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INFLUENCE OF DIVIDEND POLICY AND PROFITABILITY ON STOCK PRICE IN CONSUMER NON-CYCLICALS COMPANIES IN INDONESIA FROM 2018 TO 2022

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A R T I C L E I N F O

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Dividend Capacity, Dividend Payout, Dividend Per Share, Return On Assets, Return On Equity, Capital Structure, Firm Size, Stock Prices

Kata Kunci:
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Abstract. *This study aims to analyze the influence of dividend policies and profitability on stock prices in non-cyclical consumer companies during 2018-2022. A panel data analysis method is employed to link variables such as dividend capacity, dividend payout, dividend per share, return on assets, return on equity, capital structure, and firm size to changes in stock prices. The research findings reveal that dividend capacity and firm size have a significant negative impact on stock prices, while dividend per share, return on assets, and capital structure have a significant positive impact. Dividend payout and return on equity do not have a significant influence on stock prices. These findings offer insights into the factors affecting stock prices in this industry, provide guidance for companies in designing dividend policies and profitability strategies, and offer valuable information to investors for decision-making.*

Abstrak. Penelitian ini bertujuan untuk menganalisis pengaruh kebijakan dividen dan profitabilitas terhadap harga saham pada perusahaan konsumen non-siklus selama tahun 2018-2022. Metode analisis data panel digunakan untuk menghubungkan variabel-variabel seperti kapasitas dividen, pembayaran dividen, dividen per saham, return on assets, return on equity, struktur modal, dan ukuran perusahaan terhadap perubahan harga saham. Hasil penelitian menunjukkan bahwa kapasitas dividen dan ukuran perusahaan mempunyai pengaruh negatif signifikan terhadap harga saham, sedangkan dividen per saham, return on aset, dan struktur modal mempunyai pengaruh positif signifikan. Pembayaran dividen dan return on equity tidak mempunyai pengaruh signifikan terhadap harga saham. Temuan ini memberikan wawasan tentang faktor-faktor yang mempengaruhi harga saham di industri ini, memberikan panduan bagi perusahaan dalam merancang kebijakan dividen dan strategi profitabilitas, serta menawarkan informasi berharga kepada investor untuk pengambilan keputusan.

INTRODUCTION

The Indonesian capital market has become a primary venue for investors to participate in the growth and development of companies (Rusitana and Ramadhani, 2022). One intriguing aspect of the capital market is the fluctuation of stock prices that occurs in response to various economic, political events, and internal company factors. In this context, the roles of dividend policy and company profitability as potential factors influencing stock prices have garnered interest for exploration.

Sukartaatmadja et al. (2023) state that stock prices in the Indonesian capital market play a central role as reflections of company performance and investor expectations. Dynamic changes in stock prices are often caused by factors such as macroeconomic changes, political stability, industry performance, and internal company information. Therefore, stock price fluctuations have become a primary focus in capital market studies. In identifying influencing factors for stock price changes, previous research has directed attention to factors such as company earnings, dividend policies, and other factors that can affect investor perceptions of a company.

Dividend policy is a company's decision to distribute a portion of its profits to shareholders. This decision holds significant impacts, both directly for shareholders receiving dividends and indirectly in shaping investor perceptions of a company's financial health (Septian, 2016). Investors tend to view companies that consistently provide dividends positively, as it can be interpreted as a signal of stability and the company's ability to share profits with shareholders. However, an interesting question arises about whether companies with aggressive dividend policies will receive a greater positive reaction from investors, or if companies focused on growth through investments will be more attractive in the long term.

On the other hand, profitability levels serve as a primary indicator for measuring a company's financial performance. Profitability reflects a company's ability to generate earnings from its operations. Companies with high profitability levels are often seen as more appealing to investors, as this indicates operational efficiency and potential for greater future profits. Strong profitability levels can also reinforce investor confidence in the long-term prospects of the company (Roslita and Daud, 2019). Therefore, in research regarding the influence of dividend policies and profitability on stock prices, it's important to analyze how the interaction between dividend policies and profitability levels can shape investor perceptions of a company's long-term value.

This study will focus on the consumer non-cyclicals sector on the Indonesia Stock Exchange. This sector is known for offering products and services that tend to be economically stable. During the period from 2018 to 2022, changes in consumer preferences, industry regulations, and economic fluctuations are expected to have an impact on the dynamics of companies within this sector.

