ANALYSIS OF THE EFFECT OF FINANCIAL RATIOS ON BID-ASK SPREAD WITH PROFIT CHANGE AS MODERATING VARIABLES IN BANKING COMPANIES IN INDONESIA STOCK EXCHANGE

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Abstract: This study aims (1) to test and analyse the effect of Financial Ratios namely Cash Ratio (CsR), Loan to Deposit Ratio (LDR), Non-Performing Loans (NPL), Net Profit Margin (NPM), Capital Adequacy Ratio (CAR), Debt to Equity Ratio (DER) and Third Party Funds (DPK) partially against Bid-Ask Spreads at Banking companies on the Indonesia Stock Exchange. (2) Examining and analysing the effect of Financial Ratios (CsR, LDR, NPL, NPM, CAR, DER and DPK) simultaneously on Bid-Ask Spreads on Banking companies on the Indonesia Stock Exchange. (3) Determine whether Changes in Profit can moderate the effect of Financial Ratios (CsR, LDR, NPL, NPM, CAR, DER and DPK) on Bid-Ask Spreads on Banking companies on the Indonesia Stock Exchange. The object of this study is the Banking Companies listed on the Indonesia Stock Exchange from 2014-2017 as many as 44 companies. The sample selection technique is by survey method. The number of companies selected was 38 companies. The data source comes from the official site of the Indonesia Stock Exchange, www.idx.co.id. Data analysis techniques in the study are multiple linear regression analysis and residual test. The results showed that (1) partially CsR, CAR, DER and DPK variables had a negative and significant effect on Bid-Ask Spread while LDR, NPL and NPM variables had no significant effect on Bid-Ask Spread on banking companies on the Indonesia Stock Exchange. (2) Simultaneously financial ratios (CsR, LDR, NPL, NPM, CAR, DER and DPK) have a significant effect on Bid-Ask Spreads of banking companies on the Indonesia Stock Exchange. (3) Changes in Profit cannot moderate the effect of Financial Ratios (CsR, LDR, NPL, NPM, CAR, DER and DPK) on Bid-Ask Spreads on Banking companies on the Indonesia Stock Exchange.

Keywords: Financial Ratios, Changes in Profit, Bid-Ask Spreads and Banking Companies

1. INTRODUCTION

Banking companies are one of the places of investment that pose a lot of risks, because they involve the management of public money and are played in various forms of investment, such as granting credit, purchasing securities and investing other funds. Although stock investment in banks is quite risky, in fact banking shares are very much in demand by investors because they are expected to provide benefits in the future. In essence, all investments have an element of risk or uncertainty, to reduce the uncertainty, investors need to know the Bid-Ask Spread information from the company's shares before investing.

Bid-Ask Spread is the difference between the bid price (purchase price) and the ask price (selling price) which causes the dealer to want to trade in their securities. The broker will carry out transactions on behalf of the investor to get a commission, while the dealer carries out the transaction to obtain its own profit. Bid-Ask Spread is based on the anticipated costs to be borne by the dealer as a trader who does not get information called the cost of loss. As a stock seller, the dealer must keep the stock as inventory. Stock inventories will carry risks and incur inventory costs because stock prices always fluctuate from time to time. The amount of Bid-Ask Spread is caused by asymmetric information between the dealer and the investor. Stock traders (dealers) have more complete information about the condition of the company so that it can affect stock prices when compared with information owned by investors. The difference in information held by the dealer and the investor results in asymmetric information. The form of information between dealers and investors that creates asymmetric information can be in the form of earnings announcements, merger announcements and dividend distribution announcements. The size of the bid-ask spread, allegedly because investors who are not directly related to the company's shares are considered as parties who do not have complete information and will experience losses due to investing with less information. When asymmetric information increases between dealers and investors, the value of the bid-ask spread will widen. For this reason, before making an investment decision, investors must have adequate information and knowledge about stock prices and other considerations. This information aims to minimize the uncertainty of the level of risk that occurs as well as helping investors get the expected level of profit. In general, dominant investors measure management performance from the company's ability to make profits. If the company's financial performance is good, investors will be interested to invest their capital through the purchase of shares.

