

***THE EFFECT OF MARKET VALUE AND BID-ASK SPREAD
ON STOCK HOLDING PERIOD IN LQ45 COMPANIES
LISTED ON THE INDONESIA STOCK EXCHANGE
FOR THE 2021-2024 PERIOD***

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ABSTRACT

This study aims to determine whether market value and bid-ask spread affect the holding period. The population of this study consists of LQ 45 companies listed on the Indonesia Stock Exchange for the period 2021-2024. The population includes 45 companies with the same sample that meets the criteria. The technique used is purposive sampling. The data analysis technique used is multiple linear regression. The results of the study show that partially, the independent variable market value has a significant effect on the stock holding period. The bid-ask spread does not have a significant effect on the stock holding period. Furthermore, simultaneous testing proves that market value and bid-ask spread have a significant effect on the stock holding period. In the coefficient of determination test, it was found that the variables market value and bid-ask spread can explain 83.6% of the holding period variable, while the remaining 16.4% is influenced by other variables outside the research model

Keywords: Market Value, Bid-Ask Spread, Holding Period

INTRODUCTION

The capital market plays a strategic role in the Indonesian economy as a vehicle for investment and corporate financing. The Indonesia Stock Exchange (IDX) serves as the primary platform for investors to conduct stock transactions, with the LQ 45 index as one of the main benchmarks encompassing the 45 most liquid and best-performing stocks. The movement of stocks in this index often serves as an indicator of the overall health of the capital market and reflects investor sentiment toward Indonesia's macroeconomic conditions (Andriyani et al., 2021).

In the investment decision-making process, investors not only consider the potential returns but also take into account liquidity,

market efficiency, and transaction costs. One important investment behavior to analyze is the holding period, which refers to the length of time an investor retains stock ownership before selling it. The holding period reflects investment strategy, the level of investor confidence in a company's prospects, and responses to dynamic market conditions (Hasanah, 2016).

Two fundamental factors believed to influence the holding period are market value and bid-ask spread. Market value, measured by market capitalization, reflects the total value of a company in the capital market. Companies with large market values are generally considered more stable

and to have strong fundamentals, encouraging investors to hold their shares longer. On the other hand, bid-ask spread, as a reflection of transaction costs and stock liquidity levels, also plays a role in investor decisions regarding the duration of stock ownership.

Several previous studies have shown varying results (research gap) regarding the influence of these two variables. Andriyani et al. (2021), Mustakim et al. (2018), and Ardana et al. (2018) found that market value and bid-ask spread have a significant

effect on the holding period. However, other studies have shown different results, particularly for the bid-ask spread variable. This inconsistency of findings is the primary motivation for this study.

This study aims to: (1) examine the effect of market value on stock holding period; (2) examine the effect of bid-ask spread on stock holding period; and (3) examine the simultaneous effect of market value and bid-ask spread on the stock holding period of LQ 45 companies listed on the IDX for the period 2021–2024.

Theoretical Framework

1. Signaling Theory

Signaling Theory was first proposed by Spence (1973) in the context of the labor market, and was subsequently developed and widely applied in the field of finance. This theory explains how the party with more information (insiders) sends signals to the party with less information (outsiders) to reduce information asymmetry. Brigham and Houston (2021) state that a signal is a corporate action intended to provide guidance to investors about how management views the company's prospects. In the context of this study, a high market value serves as a positive signal regarding the quality and stability of the company, encouraging investors to extend their holding period. Conversely, a wide bid-ask spread signals high transaction costs and significant information asymmetry, which tends to make investors shorten their holding period (Ratih & Achadiyah, 2018).

2. Market Microstructure Theory

Market Microstructure Theory (O'Hara, 1995) is a theoretical framework that explains how trading mechanisms on the stock exchange affect the bid-ask spread

variable and investor decisions regarding holding period. This theory views the bid-ask spread as a cost that reflects risk and market inefficiency, particularly information asymmetry costs. A wider spread indicates greater uncertainty risk and negatively affects the duration of stock ownership.

3. Portfolio Theory

Portfolio Theory (Markowitz, 1959) explains the behavior of rational investors who seek to achieve an efficient portfolio through diversification. In the context of holding period, investors consider the combination of risk and net return. Stocks with high market value are considered to have lower risk and more stable returns, encouraging a longer holding period. Conversely, a wider bid-ask spread increases transaction costs and overall portfolio risk.

