there is any change in spreads that occurred around earnings statement.

For bigger sample ( $n > 30$ ), so the test formula is: (Ghozali, 2009)

$$Z = \frac{(\bar{x}_1 - \bar{x}_2) - \delta}{\sqrt{[(n_1 - 1)s_1^2 + (n_2 - 1)s_2^2] / (n_1 + n_2 - 2)}} \sqrt{\frac{n_1 n_2 (n_1 + n_2 - 2)}{n_1 + n_2}}$$

With critical area of Z test as follows:

No.	$H_0$	Rejected $H_0$ if :
1	$\mu_1 - \mu_2 < \delta$	$Z < -z_{\alpha}$
2	$\mu_1 - \mu_2 > \delta$	$Z > z_{\alpha}$
	$\mu_1 - \mu_2 = \delta$	$Z < -z_{\alpha/2}$ atau $Z > z_{\alpha/2}$

#### 4. Results And Discussion

##### 4.1 Results

Shares developments Sharia in Indonesia has increased over the last decade. Stocks included in the List of Islamic Stocks progress very rapidly from 174 in 2007 to 336 at the end of 2015. The proportion of Islamic stocks on the Indonesia Stock Exchange has reached 62 percent of the total companies listed on the Indonesia Stock Exchange. Purposive sampling was based on the criteria in Table 2, then there are 66 companies Sharia can be selected as a sample. List of all 66 sample companies are summarized in the following table:

Table 3. List of Sample Companies

NO	KODE	Nama Perusahaan	NO	KODE	Nama Perusahaan
1	AALI	Astra Agro Lestari Tbk	34	INDS	Indospring Tbk
2	ADHI	Adhi Karya (Persero) Tbk	35	ITMG	Indo Tamboraq Tbk
3	AKRA	AKR Corporindo Tbk	36	KAEF	Kimia Farma Tbk
4	BIRD	Bico Bird Tbk	37	KBLI	KBLI Wire & Cable Tbk
5	BKSL	Sentil City Tbk	38	KIAS	Keramik Indonesia Asosiasi Tbk
6	BMTR	Global Mediacom Tbk	39	KLBF	Kalbe Farma Tbk
7	BLAM	Indo Kencana Tbk	40	LSIP	PP London Sumatra Indonesia Tbk
8	BSDE	Bumi Serpong Damai Tbk	41	MASA	Multitrada Anak Sarna Tbk
9	BTON	Betonaja Manunggal Tbk	42	MFMI	Mufiling Mesa Indonesia Tbk
10	CASS	Cardig Aero Services Tbk	43	MICE	Muti Indocita Tbk
11	CINT	Chitroc International Tbk	44	MLPL	Multipolar Tbk

12	CIP1	Celipit Indonesia Tbk	45	MLPT	Multipolar Technology Tbk
13	CPIN	CPIN Charoen Pokphand Indonesia Tbk	46	MNCN	Media Nusantara Citra Tbk
14	CSAP	Catur Sentosa Adiguna Tbk	47	MTLA	Metropolitan Land Tbk
15	CTRA	Ciptera Development Tbk	48	MYOH	Samudra Resources Tbk
16	DAJK	Dwi Ataka Jaya Kemasindo Tbk	49	MYOR	Mayasa Indah Tbk
17	DGEE	Nusa Kencana Emitting Tbk	50	NRCA	Nusa Karya Cipta Tbk
18	DILD	Indiland Development Tbk	51	PERX	Pan Brothers Tbk
19	DMAS	Pradaha Lestari Tbk	52	PGLI	Pembangunan Grida Lestari Tbk
20	DNET	Indoneid Mahana Internasional Tbk	53	PTPP	PP (Persero) Tbk
21	DPNS	Duta Perwira Nusantara Tbk	54	RALS	Ramayana Lestari Sentosa Tbk
22	DVLA	Darya-Vira Laboratoria Tbk	55	RKY	Ricky Para Globalindo Tbk
23	ECII	Electronic City Indonesia Tbk	56	SCCO	Supreme Cable Manufacturing Corp Tbk
24	EKAD	Ekadharma International Tbk	57	SIDO	Indosti Jero dan Farmasi Sido Muncul Tbk
25	ELSA	Elsin Tbk	58	SELO	Sileam International Hospital Tbk
26	EMDE	Megapolitan Developments Tbk	59	SIMP	Sahlin Inpras Putama Tbk
27	ERAA	Eranya Swasembada Tbk	60	SMRA	Santamon Agang Tbk
28	FAST	Fast Food Indonesia Tbk	61	SSMS	Savitri Sembema Sama Tbk
29	PASW	Fajar Surya Wisata Tbk	62	TOTL	Total Bangun Persada Tbk
30	GJTL	Gajah Tunggal Tbk	63	TRIS	Trisula International Tbk
31	GMTD	Gewa Makasar Tourism Development Tbk	64	TSPC	Tempo Scan Pacific Tbk
32	ICBP	Indofood CIP Sukses Makmur Tbk	65	UNIC	Unggul Indah Cahaya Tbk
33	INDF	Indofood Sukses Makmur Tbk	66	WKA	Wijaya Karya Tbk