Profit is one of the dominant factors that is supposed to determine the size of the bid-ask spread of a stock. This is because profit is still the main consideration of the public regarding the recognition of management's performance in managing the company. Profit is a description of the work of a banking company in carrying out its operations. The profits obtained by banks can be used for investment decisions and strengthen bank capital going forward. An increase in changes in earnings will affect investment decisions in the capital market because investors have the expectation of obtaining high levels of profit in the next period. Banking companies that experience positive changes in profits, will increasingly attract the attention of the public and other investors to invest their funds because of the trust and security of the bank. Changes in positive profits achieved by banks will encourage people to invest in banking companies and can narrow the value of the stock bid-ask spread.

Another consideration that is often used by investors in measuring the level of banking success and can affect the size of the bid ask spread is the bank's financial ratios such as liquidity ratios, profitability ratios, earning assets ratios, solvency ratios and market ratios. Liquidity Ratio is the ability of banks to meet obligations that are due soon. A bank is called liquid if it is able to meet its debt obligations, can repay all of its deposits, and can fulfill the credit request submitted. The ratio of earning assets is the total investment of bank funds in the form of loans, securities

and other investments intended to generate income. Rentability Ratio, which is the ratio used to analyse or measure the level of business efficiency and profitability achieved by the bank concerned. Solvency Ratio is a ratio used to measure the ability of banks to meet all their obligations.

2. LITERATURE REVIEW
2.1 Bid-Ask Spread

Bid-ask spread is the difference between the bid price and the ask price of a stock in a certain period. Bid is the highest price offered to investors who will buy a stock. Ask is the lowest price offered by investors who will sell a stock (Halim, 2015: 33). Bid-ask spread is one way to anticipate costs to be borne by dealers as uninformed traders. Investors consider bid-ask spreads to get the highest return by reducing the lowest possible risk. If the investor predicts that the shares he bought are profitable, then the shares will be held for a long period in the hope of obtaining a higher selling price of the shares. Conversely, if the shares bought are predicted to decline, they will immediately release the shares to minimize the risks they may face.

According Jogiyanto (2009: 55), the best market price to buy shares is at the lowest price (ask), while to sell is at the highest price (bid). Bid-ask spread is the difference between the purchase price (bid price) and the selling price (ask price). Bid price is the highest price offered by the dealer or the price at which the dealer bids to buy shares, while the ask price is the lowest price at which the dealer is willing to sell shares. For an ordinary shareholder investor, the amount of spread or the difference between the bid price and the ask price will greatly affect the length of an investor in holding or holding the assets they have (Maulina, 2009: 3).

2.2 Change in Profit

Earnings are an important factor in a banking company's financial statements. Profit is a description of the work obtained by the bank in carrying out its operational activities. Profit is often used as a basis for investment decisions and future bank plans. According to Harahap (2009: 267), states that profit is the difference between the realization of income from company transactions in a certain period less the costs incurred to obtain that income. Furthermore Baridwan (2003: 31) states that profit is an increase in capital (net assets) that comes from all transactions or other events that affect the business entity in a period except those arising from income or investment by the owner.

Changes in positive earnings illustrate that banking companies periodically work efficiently and effectively in their operations. For the public, an increase in changes in the profits of banking companies will influence their decision to save and invest their funds in the bank. With changes in positive profits, it will lure other investors to invest. The more investors invest their funds, the banking company will have additional capital to expand the business in order to increase positive profit changes. If changes in profits continue to increase and experience changes in positive profits, the bank's operational activities will get better because the increase in profits will be able to strengthen bank capital.

2.3 Bank Financial Ratios

Bank ratios are an illustration of the achievements achieved by banks in their operations. Bank financial performance is a picture of the financial condition of a bank in a given period, including aspects of raising funds and channeling funds. The soundness of a bank is the result of an assessment of the condition or performance of a bank through both quantitative and qualitative assessments of various factors such as the capital system, asset quality, solvency, profitability, liquidity, and sensitivity to market risk.

1) Cash Ratio

Cash ratio is a ratio used to measure the ability of banks to pay off obligations that must be paid immediately with liquid assets owned by the bank. According to Bank Indonesia regulations, liquid assets consist of cash plus bank checking accounts held at Bank Indonesia. The higher this ratio the higher the liquidity ability of the bank concerned, but in practice it will affect profitability. Bank Indonesia's standard for this ratio based on BI Regulation No: 6/10 / PBI / 2004 is 3%.