Market Value

Market value, or market worth, reflects the true value of a company's assets as reflected in the capital market. The larger the market value of a company, the longer investors tend to hold its shares, because large companies are considered to be more financially stable and more capable of producing reliable financial information

(Hidayat et al., 2023). In this study, market value is measured using market capitalization as a proxy with the formula:

$$\text{Market Value} = \text{Annual Closing Stock Price} \times \text{Number of Shares Outstanding}$$

Bid-Ask Spread

Bid-ask spread is the difference between the highest price a buyer is willing to pay (*bid price*) and the lowest price a seller is willing to accept (*ask price*). The spread reflects transaction costs and the level of stock liquidity. A narrow spread indicates a highly liquid stock, while a wide spread indicates a less liquid or higher-risk stock (Atkins & Dyl, 1997). Bid-ask spread is measured using Relative Percentage Spread:

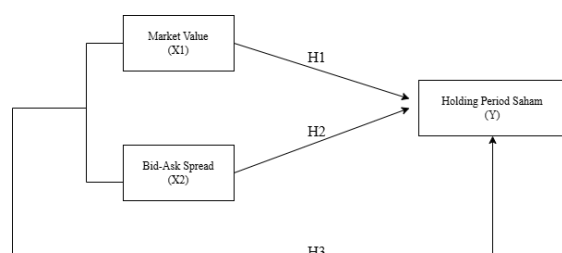
$$\text{Spread} = \left(\frac{\text{Ask} - \text{Bid}}{\frac{\text{Ask} + \text{Bid}}{2}} \right)$$

Holding Period

Holding period is a variable that indicates the average length of time investors hold shares of a company. Long-term investors expect returns from dividends and increases in stock value, while short-term investors expect *capital gain*. Holding period is measured using the formula (Atkins & Dyl, 1997):

$$\text{Holding Period} = \frac{\text{Jumlah Saham Beredar Tahunan}}{\text{Volume Transaksi Tahunan}}$$

Figure 1. Conceptual Framework



Source: Data processed by the authors, 2025

Hypotheses

Based on the theoretical framework and review of previous studies, the hypotheses formulated in this study are as follows:

H1: Market value has a positive and significant effect on the stock holding period.

H2: Bid-ask spread has an effect on the stock holding period.

H3: Market value and bid-ask spread simultaneously have a significant effect on the stock holding period.

Research Methods

This study employs a quantitative approach with a causal research design. The data used are secondary data in the form of annual reports of LQ 45 companies listed on the IDX for the period 2021–2024, sourced from the official IDX website (www.idx.co.id).

The research population consists of all companies included in the LQ 45 index during the study period, totaling 45 companies. The sampling technique uses *purposive sampling*, with the criterion that companies must have been consistently listed in the LQ 45 index throughout the 2021–2024 period and have complete required data. Based on these criteria, 45 sample companies were obtained, with a total of 180 panel data observations (45 companies × 4 years), which after outlier removal resulted in 143 valid observations.

The operational definitions and variable measurements in this study are presented in the following table:

Table 1.

Operational Definitions

Variabel	Proxy/Indikator	Measurement Formula
Holding Period (Y)	Stock Turnover Rate	HP = 1 / Turnover Rate
Market Value (X1)	Market Capitalization	MV = Closing Stock Price × Number of Shares Outstanding
Bid-Ask Spread (X2)	Relative Percentage Spread	Spread = (Ask – Bid) / ((Ask + Bid) / 2)

Source: Data processed by the authors, 2025

The data analysis technique used is multiple linear regression with the following equation model:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e$$

where Y is the holding period, α is the constant, β_1 and β_2 are the regression coefficients, X1 is market value, X2 is bid-ask spread, and e is the error term. Prior to hypothesis testing, a series of classical assumption tests were conducted, including normality, multicollinearity, heteroscedasticity, and autocorrelation tests. Data were transformed into natural logarithm (Ln) form to satisfy the normality assumption and address the autocorrelation issue.

Classical Assumption Tests

1. Normality Test

The normality test aims to examine whether the data used follows a normal distribution or approaches normality by examining the normal probability plot. The normality test in this study was conducted through graphical analysis. Normality can be detected by observing the spread of data points along the diagonal axis of the graph in the *P-Plot of Regression Standardized* or by examining the histogram of residuals, supplemented by a statistical test. The statistical test that can be used to test normality is the *Kolmogorov-Smirnov*.

