Journal of Multidisciplinary Academic Business Studies (JoMABS)
ISSN 3032-3169, Vol 1, No 4, 2024, 237-243 https://doi.org/10.35912/jomabs.v1i4.2306

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

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Article History
Received on 4 July 2024
1st Revised on 14 July 2024
Accepted on 23 July 2024

Abstract
Purpose: This study tests the hypothesis that dividend policy and profitability affect stock prices in food and beverage subsector companies listed on the Indonesia Stock Exchange (IDX).
Research Methodology: A quantitative approach with purposive sampling was used, selecting 15 companies (45 data points). Data were analyzed using classical assumption tests, multiple linear regression, t-tests, F-tests, and the coefficient of determination (R^2). Secondary data were obtained from the official IDX reports.
Results: The findings show that dividend policy and profitability significantly affect stock prices (sig = 0.000 < 0.05). Partially, dividend policy significantly affects stock prices (sig = 0.021 < 0.05), while profitability has a stronger and significant effect (sig = 0.000 < 0.05). The model explains 63% of the variation in the stock prices.
Conclusions: Dividend policy and profitability are key determinants of stock price movements in the food and beverage subsector, with profitability exerting a greater influence.
Limitations: This study 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 effects of dividend policy and profitability on stock prices in food and beverage subsector companies listed on the IDX.

Keywords: *Dividend Policy, Profitability, Stock Price*

How to Cite: Wulandari, C. E., Saladin, H., & Mulyani, A. (2024). Analysis of the effect of dividend policy and profitability on stock prices. *Journal of Multidisciplinary Academic Business Studies*, 1(4), 237-243.

1. Introduction

Currently, people are beginning to realize the importance of investing. One investment that produces promising profits is the stock market. Before making a stock investment decision, investors should make further observations or study stocks that are likely to generate maximum profit (Latifah & Suryani, 2020). Shares are proof of the ownership of a company, where the owner is also called the owner of the shares (i.e., 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 the shares. 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 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 of them have an impact on stock prices (Kirimi, 2024). Financial ratios are divided into four categories according to their purpose:

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 (Liviani & Rachman, 2021). Financial management implements dividend policy 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 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 (Wahjudi, 2020). Dividend policy reflects a company's profit distribution policy, while profitability reflects its ability to generate profits (Kanakriyah, 2020). 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 (Jallow, Abiodun, Weke, & Aidara, 2022). This study focuses on food and beverage companies because their 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 the 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 a decision on whether a company's profits will be distributed as dividends to shareholders or retained as cash flow for investment (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 shareholders. As well as to measure the amount of dividends that will be shared with shareholders (Deitiana, Yap, & Ersania, 2021).

2.2 Profitability

The profitability ratio is used to measure a company's skills in generating profits (Whetyningtyas, Arumsari, Ashari, & Mulyani, 2024). This indicator is used to show the efficiency of company management in profit generation (Lee, 2023). In addition, this indicator serves as a measure of investor information when making investment decisions (Emmanuel, 2021). Profitability is the ability of a business or company to generate profits concerning the amount of capital, assets, or sales (Nadyayani & Suarjaya, 2021). Profitability was chosen as another independent variable and expressed using ROE. Return on equity is a ratio that shows how much equity contributes to the creation of net income (Abraham, Harris, & Auerbach, 2017). 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 (Belk, Humayun, & Brouard, 2022). A company's ownership size 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 reflects funding, investment, and asset management decisions (Widoatmodjo, 2001). The 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 food and beverage subsector companies listed on the IDX. This study was conducted at the IDX Investment Gallery of the 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 used for a long time. This method is known as positivistic and is based on positivism philosophy. This method is considered scientific because it fulfills scientific requirements, such as being concrete or empirical, objective, measurable, rational, systematic, replicable, or repeatable. This method is also referred to as the confirmatory 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 data.

3.3 Population

The 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 is 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 studied. 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 over 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 could support the 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 past events. 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 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 the asymptotic critical values are Sig (2-tailed) for dividend policy variables, profitability, and stock prices have an Asymp. Sig (2-tailed) > 0.05. The value of As is known to be 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 was 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 collinearity 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 exhibit multicollinearity.

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 significance (Sig) 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 and profitability variables 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 $Y = \alpha + \beta1X1 + \beta2X2 + e$
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%. The t-test results show that the significance value was 0.021 <0.05, which means that 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%. The t-test results showed that the significance value was 0.000 <0.05, indicating that profitability significantly affects 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 these results, the following conclusions can be drawn:

1. Based on calculations using the SPSS test, namely the t-test, the results show that dividend policy as a variable on the stock price has a significant effect with a sig value of 0.021 <0.05, and the effect of dividend policy on stock prices has 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 significance 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 and prosper shareholders. 2.
2. Profitability in this study indicates that greater profitability has a positive impact on increasing stock prices, so companies need to process their assets every year properly to increase company profits.
3. For further research, other independent variables that affect stock prices could be added.

5.3 Limitations

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

Acknowledgments

The authors thank the following:
1. Mrs. Dr. Nurkardina Novalia, S.E., M. Si., is the head of the Management study program.
2. Mr. Hendry Saladin, S.E., M. M., as the main supervisor and Mrs. Agus Mulyani, S.E., M. M., as my co-supervisor. Thank you for your guidance and direction that has been given from the beginning to the end of the manuscript.
3. Parents, relatives, and friends provided support to the researchers in the form of material and moral support.

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