

The Impact of Dividend Policy on Stock Prices With Profitability as Variable Mediation in Manufacturing Companies Listed in Indonesia Stock Exchange

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ABSTRACT

This study aims to determine the impact of dividend policy on stock prices with profitability as a mediating variable on manufacturing companies listed on the Indonesia Stock Exchange. The population in this study are all manufacturing companies listed on the Indonesia Stock Exchange from 2014 to 2018 using secondary data. The sampling technique uses purposive sampling. The number of samples in this study were 370 samples (74 companies with 5 years of research). The data analysis method used is to use path analysis and sobel test on the SPSS 25 program. The results of the study indicate that dividend policy has a positive and significant effect on stock prices. Profitability has a positive and significant effect on stock prices. Dividend policy has a positive and significant effect on stock prices. Dividend policy has a positive and significant effect on stock prices with profitability as a mediating variable.

Keywords: Dividend Policy, Profitability, and Stock Prices

1. INTRODUCTION

According to Sharif (2015) stock prices are more responsive to predictions of fluctuations in profit levels at certain time phases. Companies that are in a period of growth do not yet have a level of maturity but have the opportunity to develop stock prices to last longer. But in a large company with a high level of maturity, the share price will last for a short time so that it can modify capital gains.

The development of share prices in the manufacturing industry listed on the Indonesia Stock Exchange in the period January 2017 to January 2018 tends to increase. But from the period January 2018 to December 2018 tends to decrease. The development of stock prices in the financial services industry tends to increase from January 2017 to January 2018. The period of

January 2018 to December 2018 moves fluctuating but remains with an upward trend.

Based on data obtained from the Indonesia Stock Exchange, it is explained that the manufacturing industry has an average daily profit from stock transactions of 2.43% while the daily loss reaches 3.13%. The financial services industry averaged a daily profit from stock transactions of 2.12% while daily losses reached 2.68%. The daily loss rate of the manufacturing industry is higher than the financial services industry.

Manufacturing has an average profit of 3.09% in the week while the loss is 4.94%. The financial services industry averaged a week's profit from stock transactions at 4.51% while daily losses reached 2.75%. The weekly loss rate of the manufacturing industry is higher than the

financial services industry. The weekly profit rate of the manufacturing industry is lower than the financial services industry. The manufacturing industry has an average profit of 8.18% in a month while the loss is 2.31%. The financial services industry averaged a month's profit from stock transactions at 9.45% while monthly losses reached 1.51%. The monthly profit rate of the manufacturing industry is lower than the financial services industry.

The above problem explains that the manufacturing industry has a low level of profit from the financial services industry, as well as the manufacturing industry's loss rate is higher than financial services. So this research is focused on the manufacturing industry on the Indonesia Stock Exchange. The manufacturing industry is one industry that is very vulnerable to economic changes, both globally and nationally. For example, the cement industry produces and markets raw materials across national and international levels, making it highly vulnerable to economic changes.

According to Gumanti (2017: 110) bird in the hand theory states that investors prefer dividends over capital gains such as capital gains and companies can increase or at least support the value of the company through its stock price by choosing attractive dividend policies. This is in line with Monoarfa's research (2018) which shows that there is a relationship between company value and dividend policy. The value of the company will be maximized by a high dividend payout ratio, because investors assume that the risk of dividends is not as great as the risk of capital increase. In theory the bird in hand explains the future dividend flow will be discounted at a level lower than the profit model expectation. Shares will be valued higher if the expected dividend is higher than the company with lower expected dividends. This means that the greater the dividend policy, the higher the stock price of a company.

According to Husnan (2012: 297) dividend policy is a policy that concerns issues regarding the use of earnings which are the rights of

shareholders. Dividend policy must be analyzed when dividends are distributed and how much profit should be distributed in the form of dividends while taking into account the company's goals, namely increasing its value. Dividend policy is a decision that must be taken by company management and shareholders in a general meeting of shareholders to determine what kind of policy in dividend distribution. In making these decisions there are various kinds of considerations such as the company's future plans and company performance when dividends are distributed. This is done because the distribution of dividends can be a separate impact on the continuity of the company's business in the future because the higher the distribution of dividends, the greater the potential for the company to be attracted by investors so that share prices will increase.

