**INTERNATIONAL JOURNAL OF SOCIAL HEALTH**
https://ijsh.ph/index.php/rp
**Volume 3 Number 9 September 2024**

# Analysis of the Influence of Dividend Policy on Changes in Stock Prices in Manufacturing Companies Listed on the IDX

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**KEYWORDS**
dividend policy, share prices, manufacturing companies

**ABSTRACT**
Research Objectives: The primary objective of this study is to analyze the impact of dividend policy on share prices in manufacturing companies listed on the Indonesia Stock Exchange. Specifically, the research aims to: Examine how different dividend policies affect investor perceptions and their subsequent influence on share price movements. Identify the key factors within dividend policies that contribute to fluctuations in share prices. Explore the implications of dividend policy decisions on long-term investor confidence and market behavior. Revised Statement: Dividend policy is a strategic decision made by a company regarding how to utilize its profits—whether to distribute them as dividends to shareholders or retain them for further investment in the business. This research focuses on analyzing the impact of dividend policy on share prices in manufacturing companies listed on the Indonesia Stock Exchange. The study employs a qualitative approach, gathering information through a comprehensive literature review. The data collected undergoes several stages of analysis, including data simplification, visualization, and the formulation of conclusions. The findings indicate that dividend policy significantly affects share prices. Dividend policy shapes investor perceptions of the company, which in turn influences share price movements. For instance, consistent dividend payments can bolster investor confidence and send a positive signal about the company’s performance, potentially driving buying activity in the market. Conversely, a reduction in dividend payments might raise investor concerns, possibly leading to a decline in share prices. Research Implications: The implications of this study are twofold. First, for corporate decision-makers, the research underscores the importance of carefully considering dividend policies as they directly influence investor confidence and share price stability. Second, for investors, the findings provide insights into how dividend policies can serve as indicators of a company’s financial health and future performance, guiding their investment decisions.

DOI: 10.58860/ijsh.v3i9.232

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## INTRODUCTION

Manufacturing companies have a significant impact on the Indonesian economy, as can be seen from the multiplicity of these companies traded on the Indonesia Stock Exchange (IDX). In carrying out their operations, these companies depend on investment from investors (Pinem, Tindangen, &

Cahyani, 2020). Investment is very important because it provides a company with the capital needed for growth, product development, or increasing production capacity. When investors consider investing capital in a manufacturing company, they first assess various indicators to make an informed decision. One of the main indicators they look at is changes in a company's stock price, which is often thought to reflect a company's financial health and future outlook.

According to Purwaningsih (2020), the stock price is the value prevailing in the market at that time, and is the easiest price to know because it shows the value of shares in an active market. If the market is inactive, the price recorded is the closing price. Factors that influence stock prices include how the company's operations perform, general economic conditions, and the company's choices regarding dividends. The dividend policy implemented by a company is frequently viewed as an indicator of the company's financial robustness and potential for future growth, so it can influence investors' investment decisions.

Dividend policy refers to decisions about how profits earned by the company will be treated, whether they set to be distributed to investors as dividends or retained as earnings to fund future investments (Anggeraini & Triana, 2023). The determination of dividend policy can influence the degree of investor trust in the company, which is related to performance and achievement of predetermined profit targets (Pinem et al., 2020).

Dividend policy is a crucial aspect in making company financial decisions, especially for production companies. This decision selection determines the amount of profit that will be allocated to shareholders as dividends and the portion that will be kept for reinvestment or other uses. Dividend policy can influence the way investors view a company, which in turn influences share price fluctuations (Yesita Astarina, Laili Dimyati, & Widia Nopita Sari, 2019). Additionally, Dividend Signal Theory underlies the view that changes in dividend payments carry important information that can influence stock price reactions, as investors often respond to such announcements based on indications of a company's financial stability and developmental potential.

Earlier studies carried out by Fitri & Purnamasari (2018) evaluated the dividend policies of ten mining companies listed on the Indonesia Stock Exchange during the 2008-2012 period. Research indicates that dividend policy can affect stock prices by communicating information to the market, which then causes a response in stock prices. The findings of the analysis reveal that dividend policy has a favourable impact on stock prices, proving that investors use dividend policy as an indicator for making investment decisions, which eventually influences the company's stock price. This research supports the dividend signal theory.

