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Determinants of Stock Price with Dividend Policy as a Moderator Variable

A Study of Listed Companies at the Jakarta Islamic Index

Roestanto Sukarta Diputra
Master of Management,
Faculty of Economics and Business
Mercubuana University
Jakarta Barat, Indonesia

Augustina Kurniasih
Master of Management,
Faculty of Economics and Business
Mercubuana University
Jakarta Barat, Indonesia

Abstract:- This study aimed to examine and analyze the effect of profitability, liquidity, solvency, and activity ratios on stock prices and to test and analyze the role of dividend policy in moderating the effect of profitability on stock prices. The population used is companies listed on the Indonesia Stock Exchange (IDX) which are listed on the Jakarta Islamic Index (JII) in the 2021 period. Sampling by purposive sampling method resulted in 15 companies meeting the sample criteria. Data were analyzed using a panel data regression approach. It was found that the fixed effect model is the best. The results showed that profitability has a positive and significant effect on stock prices. Solvency and activity ratios have a negative and significant effect on stock prices. Liquidity has no significant effect on stock prices. A dividend policy cannot moderate the effect of the profitability variable on stock prices. Dividend policy is a potential moderator variable.

Keywords:- *Profitability, Liquidity, Solvency, Activity Ratio, Stock Price, Dividend Policy.*

I. INTRODUCTION

The stock price is the price that occurs in the capital market at the request and supply of investors. The stock price is influenced by the company's performance and business continuity in the future so that it reflects the value of the company. Before investing in the capital market, investors will conduct an analysis to get the maximum return. Stock price maximization requires analysis of financial statements to estimate the company's long-term operations. Analysis of changes in stock prices can be carried out using fundamental analysis based on financial ratios (Herawati & Putra, 2018).

The use of financial ratios can use comparisons between various company data in financial reports, especially financial reports that show company profits and losses. Financial ratios can affect the development of a company's stock price within a certain period (Rosdiana, 2021). Financial ratios consist of liquidity, solvency, profitability, and activity ratios (Sutrisno, 2009). Theoretically, companies that are profitable, liquid, use company assets efficiently and effectively to generate high profits, and are solvable have positive signals, so that these fundamental factors will affect stock prices in a positive direction.

The results of previous studies show different conclusions about the effect of these variables on stock prices. Gayatri & Thamrin (2020), Aryanti & Jayanti (2020), Rasdayanti & Chaerudin (2021), Anwar & Rahmalia (2019), Mardianti & Dewi (2021), Imansyah & Mustafa (2021) and Ligocká & Stavárek (2019) on the market Austrian stocks show return on equity as a measure of profitability has a positive and significant effect on stock prices. In contrast to Putri (2017), Ariesa, Tommy, Utami, Maharidha, Siahaan, & Nainggolan (2020), Sulistyanie & Sumantri (2020), and Alan, Salim, Kurniasih (2021) and research by Ligocká & Stavárek (2019) on the Swiss stock market, who found that return on equity has no significant effect on stock prices. Meanwhile, Megamawarni & Pratiwi (2021), and research by Ligocká & Stavárek (2019) on the Polish stock market show that return on equity has a negative and significant effect on stock prices.

The results of research by Gursida (2017), Rasdayanti & Chaerudin (2021), and Mardianti & Dewi (2021) show that the current ratio as a measure of liquidity has a positive and significant effect on stock prices. In contrast to Vianti, Sunardi, & Yamaly (2020), Setiyanti & Manda (2021), Rina, Samalam, & Muchsidin (2021) show that the current ratio has a negative and significant effect on stock prices. Meanwhile, Samsuar & Akramunnas (2017), Suryawan & Wirajaya (2017), Ariyani, Andini, & Santoso (2018), Herawati & Putra (2018), Admi, Erlina, & Tarmizi (2019), Ariesa et al. (2020), Gayatri & Thamrin (2020), Rosdiana (2021), Olivia & Ovami (2021), Tisa, Aruan, Sari, & Dameria (2021), Imansyah & Mustafa (2021), and Ligocká & Stavárek (2019) in Polish, Swiss and Austrian stock markets, stated that the current ratio has no significant effect on stock prices.