In an effort to delve deeper, this study will analyze the impact of dividend policies and profitability levels on consumer non-cyclicals companies. The main objective is to uncover how companies in this sector respond to environmental changes through dividend policy adjustments and efforts to maintain their profitability. The results of this analysis are expected to provide deeper insights into how the interaction of these factors contributes to their impact on stock prices of companies within the context of the Indonesian capital market.

LITERATURE REVIEW

Dividend Policy

Dividend policy refers to the practices undertaken by management in making decisions about dividend payments, the amount and pattern of cash distribution over time to shareholders (Pambudi and Ahmad, 2022). Dividend policy is the decision about how much of the current earnings will be paid as dividends in lieu of reinvested investment and how much will be retained for reinvestment within the company (Sari and Mildawati, 2017). Dividend policy is often considered a positive signal for investors to assess the company's health, as it can influence the company's stock price. An increase in cash dividends often leads to a rise in stock prices, signifying an increase in company value, while dividend cuts typically result in a decrease in stock prices, indicating a decrease in company value.

Profitability

The primary goal of a company is to maximize profits. Profitability indicators can demonstrate a company's financial performance. According to Kasmir (2019:11), profitability ratios are used to evaluate a company's ability to generate earnings or profits over a specific period. Ratios also provide a measure of how effectively a business is managed, as indicated by the profit generated from sales or investment income. These ratios also serve as measures of management effectiveness, shown by sales profit and return on investment.

Bossman et al. (2022) state that dividend capacity significantly positively influences stock price. Similarly, Smith (2022) declares that dividend capacity significantly positively impacts stock price. Thus, the proposed hypothesis is:

H1: There is a significant positive influence between dividend capacity and company financial performance.

Raza and Karim (2016) in their study state that dividend payout ratio significantly positively influences stock price. Research by Koleosho et al. (2022) asserts that dividend payout ratio significantly positively impacts stock price. Hence, the proposed hypothesis is:

H2: There is a significant positive influence between dividend payout ratio and company financial performance.

Ahmed (2018) in their study states that dividend per share significantly positively influences stock price. Araoye (2019) states that dividend per share significantly positively impacts stock price. Thus, the proposed hypothesis is:

H3: There is a significant positive influence between dividend per share and company financial performance.

Saputra (2022) in their research asserts that return on assets significantly positively influences stock price. Aminah (2021) states that return on assets significantly positively impacts stock price. Thus, the proposed hypothesis is:

H4: There is a significant positive influence between return on assets and stock price.

Hadi and Nurhayati (2018) in their study state that return on equity significantly positively influences stock price. Pulungan and Insan (2020) declare that return on equity significantly positively impacts stock price. Therefore, the proposed hypothesis is:

H5: There is a significant positive influence between return on equity and stock price.

Syofyan et al. (2020) in their research state that capital structure significantly positively influences stock price. Furthermore, research conducted by Purwanti (2020) asserts that capital structure significantly positively impacts stock price. Thus, the proposed hypothesis is:

H6: There is a significant positive influence between capital structure and stock price.

Research by Bossman et al. (2022) states that firm size significantly positively influences share price. Raza and Karim (2016) in their study assert that firm size significantly positively impacts share price. Therefore, the proposed hypothesis is:

H7: There is a significant positive influence between firm size and stock price.

DATA AND METHODOLOGY

This study encompasses various non-cyclical industries listed on the Indonesia Stock Exchange during the period of 2018-2022, with a specific focus on consumer non-cyclicals as classified by IDX. Secondary data, including financial and annual reports from consumer non-cyclicals companies, were obtained from www.idx.co.id. In the data analysis method, a panel data approach is employed, with the dataset consisting of 33 consumer non-cyclicals companies listed on the Indonesia Stock Exchange and meeting predetermined criteria.

The variables under investigation include dividend policy variables (dividend capacity, dividend payout, dividend per share), profitability variables (return on assets, return on equity), as well as control variables such as capital structure and firm size. The dependent variable is stock price. The aim of this analysis is to investigate the relationships between these variables and their impact on stock prices within the selected consumer non-cyclicals companies.

$$SP_{it} = \beta_0 + \beta_1 DC_{it} + \beta_2 DP_{it} + \beta_3 DPS_{it} + \beta_4 ROA_{it} + \beta_5 ROE_{it} + \beta_6 CS_{it} + \beta_7 FS_{it} + \varepsilon_{it}$$

RESULTS

Table 1 – Chow test

Chow Test				
Effects Test	***Model***	***Prob.***	***Hypothesis***	***Conclusion***
Cross-Section Chi-Square	Model 1 (Stock price)	0.0000	Ha Accepted	*Fixed Effects Model*

The results indicate that the value of Prob. Cross-Section Chi-Square Model 1 (Stock price) is 0 < 0.05, Ha Accepted. It can be concluded that the chosen best model is the Fixed Effects Model.