Based on previous research conducted by Hasan (2013) concluded that dividend policy has a contribution to changes in a company's stock price. The results of this study support the relevant theory which explains that the greater the dividend paid, the higher the stock price of a company. Based on previous research conducted by Budagaga (2017) concluded that dividend policy has a positive relationship with stock prices with the support of bird in the hand theory. The results of research conducted by Sharif (2015) concluded that dividend policy based on dividends per share does not have a significant relationship to stock prices. The results of previous studies are still contradictory so that further research needs to be done on dividend policy analysis of changes in stock prices in a company.

Signaling theory explains that companies that have high performance will tend to have high share prices. Company performance can be illustrated from the level of profitability obtained by the company. According to Fahmi (2018: 80) profitability ratio measures the effectiveness of management as a whole where it is shown by the size of the level of profits obtained in relation to sales and investment. The better the profitability

ratio of a company, the better the picture about the high ability of a company to obtain profits. In general there are 4 profitability ratios that are often used, namely gross profit margin, net profit margin, return on investment, and return on equity. The higher the profitability of the company, the higher the stock price will be.

Based on research conducted by Avdalović (2017) concluded that the level of profitability has a significant effect on stock prices. Research also conducted by Rafindadi (2019) concluded that the level of profitability can affect a company's stock price. However, research conducted by Abdullah (2018) and Puspitaningtyas (2017) concluded that profitability had no effect on stock prices. The existence of a research gap that produces different conclusions then it must be carried out further research on the effect of profitability on stock prices.

According to Amidu (2007) agency theory developed by Black (1976) argues that dividend policy can reduce the problem of overinvestment because dividends can reduce the amount of free cash flow. However, this theory is difficult to test because it is difficult to convey ideas about negative net present value projects to individual investors who do not know financial theory. One way to test this theory is by linking free cash flow to a market downturn or economic downturn assuming fewer opportunities for growth under these circumstances.

According to Amidu (2007) in agency theory management companies choose large companies because they can create higher income or compensation when compared to small companies. The opinion is not concerned with the wishes of the company owner so that dividend payments can reduce the potential value of the investment that is misused by company management. Dividend payments can be beneficial for shareholders to control the problem of overinvestment. Easterbrook explained that dividends can reduce the problem of excess investment because dividend payments can increase the frequency of companies that are in the capital market (Anandasayanan, 2016).

Amidu (2007) explains that an increase in the frequency of companies is marked by the necessity of companies to enter the equity market in order to obtain additional capital, so that company management must comply with market monitoring and discipline. This can reduce agency costs because share repurchases can create the same monitoring effect. Dividend payments can reduce agency costs so as to increase profitability in the next period. An increase in profitability in the next period will encourage an increase in the price of its shares so that profitability can be a mediation between dividend policy on stock prices.

Trends in the development of share prices, dividend policies, and profitability in cement sub-sector companies which are part of the manufacturing sector. The companies that were taken into consideration in seeing the trend were Indocement Tunggal Prakasa, Semen Baturaja (Persero), Holcim Indonesia, Semen Indonesia (Persero), and Wijaya Karya Beton. Waskita Concrete Precast Company was not considered because it did not publish the 2014 and 2015 annual reports. A description of trends in share price development, dividend policy, and profitability in the cement sub-sector companies explained that the development trend of average stock prices tended to decline from 2014 to 2018. The average average decline in share prices occurred in 2016 which only reached Rp. 6,125 while in 2015 reached an average of Rp. 7,488.2. Even though the share price in 2017 has increased again, in 2018 it has decreased again which only reached Rp. 6,792.2.

Dividend policy decreased in 2016 which only reached 33.146%, although in 2017 and 2018 again increased, but the increase was not as high as in 2015. The dividend policy in 2018 only reached 39% while in 2015 it reached 50.71% . The level of profitability from 2015 to 2018 has decreased where the decline and the highest occurred in 2018 which only reached 5.23% while 2017 reached 5.68%.