Research by Devi & Sutrisno (2015), Oktaryani, Sofiyah, Nugraha, Bisma, & Mandra (2016), Wijaya (2017), Ariyani et al. (2018), Gayatri & Thamrin (2020), Vianti et al. (2020), Lestari & Susetyo (2020), Aryanti & Jayanti (2020), Rosdiana (2021), Megamawarni & Pratiwi (2021) state that the debt to equity ratio as a measure of solvency has a negative and significant effect on stock prices. Other research results from Suryawan & Wirajaya (2017), Gursida (2017), Herawati & Putra (2018), Syarif (2019), Admi et al. (2019), Ligocká & Stavárek (2019), Handayani, Indarti, & Listiyowati (2019), Sulistyanie & Sumantri (2020), Setiyanti & Manda (2021), Tisa et al. (2021), Rasdayanti & Chaerudin (2021) show that the debt to equity ratio has no significant effect on stock prices.

Meanwhile, Samsuar & Akramunnas (2017), and Rahmawati & Suryono (2017) found that the debt tdebt-to-equity has a positive and significant effect on stock prices.

Herawati & Putra (2018), Wijaya (2017), and Handayani et al. (2019) found that total asset turnover as a measure of company activity has a positive and significant effect on stock prices. In contrast, Tisa et al. (2021) found that total asset turnover has a negative and significant effect on stock prices. Meanwhile, Gursida (2017) and Admi et al. (2019) stated that total asset turnover has no significant effect on stock prices.

Shareholders who like companies that distribute dividends will increase their evaluation of companies that are not only able to generate profits, but also distribute some of their profits as dividends. Increased investor valuation will cause stock prices to rise. The research results of Ramadhani, Hamdani, & Nugraha (2019), Aryanti & Jayanti (2020), and Mardianti & Dewi (2021), show that dividend policy can moderate the effect of return on equity on stock prices. Thus, it is necessary to consider the possibility of dividend policy moderating the relationship between profitability and stock prices.

The results of previous studies regarding the effect of dividend policy on stock prices are still different. Rahmawati & Suryono (2017), Fitri & Purnamasari (2018), and Bustani, Kurniaty, & Widyanti (2021) found dividend policy to have a positive and significant effect on stock prices. In contrast, research by Imansyah & Mustafa (2021) in Indonesia and Admi et al. (2019) who researched in Indonesia and Malaysia found that dividend policy did not have a significant effect on stock prices in Indonesia, but had a positive and significant effect on stock prices in Malaysia.

This study aims to examine and analyze the effect of profitability, liquidity, solvency, and activity on stock prices and to examine and analyze the role of dividend policy in moderating the effect of profitability on stock prices. This research is expected to provide information and recommendations for investors, potential investors, and companies using fundamental analysis. The research is expected to provide empirical evidence and a scientific contribution regarding the fundamental factors that influence stock prices through dividend policy.

II. LITERATURE REVIEW

A. Signaling Theory

Signaling theory stems from Akerlof's research (1970) which studied the phenomenon of asymmetric information. In his research, Akerlof found that when the seller does not provide actual information about the product to be sold, the buyer does not have actual information and only has general perceptions regarding the product to be purchased. When the buyer has a general perception, the buyer will judge the product at the same price and quality. The phenomenon discovered by Akerlof was later developed by Spence (1973) who stated that companies that have good performance will use financial information to send signals to the market. This study also found that the cost of signaling bad news is higher than for good news. Research Ross (1977) states that company management has better information about the company. Management hathe a desire to convey this information to potential investors so that the company's stock price increases signal theory states that management has more information about the future financials of the company compared to shareholders. Dividend distribution signals good prospects for the company in the future.

B. Stock Price

The stock price is the price of a share that occurs in the capital market at a certain time determined by market participants and is determined by the demand and supply of the relevant shares in the capital market (Hartono, 2017). According to Brigham & Ehrhardt (2014), maximizing stock prices requires financial statement analysis to make long-term estimates of the company's operations. Managerial actions can determine stock prices and investor returns. If the manager makes a bad decision, the stock price will fall. If managers make good decisions, stock prices will increase.

