

**THE IMPACT OF INVESTORS' ACTIVE ATTENTION TOWARDS STOCK
LIQUIDITY: A CASE STUDY OF COMPANIES LISTED ON
BANK SUB SECTOR INDEX OF INDONESIA STOCK EXCHANGE (IDX)**

By

Oktarina Rima Masitha
11403106

BACHELOR'S DEGREE
in

BUSINESS ADMINISTRATION
BANKING & FINANCE CONCENTRATION
FACULTY OF BUSINESS AND COMMUNICATION

The logo for Swiss German University (SGU) features the letters 'SGU' in a large, light blue, stylized font. A smaller, dark blue 'SGU' logo is positioned below it. To the right of the main 'SGU' letters is a registered trademark symbol (®). Below the 'SGU' logo, the words 'SWISS GERMAN UNIVERSITY' are written in a bold, light blue, sans-serif font.
SWISS GERMAN UNIVERSITY

SWISS GERMAN UNIVERSITY
The Prominence Tower
Jalan Jalur Sutera Barat No. 15, Alam Sutera
Tangerang, Banten 15143 - Indonesia

August 2018

Revision after Thesis Defense on July 19th, 2018

STATEMENT BY THE AUTHOR

I hereby declare that this submission is my own work and to the best of my knowledge, it contains no material previously published or written by another person, nor material which to a substantial extent has been accepted for the award of any other degree or diploma at any educational institution, except where due acknowledgement is made in the thesis.

Oktarina Rima Masitha

Student

Date

Revision after Thesis Defense on July 19th, 2018

Approved by:

Ida Ayu Agung Faradynawati, M.Sc.,

Thesis Advisor

Date

Nila Krisnawati Hidayat, SE., MM

Dean

Date

Oktarina Rima Masitha

ABSTRACT

The Impact of Investors' Active Attention Towards Stock Liquidity:
A Case Study of Companies Listed on Bank Sub-Sector Index of
Indonesia Stock Exchange (IDX)

By

Oktarina Rima Masitha
Ida Ayu Agung Faradynawati, M.Sc., Advisor

SWISS GERMAN UNIVERSITY

The investors in stock market utilize various sources of information in making their investment decisions and speculation. This study aims to investigate the correlation between investors' active attention towards the breadth of ownership and stock liquidity, with Google Search Volume Index (SVI) as the proxy.

This quantitative and exploratory research uses case study method with statistical approach. The sample of this study will be each company listed on bank sub-sector index of Indonesia Stock Exchange (IDX) in the period of 2012-2016. The data sources are journals and researches, Google News, Google Trends, and financial reports published by the companies and national financial institutions. The data uses cross section panel data regression method and it's processed using Eviews software.

This study finds that investors' active attention has a significant positive impact towards breadth of ownership but does not have a significant impact towards stock liquidity. Therefore, the companies must consider to increase its awareness on how much communication through the Internet platforms in accordance to trends as it could boost their overall business activities, whilst the institutional investors must pay attention on how the stocks they are investing in are perceived by the public as it is one of the factors on how the stocks perform on the market.

Keywords: Investor Active Attention, Google Search Volume Index, Breadth of Ownership, Stock Liquidity



SWISS GERMAN UNIVERSITY

DEDICATION

I dedicate this study for my family, friends, companion, advisor, lecturers, and those who contributed their guidance and support during the duration of my studies.



ACKNOWLEDGEMENTS

After an intensive period of six months, I am finally able to write my gratitude note as a finishing touch on my thesis. It has been a period of intense learning experience both on scientific and personal levels. Thus, I would like to reflect on the people who have supported me throughout this period.

The most enormous gratitude goes to my beloved family for their unconditional endearment, without which I would not have made it this far without their endless sacrifices and support.

I am thankful of my friends and companions for their constant encouragement and for their genuine support and help throughout the years. Those wonderful late nights of work were for nothing and it would be cherished.

I would like to express my sincere gratitude to my advisor for the continuous support of my undergraduate study and research. Her guidance assisted me on the process of research and writing of this thesis. There is no a better advisor and mentor with such motivation, patience, enthusiasm, and immense knowledge.

It was a great privilege and honor to study under the guidance of every single one of the lecturers during my studies. They taught me more than I could ever give them the credit for.

Finally, my gratitude goes to all the people who have supported me to complete the research work directly or indirectly.