Table 2 – Hausman test

Hausman Test				
Effects Test	***Model***	***Prob.***	***Hypothesis***	***Conclusion***
Cross-Section Chi-Square	Model 1 (Stock price)	0.0014	Ha Accepted	*Fixed Effects Model*

The results show that the value of Prob. Cross-Section Random Model 1 (Stock price) is 0.0014 < 0.05, Ha Accepted. It can be concluded that the chosen best model is the Fixed Effects Model.

Table 3 – Simultaneous test

Simultaneous Test (F-Test)				
Effects Test	***Model***	***Prob.***	***Hypothesis***	***Conclusion***
Prob. (F-Statistic)	Model 1 (Stock price)	0.0000	Ha Accepted	Has a significant influence.

Based on the test results, the Prob (F-Statistic) value in Model 1 (Stock price) is 0 < 0.05, Ha Accepted. It can be concluded that collectively, all independent variables have a significant influence on the dependent variable. Model Fit.

Table 4 – Hypotheses test

Model 1
Fixed Effects Model
Variabel Dependen: Stock price

Variables	*One - Tail Hypothesis*	*Coefficient*	*Prob.*	*Prob. One - Tailed*	*Hypothesis*	*Conclusion*
Constanta		1.371662	0.2407	0.1204		
Dividend Capacity	Positive	-0.000384	0.0000	0.0000	Ha rejected	Significant negative.
Dividend Payout	Positive	0.002386	0.9513	0.4757	Ha rejected	No effect.
Dividend per Share	Positive	0.000489	0.0245	0.0123	Ha accepted	Significant positive.
Return on Assets	Positive	1.788795	0.0000	0.0000	Ha accepted	Significant positive.
Return on Equity	Positive	-0.683704	0.0000	0.0000	Ha rejected	Significant negative.
Capital Structure	Positive	-0.219214	0.0002	0.0001	Ha rejected	Significant negative.
Firm Size	Positive	0.383671	0.0000	0.0000	Ha accepted	Significant positive.

Dividend capacity has a significant positive effect on stock price.

The test result for prob. One-tailed on the dividend capacity variable is 0.0000 < 0.05. Therefore, dividend capacity significantly affects stock price. The coefficient value indicates a negative direction. It can be concluded that dividend capacity has a significant negative effect on stock price. Ha is rejected. These findings are consistent with the research conducted by Bossman et al. (2022), which stated that dividend capacity has a significant negative effect on stock price.

A high dividend capacity might indicate that the company is not utilizing those funds efficiently to generate added value for shareholders. If the company isn't engaging in profitable investments or has a low return on investment, it can lead to a decrease in stock price. Furthermore, if the company is unable to find investment projects that yield sufficient returns, a high dividend capacity can result in an increase in unutilized cash reserves, which may diminish investor interest and ultimately impact stock prices.

Dividend payout has a significant positive effect on stock price.

The test result for prob. One-tailed on the dividend payout variable is 0.4757 > 0.05. Therefore, dividend payout does not have a significant effect on stock price. The research findings from Agustin (2019) state that dividend payout does not have an impact on stock price.

The Dividend Irrelevance theory proposed by Modigliani and Miller suggests that under certain conditions, a company's decision to pay dividends or obtain funds from investors through the issuance of new shares does not affect the overall value of the company. According to this view, investors can easily adjust their own portfolios to gain dividends or capital gains, thus maintaining the total value of their investments unchanged.

Dividend per share has a significant positive effect on stock price.

The test result for prob. One-tailed on the Dividend per share variable is 0.0123 < 0.05. Therefore, Dividend per share significantly affects stock price. The coefficient value indicates a positive direction. It can be concluded that Dividend per share has a significant positive effect on stock price. Ha is accepted. The results are consistent with the research conducted by Ahmed (2018), which stated that dividend per share has a significant positive effect on stock price. Similarly, Araoye (2019) also indicated that dividend per share has a significant positive effect on stock price.

A high dividend per share can be considered a positive signal that the company has strong financial performance and supports healthy operations. This can attract the interest of investors and financial analysts to further investigate stock prices and potential future growth.

Return on assets has a significant positive effect on stock price.

The test result for prob. One-tailed on the Return on assets variable is 0.0123 < 0.05. Therefore, Return on assets significantly affects stock price. The coefficient value indicates a positive direction. It can be concluded that Return on assets has a significant positive effect on stock price. Ha is accepted.