C. Dividend Policy

The term dividend usually refers to cash paid out of company profits (Ross, Westerfield, Jordan, Lim, Tan, 2016). More generally any direct payment by the company to shareholders can be considered a dividend or part of the dividend policy. If the company chooses to distribute profits as dividends, it can reduce retained earnings and further reduce the overall source of funding or internal financing (Brigham & Ehrhardt, 2014).

Research by Lintner (1956) on dividend smoothing explains that the number of dividends to be distributed to shareholders is based on the company's current earnings and previous dividends so that the dividends distributed are stable. Dividend smoothing is expected to make investors interested in investing in the company so that the company's value will increase. This increase in company value can be represented through the company's stock price.

Dividend irrelevance theory (Miller & Modigliani, 1961) explains that firm value is determined by its basic earning power and business risk. In other words, the value of a company depends only on the income generated by its assets, not on how this income is divided between dividends and retained earnings.

In 1962 Gordon conducted research on dividends and produced the Dividend Discounted Model (DDM) theory. DDM is an approach that is included fundamental analysis or company analysis which is carried out by connecting the expected cash flows from the dividends paid by the company with the shares owned by the company. This approach assumes that stock prices can be influenced by three main factors, namely the annual dividend, dividend growth, and the required rate of return.

Research on dividend policy was developed again by Gordon & Lintner (1963), who explained that investors prefer dividends compared to capital gains in the future. This theory is called the bird in the hand theory. This theory states that

shareholders want a high dividend payout. The higher the dividend payout, the higher the company's stock price.

D. Fundamental Factors

According to Bodie, Kane, and Marcus (2014), fundamental factors are used to determine stock prices. Fundamental factors use a company's earnings and dividend prospects, expectations of future interest rates, and evaluation of company risk to calculate the intrinsic value of a stock using company financial data.

Profitability ratios are a group of ratios that show the combined effect of liquidity, asset management, and debt on operating results (Brigham & Ehrhardt, 2014). According to Bodie et al. (2014), Return on Equity (ROE) is one of the two basic factors in determining the growth rate of a company's earnings. ROE is a company's ability to generate profits from the equity used. The higher the ROE ratio, the more efficiently the company uses its capital to generate net income.

The liquidity ratio is the ratio that shows the relationship between a company's cash and other current assets and its current debt. One of the liquidity ratios is the Current Ratio (CR). This ratio shows the extent to which current liabilities are covered by assets that are expected to be converted into cash in the near future. Ideally, the higher the ratio of current assets and current liabilities, the better the company's opportunities and ability to pay its debts (Brigham & Ehrhardt, 2014).

According to Kasmir (2014), the solvency ratio is the ratio used to measure the extent to which a company's assets are covered by debt. This ratio shows the company's ability to meet all of its debts, both short-term and long-term when the company is dissolved or liquidated. The solvency ratio can be represented by the Debt to Equity Ratio (DER). DER is the company's ability to fulfill all of its debts as indicated by a portion of its own capital used to pay debts (Sharif, 2019).

Activity ratios are a set of ratios that measure how effectively a company manages its assets. One of the activity ratios is Total Asset Turn Over (TATO). The TATO ratio shows the effectiveness of using all company assets in order to increase sales. This ratio can describe the amount of net sales that can be obtained with money invested in company assets (Brigham & Ehrhardt, 2014).

III. RESEARCH METHOD

This research is quantitative research with a causality design. The research aims to examine the effect of the independent variables on the dependent variable in the presence of a moderator variable. The research variables and their measurements are presented in Table I.