An increase in dividend policy in 2018 also lowers share prices in the same year, so that it is

contrary to bird in the hand theory which states that investors prefer dividend policy so as to increase share prices. But what happens is that dividend policy results in a decrease in average share prices in the next period.

The dividend policy increased in 2017 but caused profitability to decrease. This is contrary to the agency theory that explains that dividend payments should be able to increase the profitability of the company because the owner of the company will oversee the company's management to increase profitability again. So that in the following year the owner of the company can again receive dividends for increased profitability. But what happens is dividend payments result in a decrease in average profitability of the company.

The level of profitability in 2017 decreased but the share price in the same year actually increased. In smoothing theory explains that high profits will make a reaction to stock prices higher. Signaling theory explains that a decrease in the level of profitability will cause a decrease in stock prices, but a decline in the level of profitability results in an increase in stock prices. The existence of several phenomena that are contrary to the theory must be conducted research on the effect of dividend policy on stock prices mediated by the level of profitability.

Research conducted by Adimasu (2019) concluded that dividend policy can affect profitability because each increase in dividend payments will also increase profitability. Research also conducted by Kawshala (2017) also concluded that dividend policy has a significant relationship to profitability. However, previous research conducted by Anandasayanan (2016) concluded that dividend policy did not have a significant effect on profitability. The existence of a research gap that produces different conclusions, it is necessary to conduct further research on the effect of profitability on dividend policy.

There is a difference in the phenomenon with the theory that dividend policy results in a decrease in stock prices and profitability, as well

as a decrease in profitability that increases stock prices so a statistical test must be performed to see the impact of these variables. Differences in research results about the variables studied then further research must be done to describe the results that are more relevant. Based on the above background, the writer is interested in examining this issue by giving the title "Impact of Dividend Policy on Share Prices with Profitability as a Mediating Variable in Manufacturing Companies Listed on the Indonesia Stock Exchange in the 2014-2018 Period".

2. THEORETICAL BASIS

2.1 Agency Theory

According to Amidu (2007) agency theory developed by Black (1976) argues that dividend policy can reduce the problem of overinvestment because dividends can reduce the amount of free cash flow. However, this theory is difficult to test because it is difficult to convey ideas about negative net present value projects to individual investors who do not know financial theory. One way to test this theory is by linking free cash flow to a market downturn or economic downturn assuming fewer opportunities for growth under these circumstances. In agency theory, company management chooses large companies because it can create higher income or compensation when compared to small companies. The opinion is not concerned with the wishes of the company owner so that dividend payments can reduce the potential value of the investment that is misused by company management. Dividend payments can be beneficial for shareholders to control the problem of overinvestment.

2.2 Bird in the Hand Theory

According to Sudana (2018: 193) the theory of bird in the hand theory states that dividend policy has a positive influence on the stock market price. This means that if the dividend distributed by a company is greater then the market price of shares in the company will also

be higher. This happens because the distribution of dividends can reduce the uncertainty faced by investors when compared to the expected capital gains from share price growth. If the company's profit growth is used for investment expenditure, the dividend yield will be smaller than the component of growth in expected income. This explains that dividend policy will greatly affect the growth of stock prices because investors will be attracted to companies that provide a lot of dividends.

2.3 Signalling Theory

According to Amidu (2007) signaling theory explains dividend payments can signal future prospects so intuition based on this argument is based on differences in information between company management and outside investors. The manager has personal information about the company's current and future wealth that is not available to outsiders so the manager is considered to have an incentive to communicate information to the market. The difference in information can be overcome by looking at the level of profitability and dividend distribution of the company which is a signal that the company is in good condition so that the share price will increase.

2.4 Stock Price

According to Harmono (2018: 50) stock prices can be reflected through the value of these shares. Share price is the value of the liability assigned to each share. According to Sharif (2015) stock prices are more responsive to predictions of fluctuations in profit levels at certain time phases. Measurement of stock prices through closing prices in the next financial year.