2) Loan to Deposit Ratio

Loan to Deposit Ratio is a ratio that shows how far the bank's ability to repay the withdrawal of funds made by depositors by relying on loans provided as a source of liquidity. According to Kasmir (2008:225), Loan to Deposit Ratio is a ratio used to measure the composition of the amount of credit given compared to the amount of public funds and own capital used. The standard value of Bank Indonesia's soundness for a Loan to Deposit Ratio of 80%. However, the tolerance limit ranges from 85% -110%. The higher the LDR ratio, the lower the ability of bank liquidity so that the risk in investing becomes high because the banking company does not have the ability to repay obligations to customer funds or third parties (Siamat, 2005: 269).

3) Non-Performing Loans

Non-Performing Loans are one indicator of the health of the quality of bank assets. According to Ismail (2009: 226), NPL are loans that are overdue for more than 90 days. Where NPL are divided into Substandard, Doubtful, and Bad Credit. The NPL ratio can reflect the bank's performance in lending. The higher the NPL ratio, reflects the performance of bank lending is not good so the bank's non-performing loans become quite high. A high NPL will ultimately affect the ability of banks to make a profit. Vice versa, the lower the NPL ratio, the better the bank's credit performance, which will ultimately increase bank profitability. Based on Bank Indonesia Regulation No. 6/9 / PBI / 2004 dated March 26, 2004 concerning Follow-Up Oversight and Determination of Bank Status, the ratio of maximum net non-performing loans is 5% of the total loans granted.

4) Net Profit Margin Ratio

Net Profit Margin is a ratio that is used to measure the ability of banks to generate net income from operational activities. According to Dendawijaya (2009: 120), Net Profit Margin is a ratio that describes the level of profits (profits) obtained by banks compared with the income received from operational activities. The higher the NPM ratio the better, because the higher the profit from the bank. The greater the value of NPM from a bank, the more productive management performance so that the level of public trust to invest their funds in the bank will be

higher. The NPM ratio can also measure the ability of bank management in carrying out its operational activities by minimizing operating expenses and maximizing profits.

5) Capital Adequacy Ratio

Capital Adequacy Ratio is the ratio of bank performance to measure the adequacy of capital owned by banks to support assets that contain or generate risk. According to Bank Indonesia (Number 9/13 / PBI / 2007), CAR is the provision of minimum capital for banks based on broad risk assets, both assets listed in the balance sheet and administrative assets as reflected in obligations that are still contingent and / or commitments provided by banks for third parties or market risk. According to Kasmir (2008: 46) CAR is the ratio of the ratio between the ratio of capital to Risk Weighted Assets and in accordance with government regulations. The higher the CAR the better the performance of a bank. The amount of capital of a bank, will affect the level of public confidence in bank performance. The BI standard for CAR ratios based on BI Regulation No: 6/10 / PBI / 2004 is 8%.

6) Debt to Equity Ratio

Debt to Equity Ratio is a ratio used to measure a bank's ability to cover part or all of its debts, both long-term and short-term, with funds originating from the bank's own capital. One of the biggest components of bank liabilities is customer deposits in the form of demand deposits, savings and time deposits. This is in line with the opinion of Dendawijaya (2009: 49) which explains that the funds collected from the community turned out to be the largest source of funds the most reliable banks (could reach 80% -90% of all funds managed by banks). Debt to Equity Ratio The bank's ratio is calculated by comparing the total liabilities of the bank with the total capital owned by the bank.

7) Third Party Funds

Third-party funds are funds that have been collected by the banks, such as savings, current accounts and deposits. According to Kasmir (2008: 64) Third party funds are funds collected by banks from the community consisting of current accounts, savings deposits and time deposits. Third party funds are funds obtained from the community, in the sense of the community as individuals, companies, governments, households, cooperatives, foundations, etc. both in rupiah and in foreign currencies (Veithzal, 2012: 413). Types of Sources of Third Party Funds are (1) Demand Deposits. Demand deposits are deposits in the form of rupiah and foreign currencies at banks where transactions (withdrawals and deposits) can be made at any time by using checks, crossed checks, ATM cards, other means of payment or by way of book transfer (Veithzal, 2012: 413). (2). Savings. Savings are third party deposits in the form of rupiah or foreign currencies at banks whose withdrawals can only be made according to certain conditions from each issuing bank, but cannot be withdrawn by check, giro or other similar tool (Veithzal, 2012: 415). (3) Deposits. Time deposits are third party deposits in rupiah and foreign currencies, issued on behalf of customers to banks and withdrawals can only be made at certain times according to the agreement between the depositor and the bank concerned. (Veithzal, 2012: 417).