TABLE I. RESEARCH AND MEASUREMENT VARIABLES

Variable	Measurement	Formula
Stock price (Y)	The average daily closing stock price for 1 (one) year	Ln(HS)
Dividend Policy (Z)	Dividend Payout Ratio	DPR= (Dividend/(Net Income))× 100%
Profitability (X_1)	Return on Equity	ROE=(Net Income /Shareholders Equity)× 100%
Liquidity (X_2)	Current Ratio	CR= ((Current Assets)/(Current Liabilities))× 100%
Solvability (X_3)	Debt to Equity Ratio	DER=(Total Liability/Total Equity)× 100%
Activity (X_4)	Total Assets Turn Over	TATO= (Sales/Total Assets)× 100%

A. Population

The research population is companies listed on the Indonesia Stock Exchange (IDX) and listed on the Jakarta Islamic Index (JII) in 2021. The number of companies on JII is 30.

B. Sample

The sample uses a purposive sampling method. The sample criterion is that the company consistently distributes dividends during the 2016-2021 period. Based on the sample criteria, 15 companies met the criteria to be sampled. The sample companies are engaged in primary consumer goods (33.33%), raw goods (33.33%), energy (13.33%), health (6.67%), infrastructure (6.67%), and industry (6.67%).

C. Equations

The research data is secondary data, annual data, ratio scale, cross-sectional, and time series in nature. Data were analyzed using a panel data regression approach. The model developed to answer the research problem is:

(1) $HSit = a0 + b1ROEit + b2CRt + b3DERit + b4TATO + \varepsilon it$

(2) $HSit = a0 + b1ROEit + b2CRt + b3DERit + b4TATO + b5DPR + \varepsilon it$

(3) $HSit = a0 + b1ROEit + b2CRt + b3DERit + b4TATO + b5DPR + b6ROE*DPR + \varepsilon it$

Description:

HS	= Stock price
ROE	= Return on Equity
CR	= Current Ratio
DER	= Debt to Equity Ratio
TATO	= Total Assets Turn Over
DPR	= Dividend Payout Ratio
ROE*DPR	= Interaction Return on Equity and Dividend Payout Ratio
a	= Constant
b1…b6	= Regression coefficient
εit	= Error on stock price

IV. RESULT AND DISCUSSION

TABLE II. DESCRIPTIVE STATISTICS

ISSN No:-2456-2165

Variable	Mean	Maximum	Minimum	Std. Dev.
Stock price	8,177	44,329	650	8,397
ROE	0,2171	1,4509	0,0082	0,3125
CR	1,9656	4,6577	0,6056	0,9775
DER	0,8928	3,4127	0,1535	0,6262
TATO	0,8766	2,3919	0,2819	0,5253
DPR	0,4319	2,2480	0,0005	0,4061

Table II shows the descriptive statistics of each variable. The average stock price is 8.177 rupiah/share, with a standard deviation of 8.397 rupiah. The maximum stock price is 44,329 rupiah/share, namely PT. Unilever Indonesia Tbk. (UNVR) in 2017. UNVR's stock price in 2017 was also higher than the average stock price. The minimum stock price of 650 rupiah/share is owned by PT. Tjiwi Kimia Tbk (TKIM) in 2016.

The average ROE is 0.2171 or 21.71%, with a standard deviation of 0.3125. On average, the company can generate a net profit of 21.71 rupiah for every 100 rupiah of equity it has. The maximum ROE value of 1.4509 or 145.09% occurred at UNVR in 2020. The minimum ROE value of 0.0082 or 0.82% occurred at TKIM in 2016. Based on the ROE value it can be seen that JII companies are profitable companies because all companies can generate profits.

The average CR is 1.9656 or 196.56%, with a standard deviation of 0.9775. On average, JII companies are liquid companies. They can pay off their short-term obligations. For every 100 rupiah current liabilities, available current assets are 196.56 rupiah. The maximum CR value of 4.6577 or 465.77% occurs at PT. Kalbe Farma Tbk. (KLBF) in 2018. The minimum CR value of 0.6056 or 60.56% occurred in UNVR in 2016.

The average DER is 0.8928 or 89.28%, with a standard deviation of 0.6262. On average, the company is in a solvable condition. For every 100 rupiah of company equity, there is a total liability of 89.28. The maximum DER value of 3.4127 or 341.27% will occur at UNVR in 2021. This shows that for every 100 rupiahs of UNVR equity, there is a total liability of 341.27. Thus in 2021, UNVR will be in an unsolvable state. The minimum DER value of 0.1535 or 15.35% occurs at PT. Indocement Tunggal Prakarsa Tbk. (INTP) in 2016.