2. Multicollinearity Test

The multicollinearity test aims to examine whether correlations exist among the independent variables in the regression model. A good regression model should not have correlations among the independent variables. The method used for the multicollinearity test is: if the Variance Inflation Factor (VIF) value is < 10 and Tolerance > 0.10 , then there is no correlation; if the VIF value is > 10 and Tolerance is low, then multicollinearity is present.

3. Heteroscedasticity Test

The heteroscedasticity test aims to identify and measure whether inequality of variance occurs in the residuals from one observation to another within the regression model. The method used to test for heteroscedasticity is the Scatterplot. In making the decision, if there is a certain pattern, such as data points forming a regular pattern (wavy, widening, or narrowing), this indicates the presence of heteroscedasticity; however, if the data points spread randomly above and below or around zero without forming any pattern, then heteroscedasticity is not present.

4. Autocorrelation Test

The autocorrelation test is used to determine whether the regression model contains autocorrelation or not, referring to the relationship between independent variables in influencing the dependent variable (Ghozali, 2013). The autocorrelation test is conducted using the *Durbin Watson* (DW) test with the following criteria: if the DW value is below -2, positive autocorrelation exists; if the DW value is berada diantara -2 sampai +2, berarti tidak terjadi auto kolerasi dan jika nilai DW diatas +2, berarti terjadi autokolerasi negatif.

5. Multiple Linear Regression Analysis

Multiple linear regression analysis is performed to predict the average population value or the average value of the dependent variable based on the known values of the independent variables.

Pengujian Hypotheses

1. Uji Hypotheses Parsial (Uji-t)

The t-statistical test essentially shows how far the influence of one explanatory/independent variable individually explains the dependent variable. This test is conducted at a significance level of 0.05 (5% alpha).

2. Uji Hypotheses Simultan (Uji-F)

The simultaneous significance test is used to examine the effect of all independent variables on the dependent variable. The test is conducted at a significance level of 0.05 (5% alpha).

3. Coefficient of Determination Test (R^2)

This coefficient of determination is used to measure the closeness of the relationship of the coefficient of determination, namely a number that shows the magnitude of the variance or distribution of the independent variables that explain the dependent variable or how much the dependent

variable is influenced by the independent variable. The magnitude of the coefficient of determination is between 0 to 52 %SD if R^2 is getting bigger and closer to 1, it shows the stronger influence of the independent variable on the dependent variable. If R^2 is getting smaller and closer to 0, it can be said that the influence of the independent variable on the dependent variable is getting smaller.

RESULTS AND DISCUSSION

Classical Assumption Tests

1. Normality Test

Tabel 2

Normality Test with Histogram

Keterangan	Unstandardized Residual
N	143
Test Statistic	0,057
Asymp. Sig. (2-tailed)	0,200
Conclusion	Data is Normally Distributed

Source: Data processed by the authors using SPSS 25

The normality test was conducted using the *Kolmogorov-Smirnov*. Hasil pengujian setelah transformasi logaritma natural dan penghapusan outlier menunjukkan nilai Asymp. Sig. (2-tailed) sebesar 0,200, yang lebih besar dari 0,05. Dengan demikian, dapat disimpulkan bahwa data residual is normally distributed. This result is also

supported by the histogram graph forming a symmetric curve and the normal probability plot which shows that data points follow the diagonal line.

2. Multicollinearity Test

Tabel 3
Multicollinearity Test

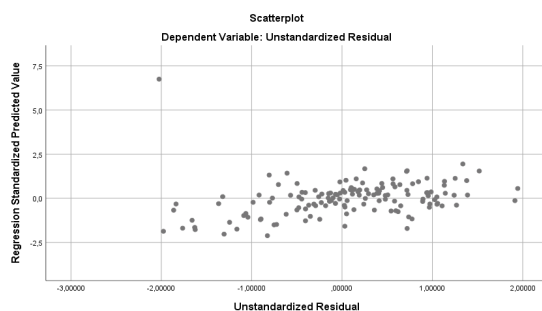
Coefficients ^a			
Collinearity Statistics			
Model		Tolerance	VIF
1	Ln_X1	,985	1,015
	Ln_X2	,985	1,015

a. Dependent Variable:
Unstandardized Residual

From Table 3 above, the VIF values for each independent variable have been obtained. For the market value variable, the VIF value is 1.015, which is lower than 10, with a *tolerance* value of 0.985, which is higher than 0.10. Therefore, it can be concluded that no multicollinearity exists in this study. Previously, the data did not follow a normal distribution; however, the researcher performed several steps such as outlier removal and data transformation to produce normally distributed data.