2.5 Dividend Policy

According to Harmono (2018: 12) dividend policy is the percentage of profits paid to shareholders in the form of cash dividends, maintaining dividend stability from time to time, dividend distribution of shares, and share buybacks. Dividend policy measurement can be

used by using the dividend payout ratio. Based on the journal published by Rafindadi (2019) and Budagaga (2017), the formula used to measure the dividend payout ratio and dividend per share is:

$$DPR = \frac{\text{Amount of Dividends Paid}}{\text{company's net profit}} \times 100\%$$

$$DPS = \frac{\text{dividend amount paid}}{\text{the number of Outstanding Shares next year}}$$

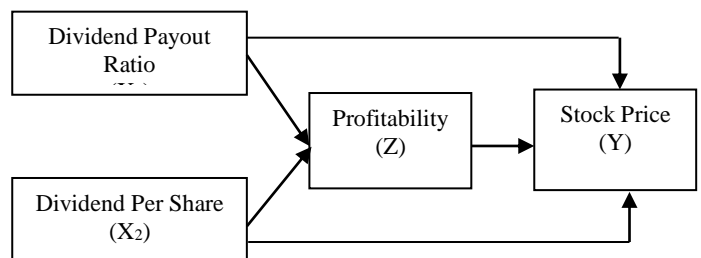
2.6 Profitability

According to Fahmi (2017: 68) profitability ratio is a ratio that measures the effectiveness of management as a whole where it is indicated by the size of the level of profits obtained in relation to sales and investment. The greater the profitability ratio, the better the ability to describe the company's high profitability. The formula used is:

$$ROI = \frac{\text{net profit after tax next year}}{\text{Total assets next year}}$$

2.7 Conceptual Framework

Based on the theory and analysis of previous research, the conceptual framework formed is:



3. METHODS

This type of research will be classified as causative research. This study explains and illustrates the relationship between the independent variable, dividend policy and the intervening variable, which is profitability to the dependent variable, namely the stock price. This study analyzes the extent of the effect of dividend policy on stock prices with profitability

as a mediating variable on manufacturing companies listed on the Indonesia Stock Exchange.

The population in this study is manufacturing companies listed on the Indonesia Stock Exchange. So that the total population in this study is 175 companies listed on the Indonesia Stock Exchange. The technique used to take samples is to use purposive sampling technique. According to Sugiyono (2017:67) explains that purposive sampling is a sampling technique using certain criteria determined by researchers. The number of samples that meet the

sampling criteria are 74 companies with a period of 2014 to 2018 (5 periods). So that the number of samples studied was as many as 370 research samples.

4. RESULTS AND DISCUSSION

4.1 Research Result

This study aims to look at the impact of dividend policy on stock prices with profitability as a mediating variable on manufacturing companies listed on the Indonesia Stock Exchange. Descriptive analysis results are:

Table 1 Results of Descriptive Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
Dividend Payout Ratio	370	,00	145,86	25,2887	25,05096
Dividend Per Share	370	,00	6500,00	153,1031	643,97337
Profitability	370	,00	,92	,0852	,09283
Stock Price	370	50,00	160000,00	5130,0135	14126,47608
Valid N (listwise)	370				

The lowest value of the dividend payout ratio is 0% meaning that it does not distribute dividends made by several companies. The highest value of the dividend payout ratio is 145.86%, the average value of the dividend payout ratio is 25.28%, and the standard value of the dividend payout ratio is 25.05% of the previous year's earnings. The lowest value of dividends per share is 0 rupiah or does not distribute dividends, the highest value of dividends per share is Rp. 6,500/share, the average value of dividends per share is Rp. 153.10/share and the standard deviation of dividends per share is Rp. 643.97/share.

The lowest value of profitability is 0,0003 or 0.03%, the highest value of profitability is 0.92 or 92%, the average value of profitability is 0.0852 times or 8.52%, and the standard deviation of profitability is 0.0928 or 9,28%. The lowest value of the stock price is Rp. 50, the highest value of the share price is Rp. 160,000, the average value of the stock price is Rp. 5,130.01, and the

standard deviation of the share price is Rp. 14,126.47.

The results of this study have previously passed the classical assumption test with the methods of data normality, multicollinearity, autocorrelation, and heteroscedasticity. The data of this research were previously carried out data transformation with an explanation namely:

- 1) Dividend policy variable consisting of dividend payout ratio (DPR) not transformation data, meanwhile dividend per share (DPS) uses square root data transformation.
- 2) Profitability variable is not transformed data.
- 3) Variable stock prices using natural logarithm data transformation.