The average TATO is 0.8766 or 87.66%, with a standard deviation of 0.5253. On average, companies can generate sales of 87.66 for every 100 rupiah of assets owned. The maximum TATO value of 2.3919 or 239.19% occurred at UNVR in 2016. The minimum TATO value was 0.2819 or 28.19% at TKIM in 2020.

The average DPR is 0.4319 or 43.19%, with a standard deviation of 0.4061. On average, the company distributes dividends of 43.19 for every 100 rupiah of net profit. The maximum DPR value of 2.2480 or 224.80% occurs at INTP in 2018. The minimum DPR value of 0.0005 or 0.05% occurs at PT. Telkom Indonesia (Persero) Tbk. (TLKM) in 2016.

The panel regression model has 3 (three) possible models, namely the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). The results of the best model selection test are presented in Table III.

TABLE III. MODEL SELECTION TEST RESULTS

Equation	Test	Statistics	p-value	Conclusion
1	Chow	Chi-square = 139.0416	0.0000	REM's best model
	Hausman	Chi-square = 1.1023	0.8939	
	Lagrange Multiplier	LM = 119.5205	0.0000	
2	Chow	Chi-square = 136.3403	0.0000	REM's best model
	Hausman	Chi-square = 2.1181	0.8326	
	Lagrange Multiplier	LM = 110.6608	0.0000	
3	Chow	Chi-square = 136.9062	0.0000	REM's best model
	Hausman	Chi-square = 3.0812	0.7986	
	Lagrange Multiplier	LM = 113.4119	0.0000	

It has been found that REM is the best model. Next, the classical assumption test is carried out. The test results are presented in Table IV.

TABLE IV. CLASSIC REGRESSION ASSUMPTION TEST RESULTS

ISSN No:-2456-2165

Equality	Assumption	Statistical value	Criteria	Conclusion
1	Normal Data Distribution	Prob =0.1409	Normal data distribution if probability>0.05	Normal Data Distribution
	Multicollinearity does not occur	Variable VIF ROE 2.1909 CR 2.4878 DER 2.0573 TATO 3.1906	There is no multicollinearity if VIF < 10	Multicollinearity does not occur
2	Normal Data Distribution	Prob =0.1380	Normal data distribution if probability>0.05	Normal Data Distribution
	Multicollinearity does not occur	Variable VIF ROE 2.3094 CR 2.5765 DER 2.0722 TATO 3.2410 DPR 1.1902	There is no multicollinearity if VIF < 10	Multicollinearity does not occur
3	Normal Data Distribution	Prob =0.1170	Normal data distribution if probability>0.05	Normal Data Distribution
	Multicollinearity does not occur	Variable VIF ROE 3.3960 CR 2.6299 DER 2.4698 TATO 3.2136 DPR 1.9544 ROE*DPR 2.8535	There is no multicollinearity if VIF < 10	Multicollinearity does not occur

TABLE V. MODEL ESTIMATION RESULTS

*** significant level at 1%, ** significant level at 5%, * significant level at 10%

Variable	Equality 1		Equality 2		Equality 3	
	Koef.	Sign	Koef.	Sign	Koef.	Sign
ROE	2.7630***	0.0013	2.8820***	0.0011	3.7644***	0.0005
CR	0.0491	0.7385	0.0643	0.6670	0.1034	0.4931
DER	-0.7812***	0.0013	-0.7769***	0.0015	-0.6193**	0.0182
TATO	-0.8023**	0.0329	-0.8243**	0.0296	-0.8252**	0.0285
DPR	-	-	0.1227	0.5192	0.3497	0.1509
ROE*DPR	-	-	-	-	-1.7955	0.1365
Konstanta	9.2533***	0.0000	9.1598***	0.0000	8.8322***	0.0000
F-stat	4.5758***	0.0021	3.7181***	0.0043	3.5435***	0.0035
R^2	0.1771	-	0.1812	-	0.2039	-
Adj R^2	0.1384	-	0.1324	-	0.1463	-