2.4 Conceptual Framework

Based on the theoretical foundation and empirical study as explained in the previous chapter, a conceptual framework is developed that can show a logical relationship pattern of each variable used in this study. The relationship form of each of these variables can be summarized in the following figure:
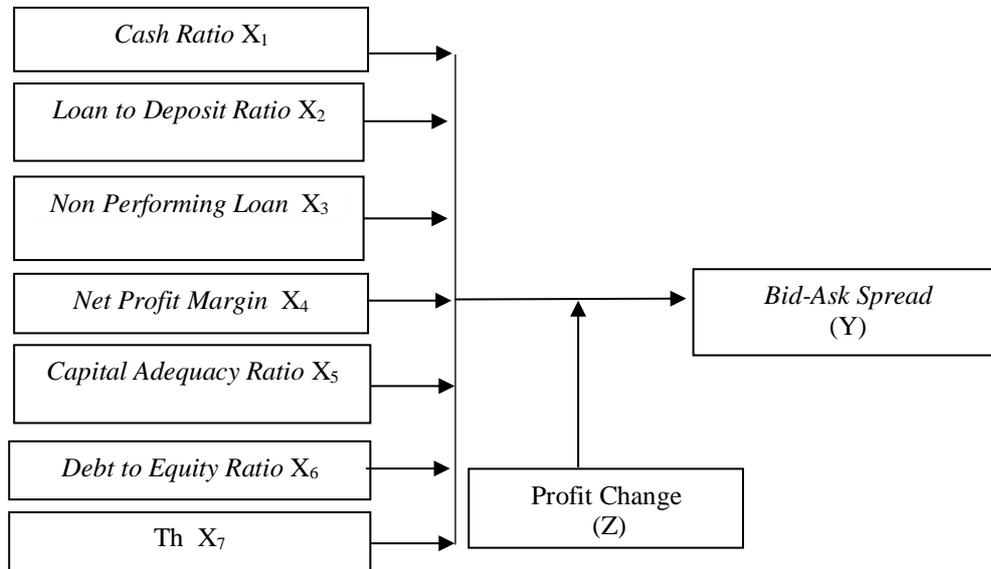

Figure. 1

Hypothesis

The hypothesis of this research is as follows:
1. Cash Ratio has a negative effect on Bid-Ask Spread on Banking companies on the Indonesia Stock Exchange.
2. Loan to Deposit Ratio has a positive effect on Bid-Ask Spread on Banking companies on the Indonesia Stock Exchange.
3. Non-Performing Loans have a positive effect on Bid-Ask Spreads of Banking companies on the Indonesia Stock Exchange.
4. Net Profit Margin has a negative effect on Bid-Ask Spread on Banking companies on the Indonesia Stock Exchange.
5. Capital Adequacy Ratio has a negative effect on Bid-Ask Spread on Banking companies on the Indonesia Stock Exchange.
6. Debt to Equity Ratio has a negative effect on Bid-Ask Spread on Banking companies on the Indonesia Stock Exchange.
7. Third Party Funds have a negative effect on Bid-Ask Spreads on Banking companies on the Indonesia Stock Exchange.
8. Financial Ratios (Cash Ratio, Loan to Deposit Ratio, Non-Performing Loans, Net Profit Margin, Capital Adequacy Ratio, Debt to Equity Ratio, Third Party Funds) simultaneously affect the Bid-Ask Spread on Banking companies on the Indonesia Stock Exchange.
9. Changes in Profit can moderate the influence of Financial Ratios (Cash Ratio, Loan to Deposit Ratio, Non-Performing Loans, Net Profit Margin, Capital Adequacy Ratio, Debt to Equity Ratio, Third Party Funds) on the Bid-Ask Spread of Banking companies on the Indonesia Stock Exchange .

3. METHODS

This type of research is a quantitative descriptive study. Descriptive quantitative is a method that aims to describe all conditions that occur in the company by collecting and analysing data on a fact or condition by using statistical hypothesis testing in the form of numbers.

3.1 Population and Sample

The population of this study is a banking company listed on the Indonesia Stock Exchange during the 2014-2017 period. The sampling technique is done based on survey methods. From the results of a survey conducted, only 38 companies can be sampled because they have complete data during the observation period.

