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Analysis of the effect of dividend policy and profitability on stock price

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Abstract
Purpose: This study tests the hypothesis of the effect of dividend policy and profitability on stock prices in food and beverage subsector companies listed on the IDX.
Research Methodology: The population in this study was Food and Beverage subsector companies listed on the IDX 2020-2022. The sampling technique was purposive, with a total sample of 15 companies. The analysis techniques included the classical assumption test, multiple linear regression analysis, coefficient of determination (R2) test, t-test, and model feasibility test (F-test). Quantitative research method was used. The variables used were dividend policy, profitability, and stock prices.
Results: The results of the normality test of normally distributed variables, the results of multicolonierity, heterokedasitas, and autocorrelation tests did not have multicollinearity, heterokedasitas, or autocorrelation problems. The results of hypothesis testing concluded that simultaneously, there is an effect of dividend policy and profitability on stock prices with a sig value of 0.00 <0.05; partially, there is an effect of dividend policy on stock prices with a sig value of 0.021 <0.05, and there is an effect of profitability on stock prices with a sig value of 0.000 <0.05.
Limitations: This research is aimed only at Food and Beverage subsector companies listed on the IDX during the period 2020-2022.
Contribution: This research is expected to be useful as a reference material in the same research and further research at PGRI University Palembang and is expected to be used as input for research sites to make decisions about the effect of dividend policy and profitability on stock prices in food and beverage subsector companies listed on the IDX.
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1. Introduction

Currently, people are starting to realize the importance of investing. One investment that produces promising profits is stock. Before making a stock investment decision, investors should make further observations or study stocks that are likely to generate maximum profits (Latifah & Suryani, 2020).

Shares are proof of the ownership of a company, where the owner is also called the owner of the shares (stockholder or shareholder). The form of shares is a piece of paper stating that the owner of the shares is the owner of the company that issued them. Proof that an individual or legal entity can be considered a shareholder is registered in a book called the Register of Shareholders (DPS) (Adnyana, 2020).

Stock price is a very important factor that investors must pay attention to when investing in the capital market, because it can show the value of a company. Stock prices reflect a company's performance. When a company performs better, its profits will also be higher, so the issuer's shareholders' profits also

tend to increase. Therefore, changes in stock prices are an important factor for investors who invest in the capital market (Ardiansyah, Yusuf, & Martika, 2020).

There are many financial metrics in financial statements, but not all have an impact on stock prices. According to their purpose, financial ratios are divided into four categories: profitability, liquidity, solvency, and activity ratios. In addition to the financial metrics that can be used to measure a company's performance, investors should pay attention to the company's dividend policy (Levina & Dermawan, 2019).

A company policy that often attracts investor attention is its dividend policy. The dividend policy is implemented by financial management to determine the ratio of the amount of income paid to shareholders in the form of cash dividends, smoothing dividends paid, stock dividends, stock splits, and cash withdrawals on outstanding shares. All of these policy alternatives are implemented to improve shareholder welfare (Darmawan, 2018).

Dividend policies and profitability are important factors that influence investors' perceptions of a company's performance. Dividend policy reflects the company's profit distribution policy, while profitability reflects the company's ability to generate profits. Investors often look at the balance between dividends and profitability to assess a company's stability and growth potential, which in turn can affect stock prices.

This study focuses on food and beverage companies because food and beverage stocks are in high demand by investors. The actions of companies in the food sector are not affected by changes in the macroeconomic situation or business conditions in general, and they have the opportunity to provide a portion of the profits transferred by the issuer to shareholders. Food and beverage companies listed on the Indonesia Stock Exchange are among the sectors that have successfully passed the crisis in Indonesia because some food and beverage products fulfill the basic needs of the community (Dewi & Sudiartha, 2019).

2. Literature Review

2.1 Dividend Policy

A dividend policy is the decision of whether a company's profits will be distributed as dividends to shareholders or kept as cash flow for investment (Sartono, 2010; Tanha et al., 2023). The Dividend Payout Ratio is the percentage of profit earned by the company and distributed in the form of cash dividends to the shareholders. As well as to measure the amount of dividends that will be shared with shareholders (Deitiana, Yap, & Ersania, 2020).

2.2 Profitability

The profitability ratio is used to measure a company's skills in generating profits. This indicator is used to show the efficiency of company management in generating profits. In addition, this indicator serves as a measure of investor information when making investment decisions (Anayochukwu, Ani, & Nsah, 2022; Emmanuel, 2021; Seto et al., 2023).

Profitability is the ability of a business or company to generate profits in relation to the amount of capital, assets, or sales. Profitability was chosen as another independent variable and was expressed using ROE. Return on equity is a ratio that shows how much equity contributes to the creation of net income. The higher the return on equity, the higher the net profit generated from each rupture of funds embedded in equity (Hery, 2016).