Table V shows that the regression-1 model is the appropriate model (fit). F count value of 4.5758 is significant at 0.0021. The coefficient of determination value of 0.1384 indicates the ability of the model to explain the phenomenon of the problem by 13.84%. The resulting regression equation is as follows:

HS = 9.2533 + 2.7630ROE + 0.0491CR – 0.7812DER – 0.8023TATO

Regression model-2 is also a suitable model (fit). F count value of 3.7181 is significant at 0.0043. The coefficient of determination value of 0.1324 indicates the ability of the model to explain the phenomenon of the problem by 13.24%. The resulting regression equation is as follows:

HS = 9.1598 + 2.8820ROE + 0.0643CR – 0.7769DER – 0.8243TATO + 0.1227DPR

The 3-regression model is also a fit model. The F count value is 3.5435 significant at 0.0035, the coefficient of determination is 0.1463 indicating the ability of the model to explain the phenomenon of the problem by 14.63%. The resulting regression equation is as follows:

HS = 8.8322 + 3.7644ROE + 0.1034CR – 0.6193DER – 0.8252TATO + 0.3497DPR -1.7955ROE*DPR

A. Effect of Return on Equity (ROE) on Stock Prices

The results of the study show that ROE has a positive and significant effect on stock prices. This is in accordance with the signal theory developed by Spence (1973) that companies that have good performance will use financial information to send

signals to the market. The higher the ROE ratio, the more efficiently the company uses its capital to generate net income. This good performance makes the stock price increase. The results of this study are in line with Puspita (2017), Cahyaningrum & Antikasari (2017), Anwar & Rahmalia (2019), Aryanti & Jayanti (2020), Gayatri & Thamrin (2020), Rasdayanti & Chaerudin (2021) who also found that ROE had an effect on positive and significant to stock prices.

B. Effect of Current Ratio (CR) on Stock Prices

The results of this study indicate that CR has no significant effect on stock prices. The size of the CR does not provide a signal for investors, so the stock price is not affected. The results of this study are in line with Samsuar & Akramunnas (2017), Suryawan & Wirajaya (2017), Ariyani et al. (2018), Herawati & Putra (2018), Admi et al. (2019), Ariesa et al. (2020), Gayatri & Thamrin (2020), Rosdiana (2021), Olivia & Ovami (2021), Tisa et al. (2021). The results of this study do not support the signal theory developed by Ross (1977) which states that company management has better information about the company. Management has a desthere to convey information on the liquid condition of the company to potential investors so that investors are interested in the company's shares which result in an increase in the company's stock price. The results of this study are not in accordance with Gursida's research (2017) on coal companies listed on the IDX, Rasdayanti & Chaerudin, Anwar et al. (2021) in the telecommunications company sub-sector listed on the IDX, shows that the current ratio has a positive and significant effect on stock prices.

A large current ratio value does not always have a good impact on the company. According to Brigham & Ehrhardt (2014), a high current ratio may indicate that the company has too much cash, accounts receivable, and inventory relative to its sales. This happens because these assets are not managed efficiently.

C. Effect of Debt to Equity Ratio (DER) on Stock Prices

The results showed that DER had a negative and significant effect on stock prices. The results of this study are consistent with the signal theory developed by Spence (1973) which states that companies that have good performance will use financial information to send signals to the market. The greater the DER, the greater the likelihood that the company will experience financial difficulties. Investors are not interested in stocks where the company is experiencing financial difficulties, thereby reducing the stock price. The results of this study are by Devi & Sutrisno (2015), Oktaryani et al. (2016), Wijaya (2017), Ariyani et al. (2018), Gayatri & Thamrin (2020), Vianti et al. (2020), Lestari & Susetyo (2020), Aryanti & Jayanti (2020), Rosdiana (2021), Megamawarni & Pratiwi (2021). Previous researchers examined the stocks of manufacturing companies, companies listed on the IDX30 Index, companies listed on the high dividend 20 Index, companies on the Indonesian Sharia Stock Index, coal companies, and banking companies.