4. RESULT AND DISCUSSION

4.1 RESULT

Classical Assumption Test Results

1. Normality Test Results

From the test, it shows that the significance value of 0,000 <0.05 means that the regression model used in the study is not normally distributed.The normality test after Ln seen that the significance value of 0.667> 0.05. These results prove that the regression model used is normally distributed.

2. Multicollinearity Test Results

Multicollinearity test was detected from the Tolerance Value and Variance Inflation Factor (VIF) values of each variable.From the results of these tests prove that each independent variable has a tolerance value> 0.10 and a VIF value <10 so that all variables included in the research model are feasible to use because they are free from multicollinearity problems.

3. Heteroscedasticity Test Results

The Scatter Plot image shows that the points spread above and below the number 0 on the Y axis, and do not indicate any particular pattern of the image. This concludes that this research model is free from heteroscedasticity symptoms.

4. Autocorrelation Test Results

To see the results of the autocorrelation test is the Durbin-Watson (DW) test. The DW value in this study amounted to 2,080 at du <d <4 - du or 1.8264 <2,080 <4 -1,8264 = (2,1736). The results show that there is no positive or negative autocorrelation in the regression model.

Equation of Multiple Linear Regression

The equation form of this equation is:

LnBAS = 6.347 - 0.253LnCsR 0.809LDR - 0.022NPL + 0.783LnNPM - 1,094LnCAR - 0,144DER - 0,332LnDPK + e

a. Constant value (b0) of 6.347 means that if the value of the Bank's Financial Ratio (CsR, LDR, NPL, NPM, CAR, DER, DPK) is assumed to be equal to 0, the Bid-Ask Spread value will increase by 6.347.

b. The CsR coefficient of -0.253 means that if the value of the Cash Ratio increases by 1%, the Bid-Ask Spread value will decrease by 25.30%.

c. The LDR coefficient of -0.809 means that if the value of the Loan to Deposit Ratio increases by 1%, the Bid-Ask Spread value will decrease by 80.90%.

d. NPL coefficient of -0.022 means that if the value of Non-Performing Loans increases by 1%, the Bid-Ask Spread value will decrease by 2.2%.

e. NPM coefficient of 0.783 means that if the value of NPM rises by 1%, the BAS value will increase by 78.30%.

f. CAR coefficient of -1,094 means that if the value of the Capital Adequacy Ratio increases by 1%, the Bid-Ask Spread value will decrease by 10.94%.

g. The DER coefficient of -0.144 means that if the value of Debt to Equity Ratio increases by 1%, the Bid-Ask Spread value will decrease by 14.40%

h. DPK coefficient of -0.332 means that if the value of Third Party Funds increase by 1%, the Bid-Ask Spread value will decrease by 33.20%.

Hypothesis Testing Results

The results of this hypothesis test consist of statistical test results, F statistical test results and the coefficient of determination test results.

1. Statistical t Test Results

This test is carried out to see the effect of financial ratios (CsR, LDR, NPL, NPM, CAR, DER, DPK) partially on Bid-Ask Spread.

Table 1. Statistical t Test Results

Model		T	Sig.
1	(Constant)	2.960	.004
	LnCsR	-4.405	.000
	LDR	-.995	.322
	NPL	-.263	.793
	NPM	1.221	.225
	LnCAR	-2.180	.031
	DER	-2.540	.013
	LnDPK	-5.642	.000

a. Cash Ratio variable has t of -4.405> t-table of 1, 1.9826 with a significance level of 0,000 <($\alpha = 0.05$). This shows that the CsR variable has a negative and significant effect on the Bid Ask Spread of the company banking.

b. Variable Loan to Deposit Ratio has a t-value of -0.263 <t-table of 1.9826 with a significance level of 0.332> ($\alpha = 0.05$). This shows that the LDR variable has no significant effect on the Bid Ask Spread of banking companies .

c. The Non-Performing Loan variable has a t-value of -0.995 <t table of 1.9826 with a significance level of 0.793> ($\alpha = 0.05$). This shows that the NPL variable has no significant effect on the Bid Ask Spread of banking companies.

d. The variable Net profit Margin has a t value of 1.222 <t table of 1.9826 with a significance level of 0.225> ($\alpha = 0.05$). This shows that the NPM

variable has no significant effect on the Bid Ask Spread of banking companies.

e. The Capital Adequacy Ratio variable has a t-value of -2.180> t-table of 1.9826 with a significance level of 0.031 <(α = 0.05). This shows that the CAR variable has a negative and significant effect on the Bid Ask Spread of banking companies.

f. The Debt to Equity Ratio variable has a t-value of -2,540> t-table of 1.9826 with a significance level of 0.013 <(α = 0.05). This shows that the DER variable has a negative and significant effect on the Bid Ask Spread of banking companies.

g. Third Party Funds variable have a t-value of -5,642> t-table of 1.9826 with a significance level of 0,000 <(α = 0.05). This shows that the TPF variable has a negative and significant effect on the Bid Ask Spread of banking companies.