Source: [www.idx.co.id](http://www.idx.co.id), and [www.ojk.go.id](http://www.ojk.go.id)



The descriptive statistics result and Bid Ask Spread test is shown in the following table:

Table 4. Descriptive Statistics before and after Spread

Descriptive Statistics							
	N	Minimum	Maximum	Sum	Mean	Std. Deviation	Variance
before	66	.01	.15	2.12	.0412	.02174	.090
after	66	.00	.09	2.12	.0321	.01933	.090
Valid N (listwise)	66						

Source: Calculated Data

From Table 4, it can be seen that of the 66 companies into the sample, before the earnings statement lowest spreads of 0.01 and the highest spreads of 0.15, with an average value of 0.412. After the earnings statement, it is obtained the results in the highest spreads at 0.9 with the lowest spreads of 0.00 with a mean value of 0.321.

Table 5. Z-test result of average difference of Bid-Ask Spread

Z	Sig.	Pearson Chi-Square		df	Sig.	Exact Sig.	Exact Sig.	Exact Sig.
		Value	Asymptotic Significance					
3.932	.000	1.196	.000	1	.000			

Source: Calculated Data

Table 5, the value of Z at 3.932 i.e.  $z$  above 1,196, the level of sig. 95% with sig.2 tailed = 0.00. This shows that there are differences in the spread between before and after the earnings statement, significant on  $\alpha = 0.05$ . The average bid-ask spread of companies on the five days prior to the earnings statement is higher than the average bid ask spread companies in five days after the earnings statement. These findings accepting the hypothesis (Ha) which states that there is a difference between the spreads before and after the company's earnings statement for the shares of sharia. The results of this study are consistent with Wijyantini (2016), which states that the bid ask spread narrowed after the earnings announcement, this means that the earnings announcements have information content that resulted in their reaction to market participants.

#### 4.2 Discussion

Earnings statement turned out to affect the Islamic firm bid-ask spread. This is evident from the different test average bid-ask spread in the five days before and five days after the earnings statement published. The average spread in the five days before the earnings statement was higher (= 0.0412 or 4.12%) compared to the average spread on five days after the earnings statement (= 0.0321 or 3.21%). Value means or

the average difference before and after at 0.00912. = 0.05. This difference was significant at Correlation R2 of 0.585 or 34.2%, meaning an increase in stocks because earnings statement spread by 34.2%, and the remaining 65.8% were caused by other factors. It can be stated that the earnings statement lowering spread stock. This decrease was due to the price of buying demand (ask) approaching the offer price of selling (bid). After the earnings statement stock investors more confidence in the stock price deals is emitted corporate issuers.

Bid-ask spread before the earnings statement is less stable (standard deviation BAS = 21.7%) than after earnings statement (BAS standard deviation = 19.3%). This indicates that although the average BAS decreases in time after the earnings statement, but there are some stocks of companies that declined BAS significant (firms with code TOTL, FASW, MTLA, RALS and SCCO) and on the other hand, some companies have increased BAS is also significant (firms with MICE code, WIKA, BIRD, ERAA and BKSL).

Even for companies with a code GMTD, BRAM, PGLI increased BAS large enough and is inversely proportional to the company with the code DPNS, WIKA and its BAS BKSL which dropped dramatically after the earnings statement. The proportion of companies that experience a significant change in BAS relatively little to the total sample, but it has been enough to lower the normality of BAS.

The results of these studies tend to support the argument of Demsetz (1968) states that the dealers are compensated by buying shares on the bid price is generally lower than the true price and sell at the ask price is generally higher than the true price. This is in line with previous research conducted by Kim and Verrecchia (1994), Brooks (1996) and Wijyantini (2016) on different sectors of the same period, generally occur differences bid-ask difference. But in this study, the difference between the bid ask spread before and after higher earnings statement (or 0.00912) compared to the previous study (0.000973), the difference in the standard deviation of this study was higher (0.01884) compared to previous studies (0.012167). This occurred because of differences in the magnitude of the number of samples and the capitalization of the company Sharia larger than the Manufacturing industry.

#### 5. Summary

This study is aimed to examine the extent to which changes in the company's shares spread Sharia before and after the period 2013 to 2015 earnings statement. The implementation of a series of tests using Excel and Differential test Z. Based on the testing of the hypothesis proposed in this study support the hypothesis, namely earnings statement Sharia company listed on the Stock Exchange, it affects the bid-ask spreads, despite the increased spread of shares because earnings statement 34.2%. The study shows a different test average bid-ask spread on five days before the earnings statement was higher (= 0.0412 or 4.12%)

compared to the average bid-ask spread in the earnings statement five days after the publication ( $= 0,03212$  or 3,21%). This is in line with the change in average trading volume decreased after earnings statement published. It can be stated that the earnings statement lowering the bid-ask spread. This decrease was due to the price of buying demand (ask) approaching the offer price of selling (bid). After the earnings statement stock investors more confidence in the stock price deals is emitted corporate issuers. While the proportion of firms that had decreased bid ask spread is relatively little than the 22 companies of the total sample (66 companies), so a lot of helping raise the normality of the bid ask spread.

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