TABLE OF CONTENTS

	Page
STATEMENT BY THE AUTHOR.....	2
ABSTRACT.....	3
DEDICATION.....	5
ACKNOWLEDGEMENTS	6
TABLE OF CONTENTS.....	7
LIST OF FIGURES	11
LIST OF TABLES.....	12
CHAPTER 1 – INTRODUCTION.....	13
1.1 Background.....	13
1.2 Research Problem.....	17
1.3 Research Question.....	17
1.4 Research Objectives.....	17
1.5 Scope and Limitation.....	18
1.6 Significance of Study.....	18
CHAPTER 2 – LITERATURE REVIEW.....	20
2.1 Significance of Study.....	20
2.1.1 Efficient Market Hypothesis.....	21
2.1.2 Behavioural Finance.....	23
2.1.2.1 Attention Theory.....	25
2.1.3 Attention Theory Proxy.....	27
2.1.3.1 Google Search Volume Index (SVI).....	27
2.1.4 Breadth of Ownership.....	30
2.1.5 Stock Liquidity.....	31
2.1.6 Bank Sub-Sector Index.....	32
2.2 Previous Study.....	36

2.3	Study Differences.....	41
2.4	Research Model	41
2.5	Hypothesis.....	42
CHAPTER 3 - METHODOLOGY		43
3.1	Type of Study.....	43
3.2	Unit of Analysis	44
3.3	Sampling Design.....	44
3.3.1	Population and Sample	44
3.3.2	Sampling Method	45
3.3.3	Sample Size	46
3.4	Location & Time Frame of Study.....	47
3.5	Data Sources and Collection Method.....	48
3.5.1	Type of Data.....	48
3.5.2	Data Collection Method	48
3.6	Variable Operationalization	50
3.6.1	Dependent Variable	50
3.6.2	Independent Variable.....	52
3.6.3	Control Variable	53
3.7	Research Model	58
3.7.1	Regression Model Testing 1.....	58
3.7.2	Regression Model Testing 2.....	59
3.8	Data Processing Procedure.....	60
3.8.1	Data Preparation.....	61
3.8.2	Data Screening	61
3.8.3	Validity Test.....	62
3.8.4	Reliability Test	63
3.8.5	Data Analysis Method.....	64
3.9	Data Analysis Technique	68
3.9.1	Descriptive Statistic Analysis.....	68

3.9.1.1	Measures of Central Tendency.....	68
3.9.1.2	Measures of Variability.....	70
3.9.1.3	Measures of Divergence from Normality.....	70
3.9.1.4	Measures of Probability.....	71
3.9.2.	Inferential Statistic Analysis.....	72
CHAPTER 4 - ANALYSIS.....		75
4.1	Brief Company Background.....	75
4.1.1	Bank Central Asia Tbk.....	75
4.1.2	Bank Mandiri (Persero) Tbk.....	76
4.1.3	Bank Rakyat Indonesia (Persero) Tbk.....	76
4.2	Descriptive Statistic Analysis.....	77
4.3	Inferential Statistic Analysis.....	82
4.3.1	Choosing Best Model.....	82
4.3.1.1	Chow Test.....	83
4.3.1.2	Hausman Test.....	84
4.3.1.3	Best Model.....	85
4.4	Classic Assumption Test (BLUE).....	85
4.4.1	Multicollinearity Test.....	85
4.4.2	Autocorrelation Test.....	88
4.4.3	Heteroscedasticity Test.....	89
4.5	Regression Analysis Result.....	90
4.5.1	Regression Analysis Result 1.....	90
4.5.1.1	Statistic F-Test Result.....	91
4.5.1.2	Goodness of Fit Test Result.....	91
4.5.1.3	Statistical T-Test Results.....	91
4.5.2	Regression Analysis Result 2.....	95
4.5.2.1	Statistic F-Test Result.....	96
4.5.2.2	Goodness of Fit Test Result.....	96
CHAPTER 5 – CONCLUSIONS AND RECOMMENDATIONS.....		100
5.1	Conclusion.....	100

5.2	Managerial Implications	100
5.3	Recommendation for Further Study.....	101
	GLOSSARY.....	103
	REFERENCES.....	107
	APPENDICES	113
	Appendix 1: Every Company Listed in Bank Sub-Sector.....	113
	Appendix 2: Descriptive Statistics of Research Variables.....	115
	Appendix 3: Data Method Analysis	117
	Appendix 3.1 Fixed Effect Model.....	117
	Appendix 4: Chow Test.....	119
	Appendix 5: Hausman Test	121
	Appendix 6: Lagrange Multiplier (LM)	123
	Appendix 7: Autocorrelations Test	127
	Appendix 8: Heteroscedasticity Test.....	128
	Appendix 9: Wald Test.....	130
	Appendix 10: Multicollinearity	131
	CURRICULUM VITAE.....	132