*2.3 Shares and Share Price*s

Shares are proof of the ownership of a company; this means that if someone owns shares, then that person also owns part of the company's wealth. The size of a company's ownership is determined by the percentage of its shares to all shares of the company (Hadiwijaya & Yustini, 2023; Tannadi, 2020).

The share price is a sign of the participation or ownership of a person or entity in a company, which is a reflection of funding, investment, and asset management decisions (Widoatmodjo, 2001). Share price is the price set for a company to other parties who want to share ownership rights.

3. Research Methodology

3.1 Object and Research Location

The object of this study is the food and beverage subsector companies listed on the IDX. This study was conducted at the IDX Investment Gallery, Faculty of Economics and Business, PGRI University, Palembang.

3.2 Research Methods

The research method is essentially a scientific method for obtaining data for specific purposes and uses (P. Sugiyono, 2019). Quantitative methods are referred to as traditional methods because they have been in use for a long time. This method is known as positivistic and is based on the philosophy of positivism. This method is considered scientific because it fulfills scientific requirements such as concrete or empirical, objective, measurable, rational, systematic, replicable, or repeatable. This method is also referred to as the confirmative method because it is suitable for use in proof or confirmation. Because the research data are numbers and the analysis uses statistics, this method is referred to as a quantitative method (S. Sugiyono, 2020). The method used in this research is a quantitative research method because it aims to test the hypothesis proposed by the researcher, and the data used are statistical.

3.3 Population

Population is the overall element used to create a generalization area. The population element is the entire subject to be measured and the unit under study (S. Sugiyono, 2020). The population in this study are Food and Beverage subsector companies listed on the IDX 2020-2022, there are 84 food and beverage subsector companies listed on the IDX.

3.4 Sample

The sample was a part of the number and characteristics of the population. If the population is large and it is not possible for researchers to study everything in the population, for example, due to limited funds, energy, and time, researchers can use samples taken from that population (P. Sugiyono, 2019).

The samples used in this study were 15 food and beverage subsector companies with a period of three years (2020-2022) so 45 data points were used. The Purposive Sampling Technique used in this study has certain considerations (P. Sugiyono, 2019).

3.5 Data Source

The data source used was secondary data, which is a data source that does not directly provide data to data collectors. Secondary data were obtained from sources that can support research, including documentation and literature (P. Sugiyono, 2019).

3.6 Data Collection Technique

The data collection technique used in this research is documents, which are records of events that have passed. Documents can be in the form of writing, pictures, or monumental works of a person (S. Sugiyono, 2020). The data collection technique in this study was carried out by observing, recording, and studying documents contained on the IDX official website.

4. Results and discussions

4.1 Results

4.1.1 Classical Assumption Test

a. Normality Test

Table 1. Normality Test Results

One-Sample Kolmogorov-Smirnov Test

Variable	Asymp.Sig(2-tailed)	*α=0,05*	*Description*
Dividend Policy	0,200	0,05	Normal
Profitability	0,200	0,05	Normal
Stock Price	0,065	0,05	Normal

Source: processed by researchers using the spss 22 application (2024)

From Table 1 it can be seen that Asymp. Sig (2-tailed) for dividend policy variables, profitability and stock prices have an Asymp. Sig (2-tailed) > 0.05. The value of As it is known that the value of Asymp. Sig (2-tailed) > 0.05, indicating that the data were normally distributed. From the results of the data processing in the table above, it can be concluded that the test on these variables is normally distributed.

b. Multicolonierity Test

Table 2. Multicolonierity Test Results

No	Independennt Variable	*Collonearity statistic*	
		Tolerance	*VIF*
1	Devidend Policy (X1)	0,984	1,016
2	Profitability (X2)	0,984	1,016

Source: processed by researchers using the spss 22 application (2024)

Based on Table 2, it can be seen that the Collonearity statistic between the two variables, namely the dividend policy variable and the profitability variable, has a VIF of 1.016, which is <10, so that it does not exceed the limit of VIF, where the maximum VIF value limit is 10, and the two variables both have a tolerance value of 0.984, where the value is greater than 0.1. From these results, it can be concluded that the regression model did not have a multicollinearity problem.

c. Heterocedacity Test

Table 3. Heterokedacity Test Results

No	Variable	Sig	α= 0,05	Description
1	Devident Policy	0,728	0,05	no heterocedacity
2	Profitability	0,118	0,05	no heterocedacity

Source: processed by researchers using the spss 22 application (2024)

From Table 3, it can be seen that the Sig (significance) value of the dividend policy variable is 0.728 and the Sig (significance) of the profitability variable is 0.118. Based on the results that both independent variables have a Sig (significance) value> 0.05, the conclusion is that the variable does not occur in the Heterokedasitas problem.

d. Autocorrelation Test

Table 4. Autocorrelation Test Results

Variable	Durbin-Watson	DU Value	4-DU Value
Devident Policy dan profitability, stock price	1.844	1.6148	2.2852

Source: processed by researchers using the spss 22 application (2024)

From Table 4, it can be concluded that the dividend policy variable and profitability variable on stock prices have DW values of 1.844, 1.6148, and a 4-DU value of 2.2852. Autocorrelation problems were not observed in this test because DU < DW < 4-DU (1.6148 < 1.844 < 2.2852).