Saputra (2022) in their research stated that return on assets has a significant positive effect on stock price. Similarly, Aminah (2021) also found that return on assets has a significant positive effect on stock price.

Investors tend to value companies that effectively manage their assets and can generate strong profits. A high ROA indicates competent management capable of generating profits from each dollar invested in the business. This can build investor confidence in the company and enhance their interest to invest, which, in turn, can drive stock prices higher.

Return on equity has a significant positive effect on stock price.

The test result for prob. One-tailed on the Return on equity variable is 0.0000 < 0.05. Therefore, Return on equity significantly affects stock price. The coefficient value indicates a negative direction. It can be concluded that Return on equity has a significant negative effect on stock price. Ha is rejected. The results are in line with the research conducted by Choiriya et al. (2020), which indicated that return on equity has a significant negative effect on stock price.

ROE is typically calculated by dividing net income by shareholders' equity. If a company has high leverage (significant debt), its equity will be smaller and ROE will be higher. However, high leverage also increases the financial risk of the company. Investors might be concerned about this risk and treat companies with high ROE but high leverage more cautiously, which can have a negative impact on stock prices.

Capital structure has a significant positive effect on stock price.

The test result for prob. One-tailed on the capital structure variable is 0.0001 < 0.05. Therefore, capital structure significantly affects stock price. The coefficient value indicates a negative direction. It can be concluded that capital structure has a significant negative effect on stock price. Ha is rejected. The results are consistent with the research conducted by Syofyan et al. (2020), which indicated that capital structure has a significant negative effect on stock price. Similarly, Nguyen (2022) in their research found that capital structure has a significant negative effect on stock price.

A highly leveraged capital structure can increase risk for a company due to higher interest payment obligations. The perception of higher risk can lead shareholders to demand higher returns, which can put downward pressure on stock prices. Additionally, excessive debt can limit a company's growth potential as high interest payments reduce funds available for investment in new projects or business expansion. This growth constraint can affect investor expectations and reduce the company's market value.

Firm size has a significant positive effect on stock price.

The test result for prob. One-tailed on the Firm size variable is 0.0123 < 0.05. Therefore, Firm size significantly affects stock price. The coefficient value indicates a positive direction. It can be concluded that Firm size has a significant positive effect on stock price. Ha is accepted. The results are in line with the research conducted by Bossman et al. (2022), which indicated that firm size has a significant positive effect on stock price. Similarly, Raza and Karim (2016) in their research found that firm size has a significant positive effect on stock price.

Larger companies are often considered more stable and have a better reputation. A larger firm size reflects a larger operational scale, business sustainability, and potential for long-term survival. This can enhance investor confidence in the company and lead to an increase in stock prices. Furthermore, larger companies often have a larger market share and a stronger position in the industry. Strong competitiveness and a significant market share reflect the company's ability to generate substantial revenue and overcome competition. Investors tend to value companies that can dominate the market and have a strong position, leading to higher assessments of such companies.

CONCLUSION

The research results indicate that dividend capacity has a significant negative impact on stock prices, while dividend payout does not have a significant influence on stock prices. On the other hand, dividend per share has a significant positive effect on stock prices, along with return on assets, which also has a significant positive impact. However, return on equity has a significant negative impact on stock prices. Furthermore, both capital structure and firm size exhibit significant negative effects on stock prices. These findings provide insights into the factors influencing the dynamics of stock prices within the context of this study.

The implications of this study have significant relevance for consumer non-cyclical companies as well as stakeholders. Firstly, the findings that dividend capacity and firm size have a negative influence on stock prices indicate the need for careful dividend policy management and efforts to maintain or enhance company size. Companies need to consider a balance between dividend distribution and size growth in order to manage investor expectations and promote stock value increase. Secondly, the results showing that dividend per share, return on assets, and capital structure have positive impacts on stock prices highlight the importance of focusing on financial quality and operational performance. Companies should maximize asset utilization efficiency, increase earnings per share, and design an appropriate capital structure to provide positive signals to the market and investors.

Based on these findings, several recommendations can be proposed. First, company management should adopt a strategy that integrates dividend policy with efforts to enhance profitability. This may involve optimizing fund allocation for value-added investments and sustainable dividend payments. Second, companies need to conduct comprehensive evaluations of their capital structure and ensure that the composition of capital used supports growth while minimizing risks. Lastly, investors are also advised to carefully analyze factors influencing stock prices, including dividend policies and profitability indicators, before making investment decisions.

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