3. Heteroscedasticity Test

Gambar 2
Heteroscedasticity Test



Source: Data processed by the authors using SPSS 25

Based on the *scatterplot* graph between the standardized residual values and the standardized predicted values, it can be observed that the data points spread randomly without forming any specific pattern. Therefore, it can be concluded that no heteroscedasticity exists in the regression model.

4. Autocorrelation Test

Tabel 4
Autocorrelation Test

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,280 ^a	,079	,065	,79997350	1,231

a. Predictors: (Constant), Ln_X2, Ln_X1
b. Dependent Variable: Unstandardized Residual

The results of the *Durbin-Watson* test after natural logarithm data transformation show a DW value of 1.231. This value falls within the acceptable range, so it can be concluded that there are no autocorrelation issues in the regression model.

5. Multiple Linear Regression Analysis

Tabel 5
Multiple Linear Regression Test

Coefficients ^a				
Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.

	B	Std. Err or	Beta		
1 (Constant)	-23,208	1,365		-16,999	,000
Ln_X1	,935	,038	,921	24,941	,000
Ln_X2	-,288	,165	-,064	-1,743	,084

a. Dependent Variable: Ln_y

Source: Data processed by the authors using SPSS 25

The multiple linear regression equation model for the above results is as follows:

$$Y = -23,208 + 0,935X_1 - 0,288X_2 + e$$

This equation shows the relationship between the independent variables, namely Market Value and Bid-Ask Spread, and the dependent variable, Holding Period.

The constant value of -23.208 indicates that if all independent variables (Ln X1 and Ln X2) are assumed to be zero or unchanged, the Y value will be -23.208. This indicates that without the influence of the independent variables, the dependent variable remains at that level. The Ln X1 regression coefficient of 0.935 indicates that Ln X1 is positive. Every 1-unit increase in Ln X1 will increase the Y variable by 0.935, assuming the other independent variables remain constant. The Ln X2 regression coefficient of -0.288 indicates that Ln X2 is negative. This means that every 1-unit increase in Ln X2 will decrease the Y variable by -0.288, assuming the other independent variables remain constant. However, the sig value of 0.084 (> 0.05) indicates that this effect is not statistically significant.

Uji Hypotheses

1. Uji Hypotheses Parsial (Uji-t)

Tabel 6

Uji Hypotheses Parsial (Uji-t)

Coefficients ^a					
Model	B	Std. Err or	Beta	Unstandar dized Coefficien ts	
				Standard ized Coeffici ents	Si g.
1 (Constant)	-23,208	1,365		-16,999	,000
Ln_X1	,935	,038	,921	24,941	,000
Ln_X2	-,288	,165	-,064	-1,743	,084

a. Dependent Variable: Ln_y

Source: Data processed by the authors using SPSS 25

The partial test (t-test) results for the market value variable (Ln_X1) yield a t-value of 24.941 with a significance of 0.000 (< 0.05). These results indicate that market value has a positive and significant effect on the stock holding period, so H1 is accepted. Stocks with high market value tend to be held longer by investors because they are considered to have better stability, lower risk, and more promising performance prospects.

For the bid-ask spread variable (Ln_X2), the t-value of -1.743 with a significance of 0.084 (> 0.05) indicates that bid-ask spread has a negative but non-significant effect on the stock holding period, so H2 is rejected. This result indicates that investors in LQ 45 stocks tend to focus their investment

decisions more on the fundamental factors of the company and the potential for long-term gains rather than the transaction costs reflected in the spread.

2. Uji Hypotheses Simultan (Uji-F)

Tabel 7

Uji Hypotheses Simultan (Uji-F)

ANOVA ^a					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	508,783	2	254,391	311,888	,000 ^b
Residual	97,878	12	,816		
Total	606,661	12			

a. Dependent Variable: Ln_y

b. Predictors: (Constant), Ln_X2, Ln_X1

Source: Data processed by the authors using SPSS 25

The F-test results show an F-value of 311.888 with a significance of 0.000 (< 0.05). This proves that market value and bid-ask spread simultaneously have a significant effect on the stock holding period, so H3 is accepted. Although bid-ask spread is not partially significant, the combination of both variables is able to meaningfully explain the variation in holding period.

