

Does The Dividend Policy Affect the Stock Price?

I Komang Oka Permadi¹, I Kadek Bagiana², Putu Ayu Diah Widari Putri³

Universitas Mahasaraswati Denpasar^{1,2,3}

Jl. Kamboja No. 11A Denpasar, 80233, Indonesia

Correspondence Email: ikadekbagiana@unmas.ac.id

ORCID ID: 0000-0003-3528-005X

ARTICLE INFORMATION

Publication information

Research article

HOW TO CITE

Permadi, I.K.O., Bagiana, I.K., & Putri, P.A.D.W. (2022). Does The Dividend Policy Affect the Stock Price? *Journal of International Conference Proceedings*, 5(15), 149-154.

DOI:

<https://doi.org/10.32535/ijcp.v5i1.1452>

Copyright©2022 owned by Author(s).
Published by JICP



This is an open-access article.
License: Attribution-Noncommercial-Share Alike (CC BY-NC-SA)

Received: 29 March 2022

Accepted: 23 April 2022

Published: 12 May 2022

ABSTRACT

Stock prices have long been a fascinating topic for researchers, especially in the financial industry, in this digital era. Stock price fluctuations are caused by a variety of variables, one of which is corporate dividend distribution. Dividends are not only a source of income for investors, but they also serve as a barometer of a company's performance. Companies with a bigger market capitalization are better equipped to pay dividends than companies with a smaller market capitalization, hence this will affect the stock price. With firm size as the moderating variable, the point of this study is to re-examine and affirm the impact of dividend policy on stock prices. In this study, the population is manufacturing enterprises that listed on the Indonesia Stock Exchange in 2020. The sample was determined using a non-probability method and purposive sampling technique, and a total of 72 companies were collected. Path analysis is the analytical technique utilized. The findings of this study show that dividend policy has a positive impact on stock prices, and that firm size has no effect on dividend policy's impact on stock prices.

Keywords: dividend policy, stock price, firm size, manufacturing company.

JEL Classification: M41, L11

INTRODUCTION

Stock prices have long been a fascinating topic for researchers, especially in the financial industry, in this digital era. Stock price fluctuations are caused by a variety of variables, one of which is corporate dividend distribution. Dividends serve as a barometer of large firms' performance, one of which is in the manufacturing industry. Manufacturing companies' outstanding performance can be measured not just in terms of asset management, but also in terms of their ability to pay dividends, resulting in a rise in their stock price. As a result, one of the most essential considerations for management and investors is determining the proper dividend policy for the company. Previous studies have shown inconsistent results, this resulted in a gap or research gap between one study and the next. Ermiati, et al. (2019), Samosir, et al. (2019), Salam, and Rohaida (2019) are among the studies that claim dividend policy has a favorable impact on stock prices. Dividend policy, according to Pebrianti (2020), Novitasari, et al. (2020), Latifah and Suryani (2020), Levina and Dermawan (2019), has no effect on stock prices.

One of the most essential criteria that firms consider when developing their dividend policy is the size of the company. Companies with a bigger market capitalization are better equipped to pay dividends than companies with a smaller market capitalization, hence this will affect the stock price. The firm size in this study is calculated using the company's total assets. Previous studies on the impact of firm size on dividend policy and stock prices were conducted, but the results were mixed. These studies include Prastya and Jalil (2020), Gunawan and Harjanto (2019), which found that the size of a firm has a beneficial impact on dividend policy. However, according to Zulkifli and Latifah's research (2021), firm size has little bearing on dividend policy. Salam and Rohaida also conducted research on the impact of firm size on stock prices (2019). The point of this research is to re-examine and confirm the effect of dividend policy on stock prices with firm size as the moderating variable, based on the phenomena and differences in the results of these studies.

LITERATURE REVIEW

Signaling Theory

According to Ross (1977), companies that greatly raise dividend payments would see a commensurate increase in share prices, while companies that significantly reduce or abolish dividend payments will see a corresponding reduction in share prices. The market views a corporation's announcement of dividend distribution as a favorable indication. Dividends, according to signal theory, transmit information about future or current income levels. The signal can be delivered by releasing accounting data such as financial statements.

Stock Price

The stock price in the capital market will always fluctuate in response to market conditions and other variables. The dynamics of demand and supply from investors are mostly responsible for the price of shares formed in the stock market. Year-end closing stock price data that will be used as stock price data in this study.

Dividend Policy

Financial decisions made by management after the company makes a profit are often called dividend policies. Companies must decide whether to pay profits in the form of dividend cash or utilize them to finance investments (Jaara, 2018). The Dividend Payout Ratio (DPR) is used to assess the dividend policy in this research. Previous research on

the impact of dividend policy on stock prices has been done, but differing research outcomes have resulted in a gap or research gap between one study and the next. Ermianti, et al. (2019), Samosir, et al. (2019), Salam, and Rohaida (2019) are among the studies that claim dividend policy has a favorable impact on stock prices. Dividend policy, according to Pebrianti (2020), Novitasari, et al. (2020), Latifah and Suryani (2020), Levina and Dermawan (2019), has no effect on stock prices.