Other research by Husein & Kharisma (2020) analyze objectives that are aligned with the objectives that will be implemented in this study. The findings of the research reveal that dividend policy has a strong relationship with stock prices in manufacturing companies. This means that dividend policy as an independent variable has a favorable and substantial impact on stock prices.

The novelty in this research is related to current market conditions and changes in economic policy and capital markets. It is important to consider that findings from previous studies may not be fully relevant if the market has undergone significant changes or if economic and capital market policies have changed since the period of the study. So based on this background, the problem formulations raised are: How does dividend policy affect stock price changes in manufacturing companies listed on the Indonesia Stock Exchange (IDX)?

This study intends to provide a deeper insight into how decisions regarding dividend distribution affect investor behaviour and stock price movements (Barros, Verga Matos, & Miranda Sarmento, 2020). The results of this study are expected to contribute to providing useful information for companies in formulating dividend policy strategies that can increase company value and attract investor interest. This study aims to examine how dividend policy affects changes in stock prices in manufacturing companies listed on the Indonesia Stock Exchange (IDX).

The findings of this research are anticipated to offer practical benefits for company managers in making informed decisions about dividend policies that align with investor expectations and market conditions. By understanding the impact of dividend policies on stock prices, companies can enhance their strategic financial planning, potentially increasing their market valuation and investor satisfaction. Additionally, the study provides valuable insights for policymakers and investors, offering guidance on how to interpret dividend signals and make investment decisions in the context of the Indonesian capital market.

## METHOD

This study employs a qualitative method with a descriptive approach as its research technique. Qualitative research is an approach that does not rely on numbers or statistical data but rather focuses on qualitative evidence such as words, images, or behavior. This method aims to understand and interpret phenomena in a deep and contextual way (Roosinda et al., n.d.). Meanwhile, descriptive research is a form of research designed to describe a phenomenon or situation in a realistic, factual, and current manner. In this research, the researcher systematically prepares a description or picture of the details, attributes, and connections among the phenomena being examined. The qualitative descriptive approach does not use statistical figures but presents data in narrative form or a detailed description of the situation or conditions studied.

The process of gathering data for this study was conducted using a review of existing literature, namely collecting data from available sources, such as information listed on the “Indonesia Stock Exchange (IDX)” page and relevant previous research. Once the data is gathered, an analysis is performed in three phases, such as simplifying, sorting and focusing the data that has been collected to make further analysis easier. Next, the data is arranged in the form of a systematic description or narrative to offer a clear overview of the phenomenon under investigation. The closing stage is to draw conclusions from the data that has been presented, with the aim of providing a meaningful interpretation and answering the research questions. The study identified two main variables, namely (X1) Dividend Policy as the independent variable and (Y) Stock Price Change as the dependent variable. The hypothesis proposed in this study is whether dividend policy has a significant effect on changes in stock prices in manufacturing companies listed on the IDX

## RESULT AND DISCUSSION

The influence of dividend policy on changes in share prices in manufacturing companies shows how a company's decision to distribute dividends can influence the market value of its shares, both positively and negatively, based on investors' reactions to the returns they receive. Research conducted by Mahmud (2018) states that dividend policy, which is measured through the Dividend Payout Ratio (DPR), has a significant impact on the share price of LQ 45 companies listed on the IDX for the 2013-2017 period. A negative t value indicates that the Dividend Payout Ratio (DPR) has a direct relationship with share prices. The negative regression coefficient results indicate that changes in the Dividend Payout Ratio (DPR) are related to the decline in share prices in LQ 45 companies on the Indonesia Stock Exchange during that period. Meanwhile, research by Anggeraini & Triana (2023) also states that for food and beverage sector companies listed on the IDX during the 2017-2020 period, it can be concluded that the Dividend Payout Ratio (DPR) has a significant influence on share prices.

Building a better economy is crucial to improving people's welfare and moving the country forward. An improved economy can create jobs, increase incomes, and reduce poverty. However, achieving this requires support from various parties, including the government, private sector, communities, and international institutions. The government plays a role in setting policies that support economic growth, such as business-friendly regulations, investment in infrastructure, and education and skills training programs. The private sector, on the other hand, contributes by investing, creating jobs, and encouraging innovation and productivity (Ganda, 2019). Communities also play an important role by actively participating in economic activities, supporting local products, and investing in education and training. This approach aims to increase productivity, strengthen the economic structure, and encourage sustainable economic growth. By managing and optimizing available resources, countries can develop infrastructure, improve the quality of life, and create new economic opportunities (Nurhayani, 2022). In Indonesia, there are several economic sectors, one of which is the manufacturing sector. The manufacturing sector plays a crucial role in the country's economy, playing a part in the production of goods, employment generation, and economic expansion via production and processing activities of various products (Harahap, Al Qadri, Harahap, Situmorang, & Wulandari, 2023).