2. Statistical Test Results F

F statistical test results aim to determine the effect of financial ratios (CsR, LDR, NPL, NPM, CAR, DER, DPK) simultaneously on Bid-Ask Spreads.

Table 2. Statistical F Test Results

Model		F	Sig.
1	Regression	11.039	.000[a]
	Residual		
	Total		

From the table, it shows that the Fcount value is 11.039> Ftable value of 2.1 with a significance level of 0.000 <(α = 0.05). This result shows that the Financial Ratios (CsR, LDR, NPL, NPM, CAR, DER, DPK) significantly affect the Bid-Ask Spread of banking companies.

3. Determination Coefficient Test Results

To see the magnitude of the ability of independent variables in the research model in explaining the variation of the dependent variable.

Table 3. Determination Coefficient Results

Model	R	R Square	Adjusted R Square
1	.649[a]	.422	.383

From the table, it shows that the Adjusted R Square value of 0.383 means that the bank's financial ratios (CsR, LDR, NPL, NPM, CAR, DER, DPK) are only able to explain the Bid-Ask Spread variation of 38.30% and the remaining 61.70 % explained other variables not included in the research model.

Testing Moderating Variables

The results of residual values from this study can be seen from the following table.

Table 10. Residual Test Results

Model		Unstandardized Coefficients		t	Sig.
		B	Std. Error		
1	(Constant)	.710	.182	3.897	.000
	LnBAS	-.007	.040	-.164	.870

From the absolute results of the residual test in the table above, the equation model formed is:

$$| e | = 0.710 - 0.007 LnBAS ....$$

From the results of the equation it can be seen that the coefficient value of negative LnBAS is -0.007 with a significance level of 0.870> 0.05. Based on these results it can be concluded that the Change in Profit is not a moderating variable so it cannot strengthen or weaken (moderate) the influence of Financial Ratios (CsR, LDR, NPL, NPM, CAR DER, DPK) on Bid Ask Spreads.

4.2 DISCUSSION
The Effect of Cash Ratio on Bid-Ask Spreads

The partial test results show that Cash Ratio has a negative and significant effect on Bid Ask Spread. From the results of descriptive statistical tests showed that the average CsR of the banking companies that were sampled in this study were quite high at 69.029 and were above the BI standard of 3%. If the value of the CsR ratio is high, it indicates that the banking company has sufficient level of cash inventory to cover liabilities immediately. These results indicate that banking companies have increased cash inflows from net profit. The greater the profits generated, the level of liquidity will increase, and ultimately will have an impact on rising stock prices. High stock prices indicate high market interest in these shares, because they are considered to have a smaller risk and will have an impact on reducing the Bid-Ask Spread.

The Effect of Loan to Deposit Ratio on Bid-Ask Spreads

The partial test results show that the Loan to Deposit Ratio ratio has no significant effect on the Bid Ask Spread. From the results of descriptive statistical tests show that the average LDR ratio of banking companies during the study period amounted to 81.33%, above the standard value of BI regulation of 80% with a tolerance range ranging from 85% to 110%. Even though the average LDR value is above 80%, investors assume that the LDR ratio is still quite low. From the results of statistical tests show that the LDR ratio has a negative coefficient meaning that the LDR ratio obtained by the company can reduce the Bid-Ask Spread even though the effect is not significant. One reason for the insignificant effect of the LDR ratio on Bid-Ask Spreads is because investors assume that management is too careful in lending, so the composition of the amount of credit given by banks to the public is still not optimal. To get the maximum profit, investors expect the LDR ratio that should be obtained by banks to be above 81.33% or within the BI tolerance limit of 85% -110%.