4.1.2 Multiple linear regression analysis

Below are the results of multiple linear analysis with the equation Y = α + β1X1 + β2X2 + e

Table 5. Multiple Linear regression Analysis Results

No	Variable	(B) Value
1	Constant	0,659
2	Devident Policy	0,141
3	Profitability	0,803

Source: processed by researchers using the spss 22 application (2024)

4.1.3 Test Coefficient of Determination (R2)

Table 6. Results of Analysis of the Coefficient of Determination (R2)
Dividend Policy and Profitability on Stock Price

Variable	R	R Square	Adjusted R Square	Std. Error of the Estimate
Dividend policy and profitability on stock price	,794	,630	,612	,27581

Source: processed by researchers using the spss 22 application (2024)

4.1.4 Test t

Below are the results of the t test

Table 7. The results of the t test
Dividend Policy on Stock Price

Vafriable	α = 0,05	Sig
Dividend policy, profitability, stock price	0,05	0,00

Source: processed by researchers using the spss 22 application (2024)

4.2 Discussion

4.2.1 The Effect of Dividend Policy on Stock Prices in Food and Beverage Subsector Companies Listed on the Indonesia Stock Exchange

From the results of multiple linear regression tests, the constant value is 0.659 and b1 is 0.141; in the R2 coefficient of determination test, the R2 result is 0.630, which explains that the ups and downs of the stock price of food and beverage subsector companies can be influenced by the independent variables, namely dividend policy and profitability, by 63%. From the results of the t-test, it was found that the significance value was 0.021 <0.05, which means that the dividend policy has a significant effect on stock prices.

4.2.2 The Effect of Profitability on Stock Prices in Food and Beverage Subsector Companies Listed on the Indonesia Stock Exchange

From the results of multiple linear regression tests, the constant value is 0.659 and b2 is 0.803; in the R2 coefficient of determination test, the R2 result is 0.630, which explains that the ups and downs of the stock price of food and beverage subsector companies can be influenced by the independent variable, namely, dividend policy and profitability by 63%. From the results of the t-test, it was found that the significance value was 0.000 <0.05, indicating that profitability has a significant effect on stock prices.

4.2.3 The Effect of Dividend Policy and Profitability on Stock Prices in Food and Beverage Subsector Companies Listed on the Indonesia Stock Exchange

Based on the results of the F-test conducted by researchers in the Food and Beverage Subsector companies listed on the Indonesia Stock Exchange for the period 2020-2022, where the

significance is 0.000, the two independent variables simultaneously affect stock prices or dividend policy and profitability simultaneously affect stock prices**.**

5. Conclusion

5.1 Conclusion

Based on the results, the following conclusions can be drawn:

1. Based on calculations using the SPSS test, namely the t-test, the results show that the dividend policy as a variable on the stock price has a significant effect with a sig value of 0.021 <0.05, the effect of dividend policy on stock prices with a regression coefficient value of 14.1%, while 85.9% is influenced by other variables such as inflation, interest rates, exchange rates, government policies, price changes, expansion, capital structure, total profit, and sales growth.
2. Based on calculations using the SPSS test, namely the t-test, the profitability variable has a significant effect on the Stock Price variable with a sig value of 0.000 <0.05. The effect of profitability on stock prices has a regression coefficient value of 80.3%, while 19.7% is influenced by other variables such as inflation, interest rates, exchange rates, and government policies. The internal factors related to company performance include price changes, expansion, capital structure, sales growth, and dividend policy.
3. From the calculation using the SPSS test, namely the F-test where the Dividend Policy is a variable and profitability is a variable on Stock Price, there is a simultaneous significant effect with a sig value of 0.00 <0.05.

5.2 Suggestions

Based on the results of the above conclusions, the following suggestions can be made.

1. The dividend policy in this study explains that the greater the dividend, the better the prospect of increasing the share price; it is hoped that the company will continue to be able to provide and distribute its dividends so that it can continue to increase so that it can prosper shareholders. 2.
2. Profitability in this study indicates that greater profitability has a positive impact on increasing stock prices so that companies need to process their assets every year properly in order to increase company profits or profits.
3. For further research, this study could add other independent variables that affect stock prices.

5.3 Limitations

This research is aimed only at Food and Beverage subsector companies listed on the IDX in the period 2020-2022.

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