The manufacturing sector exerts a substantial influence on national economic expansion in many countries, including Indonesia. This sector is essential to creating jobs, increasing the added value of products, and strengthening economic competitiveness. The contribution of the manufacturing sector to Gross Domestic Product (GDP) is usually quite significant because it involves various industries such as automotive, textile, food and beverage, electronics, and many others. Apart from that, the manufacturing sector also plays a role in increasing exports, which in turn can strengthen foreign exchange reserves and economic stability. In Indonesia, the manufacturing sector is one of the main drivers of economic growth, and the government often pays special attention to developing this industry through various policies and incentives. This includes efforts to increase investment, improve the quality of the workforce, and encourage technological innovation in the production process (Tambunan, 2024).

Company income often comes from investments made by investors, whether in the form of purchasing shares, bonds, or other forms of investment. Dividends can be a major attraction for investors as they provide a passive income stream and reflect the financial health of the company (Renneboog & Trojanowski, 2011). As part of the profits distributed to shareholders, dividends provide an attractive regular income for investors looking for a steady cash flow from their investments. In addition, consistent dividend payments are often considered a positive indicator of a company's stability and profitability, as only financially sound companies can afford to pay dividends on a regular basis. In other words, dividends not only provide direct benefits in the form of income but also signal confidence to investors about the sustainability and financial strength of the company. Dividends are direct returns distributed to shareholders from company profits. Companies that offer attractive and consistent dividends are usually better able to attract investors. Stable and high dividends can increase a company's attractiveness, providing a positive signal about the company's financial health and profitability. In addition, companies with good dividend policies are often considered safer and more reliable investment options, so they can influence investors' decisions to invest their capital (Salvatori & Robiyanto, 2020).

Investments involve risk and uncertainty because asset values can change due to several factors such as market fluctuations, economic climate, and policy changes. Therefore, investors should consider these potential risks when making investment decisions. Dividends are a way for companies to return a portion of profits to investors in return for their investment. Dividend payments are usually made periodically, for example, every quarter or year, and the amount can vary depending on the company's policy and its financial condition and profitability. This dividend distribution depends regarding the company's financial results and dividend strategy set by company management. If the company does not generate sufficient profits or chooses to retain profits for reinvestment, dividends may not be distributed (Sari, Wahyudi, & Murtatik, 2021). Investment means investing funds or other resources with the expectation of earning a future profit or return. It involves allocating capital to different types of assets or projects that are expected to generate income, growth in value, or other benefits. In general, investment involves investing capital in various assets or projects with the aim of achieving value growth or additional income (Halim & Hastuti, 2019).

Dividends are paid from the company's net profit, which is profit after deducting all costs and taxes. To ensure consistent dividend payments, a company must have sufficient and stable profits. Apart from net profit, operational cash flow is also important because it shows the availability of cash generated from the company's main activities. The dividend payout ratio, which shows the percentage of profits distributed to shareholders, provides an idea of how much profit is allocated to dividends (Martini, Fajriah, & Sidi, 2022). A dividend policy is a decision taken by a company concerning the allocation of profits to shareholders through dividends. This approach determines how much profit will be distributed as dividends and how much will be retained by the company for reinvestment purposes or other needs. Dividend policy reflects the company's strategy in providing profits to shareholders while maintaining long-term growth and financial stability (Hakami, 2014).

Factors such as leverage, liquidity, and profitability affect a company's dividend policy and may impact investment decisions. Profitability is a key factor because companies that generate high profits tend to be better able to pay dividends to shareholders. Liquidity is also very important because the company must have sufficient cash to distribute dividends without sacrificing operational needs. Leverage, which measures the proportion of debt to equity, also influences dividend policy, as a highly leveraged company may choose to retain profits to strengthen its financial position and meet debt obligations rather than paying larger dividends. The combination of these factors determines how a company balances between maintaining cash for internal needs and distributing profits to shareholders (Anisa, Budiyanti, Ramli, & Aslam, 2024). Meanwhile, liquidity describes the ease and speed with which one can buy or sell an asset in the market without significantly affecting the price. Highly liquid assets, such as cash or savings accounts, can be easily accessed and used in everyday transactions. In contrast, less liquid assets, such as property or unlisted company shares, may take longer to sell and may require a reduction in price to sell quickly. In the context of finance and investment, liquidity is important because it determines how quickly investors or companies can sell assets and get cash when needed (Apriliani & Natalylova, 2017).