The Effect of Non-Performing Loans on Bid-Ask Spreads

From the results of the t statistic shows that the ratio of Non-Performing Loans does not significantly affect the Bid Ask Spread. From the results of descriptive statistical tests show that the average NPL ratio of banking companies during the observation period was 1.7% and is below the BI standard of 5%. These results indicate that investors still think that the NPL ratio obtained by banking companies is relatively low so that it affects the ability of banks that are less than optimal for profit. The low NPL ratio is due to the concern of banks about the occurrence of problem loans in lending to the public. Partial test results indicate

that the NPL ratio has a negative coefficient of regression meaning that the average bank NPL ratio during the study period can reduce the Bid-Ask Spread difference even though the effect is not significant. The reason for the insignificant effect of the NPL ratio on Bid-Ask Spreads is likely because the NPL ratio that dealers expect is above 1.7% and does not exceed 5% to increase bank profitability.

The Effect of Net Profit Margin on Bid-Ask Spreads

The partial test results show that the significance value of the NPM ratio is 0.611> 0.05. These results prove that the NPM ratio does not significantly affect the Bid-Ask Spread. From the results of descriptive statistical tests it can be seen that the average NPM ratio of 0.126 illustrates that banking companies have the ability to generate net income from operating income through lending. One reason for the non-influential ratio of NPMs to Bid-Ask Spreads is likely because investors see that banks are still less efficient in controlling their operational costs against operating income so that the level of profit (net profit) obtained by banks is still less than the maximum. In addition, the NPM ratio is influenced by the amount of interest income that comes from granting loans to the public. In practice lending activities often create risks such as risk of bad loans and bad credit, if this happens it will cause losses for bank operations.

The Effect of Capital Adequacy Ratio on Bid-Ask Spreads

From the results of the statistical t test shows that the CAR ratio has a negative and significant effect on Bid-Ask Spreads. This can be seen from the significance value of the CAR ratio of 0.031 <0.05. Furthermore, the results of descriptive statistical tests show that the average CAR ratio of the banking companies sampled in this study was 18.98 included in the very good category because it was above the BI standard of 8%. If seen from the CAR ratio performance, it shows that most banking companies have sufficient capital structure to cover the risk of assets so that they do not cause losses. The results of this study are in line with the theory that the higher the bank's capital (CAR) means that the bank is more solvable and has sufficient capital to run its business so that it can increase profits so it will raise share prices (Siamat, 2005). A high CAR ratio illustrates the level of bank capital adequacy in covering assets that contain risks. From the results of this study prove that a high CAR ratio can reduce the value of the Bid-Ask Spread of shares and provide confidence to stakeholders about the sustainability of bank operations.

The Effect of Debt to Equity Ratio on Bid-Ask Spreads

From the results of the hypothesis test shows that Debt to Equity Ratio has a negative and significant effect on Bid Ask Spread. This can be proven from the DER significance value of 0.013 <0.05. From the results of descriptive statistical tests show that the average DER ratio during the observation period was 6.582. The descriptive test results explain that the average banking company has a fairly good ability to raise funds from the public. This can be seen that the largest component of bank liabilities comes from customer deposits in the form of demand deposits, savings and time deposits. The results of this study are in line with the opinion of Dendawijaya (2009: 49) which explains that the funds collected from the community turned out to be the largest source of funds the most reliable banks (could reach 80% -90% of all funds managed by banks). A high DER ratio can

reduce the Bid-Ask Spread of shares as long as the public funds can be managed by banks to generate profits through lending.

The Effects of Third Party Funds on Bid-Ask Spreads

The partial test results show that Third Party Funds have a significant negative effect on Bid Ask Spread. This can be seen from the significance value of 0,000 <0.05. Descriptive statistical test results illustrate that the average DPK from sample companies during the observation period is quite good, this indicates that banking companies have the ability to raise funds from the public. The success of a banking company can be measured by the large amount of Third Party Funds that enter the company. The results of this study are in line with the theory proposed by Kasmir (2008) Sources of funds originating from the community are the most important source of funds for bank operations and are a measure of the success of banks if they are able to finance their operations from these sources of funds. The ability of banks to manage Third Party Funds in financing their operations will affect the increase in share prices and will result in a decrease in the value of the Bid-Ask Spread.