RESEARCH METHOD

The study is based on data from the year 2020. This study employs quantitative methodologies and relies on secondary data gathered by visiting each company's website. Data acquisition in this research comes from each company's annual report as of December 31, 2020.

The study's population consists of 194 manufacturing enterprises that are listed on the Indonesia Stock Exchange. Purposive sampling was utilized, and a total of 72 firms were acquired. The goal of this research was to employ a purposive sampling strategy to create a representative sample that met preset criteria. The research sample selection is presented in Table 1 below:

Table 1. Research Sample Selection

Sample Criteria	Total
Manufacturing companies listed on the Indonesia Stock Exchange in 2020	194
Manufacturing companies listed on the Indonesia Stock Exchange that do not publish the required data for 2020	0
Manufacturing companies listed on the Indonesia Stock Exchange that do not distribute dividends in 2020	122
Number of Samples	72
Research Period	1
Total Observation Data	72

Source: Data Processed, 2022

Table 1 illustrates that the total population in this research is 194 companies manufacturing listed on the Indonesia Stock Exchange in 2020, while the sample size is 72 companies based on preset criteria. Hypothesis testing was also performed utilizing path analysis using the Partial Least Square (PLS) approach with SmartPLS software version 3.3.6 to acquire the study's results. The next step is to interpret the findings of the analysis based on theoretical and empirical studies in order to answer the research question and to provide evidence to support the theory and prior empirical investigations. The final phase is to draw findings and give recommendations for further research.

RESULTS

R² Test Results

The R² value in this study has two variable constructs, namely DPR and PRICE. The R² values for these constructs are presented in Table 2 below:

Table 2. R² Value

Variable	R ² Value
PRICE	0.188

Source: Data Processed, 2022

Table 2 reveals that the coefficient of determination (R²) is 0.188, or 18.8%, which suggests that the DPR variable can explain 18.8% of the fluctuation in stock prices, while the remaining 81.2 percent is influenced by other variables outside the research variable.

Statistical Test Results

Statistical tests were carried out by looking at the significant effect between the variables tested. This is presented in Table 3 below:

Table 3. Statistical Test Results

Variable Relationship	Original Sample	Standard Deviation	T Statistic	P Values	Information
DPR → PRICE	0.436	0.186	2.342	0.011	Significant
Moderating Effect → PRICE	-0.210	0.147	1.429	0.079	Not significant

Source: Data Processed, 2022

Based on Table 3, show that the dividend policy variable has a positive effect on stock prices with a T statistic value of 2.342 and a p-value of 0.011. Meanwhile, the moderating effect of the firm size variable with a T statistic of 1.429 and a p-value of 0.079 is not able to moderate the effect of dividend policy on stock prices, so it is not a moderating variable.

DISCUSSION

The Effect of Dividend Policy on Stock Prices

The results of the analysis state that dividend policy has a positive impact on stock prices with a T statistic of 2,342 and a p value of 0.011. The findings of this study are backed up by research by Husein and Kharisma (2020), Ermati, et al. (2019), Samosir, et al. (2019), Salam and Rohaida (2019), all of whom found that dividend policy had a favorable impact on stock prices. This demonstrates that a firm's dividend policy can entice investors to purchase stock in the company. When the company announces that it will deliver dividends, investors desire to register as holders of rights to receive dividends, so the share price tends to rise.

Firm Size Moderating Effect

The results of the analysis state that company size is not able to strengthen or weaken the effect of dividend policy on stock prices with a T statistic of 1.429 and a p value of 0.079. The role of business size is not a moderating variable, according to statistical findings. Because the corporation has various options in developing its business, the size of the company is not a decisive factor in delivering dividends to shareholders. Companies that recognize investment opportunities will prioritize keeping profits in order to fund more profitable investments, resulting in higher profits later.

CONCLUSION

Based on the data analysis and empirical research, the following conclusion can be drawn:

- 1) Dividend policy has a positive effect on stock prices. This means that the higher the dividend paid, the higher the increase in the company's stock price.
- 2) Firm size is not able to strengthen or weaken the effect of dividend policy on stock prices, so it is not classified as a moderating variable.

ACKNOWLEDGMENT

Thank you to Universitas Mahasaraswati Denpasar for funding participation in this International Conference.

DECLARATION OF CONFLICTING INTERESTS

We declare that we have no conflict of interest with the 2022 Malang ICPM committee or staff from AIBPM or any conflict regarding this article.