A consistent or increasing dividend policy each year can help increase investor confidence, as it shows that the company has good financial health and positive prospects. An increase in dividends signals that the company can produce sufficient earnings to distribute to shareholders on a regular basis. This increased confidence can attract new investors and support demand for the company's shares in the capital market. With increased requests, share prices tend to rise, creating a balance between supply and demand that favours the company in the capital market (Husein & Kharisma, 2020).

In financial markets, variations in stock prices are typical and influenced by a variety of factors. The increase and decrease in share prices is directly tied to a company's value, as stock prices are often considered a reflection of the company's value from the perspective of investors. When investors believe that the value of a company will increase, either due to good financial performance, growth prospects, or favourable economic conditions, the company's share price tends to rise. Conversely, if there are indications that the company's value may decline, the share price may fall. Therefore, share price fluctuations in the capital market reflect changes in investors' views on the company's current and future value (Rahma & Arifin, 2022).

Shares are securities that show the stake or shareholding of an individual or entity in a company. Shareholders have the right to receive a portion of the company's profits, which are distributed as dividends and have voting privileges at the annual meeting of shareholders to decide on various company policies. Shares are traded on stock exchanges, and their value can fluctuate depending on company performance, market conditions, and other economic factors. As a form of investment, shares allow investors to gain profits from share price appreciation and dividends but also face the risk of price fluctuations and potential losses. Meanwhile, share prices are prices that occur in the real market, namely the prices at which shares are traded on stock exchanges such as the Indonesian Stock Exchange (BEI). The rise and fall of stock prices is influenced by the number of enthusiasts or market demand for these shares. When demand for shares increases, for example, due to positive news about the company or good profit prospects, the share price tends to rise as many investors want to buy the shares. Conversely, if demand decreases or there is negative news affecting perceptions of the company, the share price may fall as investors sell their shares. This price is not fixed and can change quickly for a variety of reasons, such as how the company is performing (for example, higher or lower profits), the general economic situation, relevant recent news, and how the market as a whole feels or believes about future prospects. The share price seen in the real market reflects the value that buyers are willing to pay and the value that sellers are willing to accept at that time (Anggeraini & Triana, 2023). Share prices themselves can be accessed on the Indonesian Stock Exchange (BEI), which is the official stock market in Indonesia. At IDX, share prices are monitored and traded in real-time during trading hours. Investors can view the latest stock prices, price changes and other related data via stock trading platforms, the IDX website or investment applications. Share prices on the IDX are influenced by various factors, including company performance, market conditions, economic news, and investor sentiment (Maulida et al., 2024).

Thus, dividend policy affects changes in stock prices in manufacturing companies listed on the Indonesia Stock Exchange (IDX) because decisions regarding dividends are often considered financial signals that reflect the health and prospects of the company. When a company announces a dividend increase, investors often view this as a positive indicator of the company's stable cash flow and confidence in future performance. This signal can increase investor interest, thereby pushing the stock price up. On the other hand, if a company cuts or suspends dividends, this could be seen as an indication that the company is facing financial difficulties or concerns about business sustainability, which might result in a decrease in the share price. Thus, dividend policy serves as a key measure for investors in evaluating the value and stability of the company.

## CONCLUSION

This research demonstrates that dividend policy significantly influences stock prices, aligning with the research objectives. The findings reveal that dividend distribution can enhance investor confidence, signal positive company performance, and stimulate investors to purchase shares in the market. A large dividend announcement is typically perceived as an indication of the company's strong financial position, attracting investors and potentially driving up share prices. On the other hand, a decision to reduce or withhold dividends may be interpreted as a sign of financial distress, leading to a decrease in share prices due to diminished investor confidence. However, the impact of dividend policy on stock prices is not absolute and can be moderated by various other factors, indicating the need for a broader consideration in investment decisions.

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