3. Coefficient of Determination Test (R²)

Tabel 8

Coefficient of Determination Test (R²)

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,280 ^a	,079	,065	,79997350	1,231

a. Predictors: (Constant), Ln_X2, Ln_X1

b. Dependent Variable: Unstandardized Residual

Source: Data processed by the authors using SPSS 25

Nilai Adjusted R² sebesar 0,836 menunjukkan bahwa variabel market value dan bid-ask spread mampu menjelaskan 83,6% variasi holding period saham pada perusahaan LQ 45 di BEI, sedangkan while the remaining 16.4% is influenced by other variables outside the research model.

CONCLUSIONS AND RECOMMENDATIONS

1. Effect of Market Value on Stock Holding Period

The research results show that market value has a positive and significant effect on the stock holding period (coefficient = 0.935; sig. = 0.000). This finding is consistent with *Signaling Theory*, in which high market value serves as a positive signal of company quality and stability that encourages investors to extend their stock holding period. These findings also align with studies by Andriyani et al. (2021), Mustakim et al. (2018), Clarasati (2018), and Hidayat et al. (2023), all of which found a positive effect of market value on holding period. Investors tend to hold shares of companies with large market capitalization longer because such companies are considered more financially stable, have

lower risk, and are capable of delivering more promising long-term returns.

2. Effect of Bid-Ask Spread on Stock Holding Period

The research results show that bid-ask spread has a negative but non-significant effect on the stock holding period (coefficient = -0.288 ; sig. = 0.084). The direction of this negative effect is consistent with *Market Microstructure Theory*, which states that a wide spread signals high transaction costs that encourage investors to shorten their holding period. However, this result is not statistically significant, indicating that in the context of LQ 45 stocks, which have high liquidity, the difference in spread is not material enough to change investors' holding period decisions. This finding aligns with the research of Rahmawati (n.d.) and differs from studies that found a significant effect of bid-ask spread, such as Atkins and Dyl (1997), who used a sample from the American stock market. This difference is likely due to the unique characteristics of LQ 45 stocks, which generally have a relatively narrow and stable spread.

3. Simultaneous Effect of Market Value and Bid-Ask Spread on Stock Holding Period

The F-test results show that market value and bid-ask spread simultaneously have a significant effect on the stock holding period ($F = 311.888$; sig. = 0.000). This finding confirms that stock characteristics consisting of market value and liquidity levels collectively play an important role in influencing investor decisions regarding the duration of stock ownership. An Adjusted R^2 value of 0.836 demonstrates the model's very good ability to explain the variation in holding period, implying that investors in

the Indonesian capital market, particularly in LQ 45 stocks, consider the combination of company fundamental value and liquidity conditions in determining their investment strategies.

CONCLUSION

Based on the results of the analysis and discussion, several conclusions can be drawn as follows. First, market value has a positive and significant effect on the stock holding period of LQ 45 companies on the IDX for the 2021–2024 period. The higher the market value of a company, the longer investors tend to maintain their stock ownership. Second, bid-ask spread has a negative but non-significant effect on the stock holding period. Although the direction of the effect is negative, the level of liquidity reflected in the bid-ask spread has not yet become a dominant factor in investors' holding period decisions for LQ 45 stocks, which are already highly liquid. Third, market value and bid-ask spread simultaneously have a significant effect on the stock holding period, with the ability to explain 83.6% of the variation in holding period.

This research has several practical implications. For investors, the results suggest considering market value as a primary factor in determining holding period strategies. For companies, improved financial performance and information transparency will increase market value and encourage long-term share ownership. For future researchers, it is recommended to adding other variables such as return variance, dividend payout ratio, price volatility, or macroeconomic conditions, as well as extending the observation period

and broadening the sample to other stock indices.

RECOMMENDATIONS

1. . For Companies

Companies are expected to improve market value through enhanced financial performance, good corporate governance, and transparent information disclosure to investors. Increasing market value is expected to boost investor confidence and thereby encourage longer-term stock ownership.

2. For Management

Company management is expected to maintain and improve stock liquidity, one way being to create stable trading conditions to reduce the bid-ask spread. Although this study found the bid-ask spread to have no significant partial effect, sound liquidity management is still necessary to support stock trading activity and attract investor interest.

3. For Further Researchers

Future research is recommended to add other variables that may potentially affect stock Holding Period, such as stock returns, stock price volatility, market risk, firm size, or macroeconomic conditions, as well as to use a longer observation period to obtain more comprehensive research results.

4. For Academics

This research is expected to be a reference and consideration for further research related to stock characteristics and investor behavior, especially those discussing the factors that influence the Holding Period of shares in the capital market..

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