The Effect of Bank Financial Ratios on Bid Ask Spreads

From the results of the statistical F test shows that the Financial Ratios (CsR, LDR, NPL, NPM, ROA, CAR, DER and EPS) simultaneously have a significant effect on the Bid-Ask Spread on Banking companies on the IDX. This result can be seen from the significance value of 000 <0.05. From these results prove that potential investors are still dominant using the results of the banking financial statements, namely fundamental analysis to conduct stock trading transactions in the capital market. Companies that have healthy financial performance can influence the size of the Bid-Ask spread. Financial performance is a tool that is often used by investors in predicting investment risk from a security. Good financial performance will reduce the level of risk for these investments. If investment risk decreases, it means that market interest in shares is high, so stock prices will increase and will reduce the value of Bid-Ask Spreads. The results of this study are in line with the theory that companies with financial performance that are considered good enough will have a smaller risk so that the Bid-Ask Spread value will be low.

Changes in Profits as a Moderating Variable on the Effect of Financial Ratios on Bid Ask Spreads

From the results of the residual test showed that the value of the negative LnBAS coefficient is -0.007 with a significance level of 0.870> 0.05. These results conclude that changes in earnings are not as moderating variables so that they cannot strengthen or weaken the influence of Financial Ratios (CsR, LDR, NPL, NPM, CAR, DER, DPK)) on Bid Ask Spreads. Changes in positive or negative earnings cannot moderate the effect of bank financial ratios in reducing the value of the Bid Ask Spread. Changes in profits from banks apparently did not affect the market reaction or prospective investors to buy and sell shares. The indicator most often used by investors to buy and sell bank shares is the ability of banks to raise public funds and channel them back to the public for profit. The amount of profit earned by a bank is greatly influenced by the bank's ability to raise third party funds.

5. CONCLUSIONS AND SUGGESTIONS

5.1 Conclusions

1. Cash Ratio has a negative and significant effect on Bid-Ask Spread on Banking companies on the Indonesia Stock Exchange.
2. Loan to Deposit Ratio has insignificant effect on Bid-Ask Spreads of Banking companies on the Indonesia Stock Exchange.
3. Non-Performing Loans have insignificant effect on Bid-Ask Spreads of Banking companies on the Indonesia Stock Exchange.
4. Net Profit Margin has no significant effect on Bid-Ask Spreads of Banking companies on the Indonesia Stock Exchange.
5. Capital Adequacy Ratio has a negative and significant effect on Bid-Ask Spread on Banking companies on the Indonesia Stock Exchange.
6. Debt to Equity Ratio has a negative and significant effect on Bid-Ask Spread on Banking companies on the Indonesia Stock Exchange.
7. Third Party Funds have a negative and significant effect on Bid-Ask Spreads of Banking companies on the Indonesia Stock Exchange.
8. Simultaneously Financial Ratios (Cash Ratio, Loan to Deposit Ratio, Non-Performing Loans, Net Profit Margin, Capital Adequacy Ratio, Debt to Equity Ratio, Third Party Funds) have a significant effect on Bid-Ask Spreads on Banking companies on the IDX.
9. Changes in Profit cannot moderate the effect of Financial Ratios (Cash Ratio, Loan to Deposit Ratio, Non-Performing Loans, Net Profit Margin, Capital Adequacy Ratio, Debt to Equity Ratio, Third Party Funds) on the Bid-Ask Spread of Banking companies on the Stock Exchange Indonesia.

5.2 Limitations

1. Financial Ratios (Cash Ratio, Loan to Deposit Ratio, Non-Performing Loans, Net Profit Margin, Capital Adequacy Ratio, Debt to Equity Ratio, Third Party Funds) are only able to explain the Bid-Ask Spread of 38.30% while the remaining 61 , 70% explained other variables not included in the research model such as Price Earning Ratio and market capitalization value.
2. The residual test results show that Changes in Profit cannot strengthen or weaken the influence of Financial Ratios (Cash Ratio, Loan to Deposit Ratio, Non-Performing Loans, Net Profit Margin, Capital Adequacy Ratio, Debt to Equity Ratio, Third Party Funds) on Bid -Ask spreads on banking companies on the Indonesia Stock Exchange.

5.3 Suggestions

1. Further researchers, it is recommended to add other independent variables that are suspected to influence the value of the Bid Ask Spread such as stock trading volume, stock returns and Dividends per Share so that the resulting coefficient of determination is greater.
2. Researchers are further advised to re-examine Profit Changes as a moderating variable on the effect of Financial Ratios on Bid Ask Spreads on non-banking companies such as manufacturing companies or LQ 45 companies listed on the Indonesia Stock Exchange.

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