REFERENCES

- Ermianti, C., Amanah, D., Harahap, D. A., & Siregar, E. S. (2019). Pengaruh Kebijakan Dividen Terhadap Harga Saham Perusahaan Sub Sektor Otomotif dan Komponen yang Terdaftar di Bursa Efek Indonesia Periode 2008-2017. *Niagawan*, 8(2), 131-139.
- Gunawan, A., & Harjanto, K. (2019). Pengaruh Profitabilitas, Leverage, Ukuran Perusahaan, Pertumbuhan Perusahaan dan Struktur Kepemilikan terhadap Kebijakan Dividen. *Ultima Accounting: Jurnal Ilmu Akuntansi*, 11(1), 81-107.
- Husein, M. Y., & Kharisma, F. (2020). Pengaruh Kebijakan Dividen Terhadap Harga Saham Pada Perusahaan Manufaktur di Bursa Efek Indonesia (BEI). *Borneo Student Research (BSR)*, 1(2), 1061-1067.
- Iswara, P. W. (2017). Pengaruh Rasio Likuiditas, Rasio Profitabilitas, Rasio Leverage, Ukuran Perusahaan, dan Aset Growth terhadap Kebijakan Dividen (Studi Kasus pada Perusahaan Industri Manufaktur Sub Sektor Makanan dan Minuman yang terdaftar di Bursa Efek Indonesia Periode. *Jurnal Bisnis Dan Politeknik NSC Surabaya*, 4(1), 33-47.
- Jaara, B., Alashhab, H., & Jaara, O. O. (2018). The determinants of dividend policy for non-financial companies in Jordan. *International Journal of Economics and Financial Issues*, 8(2), 198.
- Latifah, H. C., & Suryani, A. W. (2020). Pengaruh kebijakan dividen, kebijakan hutang, profitabilitas, dan likuiditas terhadap harga saham. *Jurnal Akuntansi Aktual*, 7(1), 31-44.
- Levina, S., & Dermawan, E. S. (2019). Pengaruh Profitabilitas, Likuiditas, Solvabilitas, Aktivitas, dan Kebijakan Dividen Terhadap Harga Saham. *Jurnal Paradigma Akuntansi*, 1(2), 381-389.
- Mnune, T. D., & Purbawangsa, I. B. A. (2019). Pengaruh Profitabilitas, Leverage, Ukuran Perusahaan Dan Risiko Bisnis Terhadap Kebijakan Dividen Pada Perusahaan Manufaktur. *E-Jurnal Manajemen Universitas Udayana*, 8(5), 2862.

- Novitasari, A., Mulyani, A. T., A'yun, S. Q., Purwaningsih, T., & Suropto, S. (2020). Pengaruh Pengungkapan CSR (Corporate Social Responsibility), Kebijakan Dividen, dan Tingkat Inflasi Terhadap Harga Saham. *Proceedings Universitas Pamulang*, 1(1), 36-41.
- Pebrianti, Y. (2020). Pengaruh Profitabilitas dan Kebijakan Dividen Terhadap Harga Saham Indeks Lq 45 Bursa Efek Indonesia. *Jurnal Riset Terapan Akuntansi*, 4(2), 206-218.
- Prastya, A. H., & Jalil, F. Y. (2020). Pengaruh Free Cash Flow, Leverage, Profitabilitas, Likuiditas dan Ukuran Perusahaan Terhadap Kebijakan Dividen. *CURRENT: Jurnal Kajian Akuntansi dan Bisnis Terkini*, 1(1), 131-148.
- Ross, Stephen A. "The Determination of Financial Structure: The Incentive-Signalling Approach." *The Bell Journal of Economics* 8, no. 1 (1977): 23. doi:10.2307/3003485.
- Salam, A. F., Rohaida, I. (2019). Pengaruh Kebijakan Dividen Terhadap Harga Saham dengan Ukuran Perusahaan Sebagai Variabel Moderating. *PUBLIK*, 15(2), 141-154.
- Samosir, H., Simorangkir, E. N., Stephanus, A., Ginting, K. E. M., Banjarnahor, Y. S., & Sitepu, M. P. B. (2019). Pengaruh Current Ratio (CR), Net Profit Margin (NPM), dan Kebijakan Dividen terhadap Harga Saham pada Perusahaan Consumer Goods Yang Terdaftar di Bursa Efek Indonesia (BEI) Pada Periode 2013-2017. *Owner: Riset dan Jurnal Akuntansi*, 3(2), 15-20.
- Welan, G., Van Rate, P., & Tulung, J. E. (2019). Pengaruh Profitabilitas, Leverage Dan Ukuran Perusahaan Terhadap Harga Saham Pada Perusahaan Manufaktur Sektor Industri Barang Konsumsi Yang Terdaftar Di Bei Periode 2015-2017. *Jurnal EMBA: Jurnal Riset Ekonomi, Manajemen, Bisnis dan Akuntansi*, 7(4).
- Zulkifli, Z., & Latifah, L. (2021). Pengaruh Corporate Governance, Ukuran Perusahaan, Profitabilitas dan Pertumbuhan Perusahaan Terhadap Kebijakan Dividen. *Jurnal Riset Manajemen Sekolah Tinggi Ilmu Ekonomi Widya Wiwaha Program Magister Manajemen*, 8(1), 17-27.