D. Effect of Total Asset Turnover (TATO) on Stock Prices

The results of this study indicate that TATO has a negative and significant effect on stock prices. The bigger the TATO, the lower the stock price. This study is in line with Tisa et al. (2021) who also found that TATO had a negative and significant effect on the stock prices of the basic industrial and chemical sectors listed on the IDX. An increased TATO value due to increased sales can be a bad signal if the company's assets do not have strong fundamentals. The results of this study are different from the results of research by Wijaya (2017), Herawati & Putra (2018), Handayani et al. (2019), Anwar et al. (2021) who examined companies in the food and beverage industry sector, manufacturing companies, as well as cosmetics and household appliances companies listed on the IDX. They found that TATO had a positive and significant effect on stock prices.

E. Effect of Dividend Payout Ratio (DPR) on Stock Prices

The results of this study indicate that the DPR has no significant effect on stock prices. These findings support the dividend irrelevance theory, which states that dividend policy does not affect firm value. This theory argues that the value of a company is not determined by the company's dividend policy, but is determined by its basic ability to generate profits and business risks. The results of this study also show that JII stock investors are not investors who care about giving dividends. If the company doesn't pay dividends and investors want cash, they can sell some of their shares. Conversely, if the company distributes dividends, while investors do not need cash, the cash dividends obtained can be used to buy new shares. The results of this study are in line with the results of Admi et al. (2019) stated that dividend policy has no significant effect on stock prices in manufacturing companies in Indonesia. The results of this study are also in line with the results of research by Imansyah & Mustafa (2021) who examined the Kompas100 Index stock. Unlike the research by Rahmawati & Suryono (2017) on property and real estate companies in Indonesia, Fitri & Purnamasari (2018) on mining companies in Indonesia, Bustani et al. (2021) for food and beverage companies in Indonesia, stated that there is a positive and significant relationship between dividend policy and stock prices.

F. The Role of Dividend Policy in Moderating the Effect of Profitability on Stock Prices

Return on Equity which is a proxy for profit is found to have a significant positive effect on stock prices. If the dividend policy (as measured by the Dividend payout ratio/DPR) moderates the effect of ROE on stock prices, then the effect of ROE on stock prices will increase with the moderation of dividend policy.

The results of the study show that the DPR does not affect stock prices (equation 2). DPR's interaction with profitability (ROE) also does not affect stock prices (equation 3). This research is in line with the research of Parmuji, Ibrahim, & Djaddang (2021) who found that dividend policy cannot moderate profitability on stock prices by using a profitability proxy, namely return on assets (ROA). The findings of this study indicate dividend policy (DPR) is a potential moderator (Helm and Mark, 2012).

The results of this study differ from Aryanti and Jayanti (2020) who found that DPR acts as a moderator of the effect of ROE on stock prices. Aryanti and Jayanti examined

companies listed on the Indonesian Sharia Stock Index (ISSI) for 2014-2018. Shareholders in companies listed on the Indonesian Sharia Stock Index (ISSI) consider the company to be more valuable if the profits generated are partly distributed as dividends.

V. CONCLUSION

The results showed that profitability has a positive and significant effect on stock prices. Liquidity has no significant effect on stock prices. Leverage and company activities have a negative and significant effect on stock prices. Dividend policy is a potential moderator variable. Directly dividend policy does not affect stock prices. The interaction of dividend policy with profitability also does not affect stock prices.

The coefficient of determination in this study is relatively low. Future researchers should add other variables that affect stock prices, such as share ownership. Future research can replace variable measurements, such as profitability measured by return on assets which shows the company's ability to manage company assets to generate profits. Future studies can also replace liquidity measurements with quick ratios and company activity with inventory turnover. Dividend policy measurement can be replaced with dividend yield. Future studies should add dividend growth variables and stock returns expected by investors. In addition, this research model can be implemented in other stock indices such as LQ45, Kompas100 or certain industrial sectors such as the Food and Beverage Industry or Property and Real Estate.

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