The analysis in this study uses path analysis. The path analysis test results in this study are:

- a. Model 1 (Direct Effect of Dividend Policy on Share Prices)

The direct effect between the dividend payout ratio (DPR) and the

dividend per share (DPS) on stock prices can be seen in the table below, namely:

Table 2 Test Results for Path Analysis Model 1

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2,686	,042		63,708	,000
	Dividend Payout Ratio	,007	,001	,259	5,265	,000
	Dividend Per Share	,029	,003	,431	8,783	,000

a. Dependent Variable: Stock Price

Based on the table above, the regression equation formed in model 1 is:

$$HS = 0.259DPR + 0.431DPS$$

The interpretation of the equation above is:

- 1) The value of the beta standardized coefficients variable dividend payout ratio (DPR) to stock prices is 0.259 with a positive sign. This means that any increase in dividend payout ratio (DPR) will increase share prices.

- 2) The value of the standardized coefficients beta variable dividend per share (DPS) to the stock price is 0.431 with a positive sign. This means that every increase in dividend per share (DPS) will increase share prices.

Model one must know the standard error or the influence of other variables in the model are:

Table 3 Standard Model 1 Test Results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,611 ^a	,373	,370	,56948

a. Predictors: (Constant), Dividend Per Share, Dividend Payout Ratio

The value of R square in the table above is 0.373 so the standard errors that can be formed are:

$$e^1 = 1 - 0,373 = 0,627 = 62,7\%$$

Based on the above calculation, it can be explained that the value of the influence of the variable dividend payout ratio (DPR) and dividend per share (DPS) on

stock prices is 37.3% while the standard error or influence of other variables is at 62.7% outside the research model.

- b. Model 2 (Direct Effect of Dividend Policy on Profitability)

The direct effect between the dividend payout ratio (DPR) and the dividend per share (DPS) on profitability is:

Table 4 Test Results for Path Analysis Model 2

Model		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,038	,006		6,429	,000
	Dividend Payout Ratio	,002	,000	,415	7,750	,000
	Dividend Per Share	,001	,000	,142	2,653	,008

a. Dependent Variable: Profitability

Based on the table above, the regression equation formed in model 2 is:

$$PF = 0.415DPR + 0.142DPS$$

Based on the picture above, it can be interpreted as follows, namely:

- 1) The value of the beta standardized coefficients variable dividend payout ratio (DPR) to profitability is 0.415 with a positive sign. This means that any

increase in dividend payout ratio (DPR) will increase profitability.

- 2) The value of the beta standardized coefficients variable dividend per share (DPS) to profitability is 0.142 with a positive sign. This means that every increase in dividend per share (DPS) will increase profitability.

The standard error or effect of other variables in model two are:

Table 5 Standard Model 2 Test Results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,506 ^a	,256	,252	,08031

a. Predictors: (Constant), Dividend Per Share, Dividend Payout Ratio

The value of R square in the table above is 0.256 so the standard error that can be formed is:

$$e^1 = 1 - 0,256$$

$$= 0,744$$

$$= 74,4\%$$

Based on the above calculation, it can be explained that the value of the influence of the variable dividend payout ratio (DPR) and dividend per share (DPS) on profitability is 25.6% while the standard error or influence of other variables is 74.4% outside the research model.

- c. Model 3 (Direct Effect of Dividend Policy and Profitability on Stock Prices)

The direct effect between the dividend payout ratio (DPR), dividend per share (DPS) and profitability on stock prices is:

Table 6 Test Results for Path Analysis Model 3

Model		Coefficients ^a						
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2,612	,043		60,984	,000		
	Dividend Payout Ratio	,004	,001	,154	3,023	,003	,609	1,643
	Dividend Per Share	,027	,003	,396	8,286	,000	,695	1,439
	Profitability	1,944	,356	,252	5,455	,000	,744	1,344

a. Dependent Variable: Stock Price

Based on the table above, the regression equation formed in model 3 is:

$$HS = 0,154DPR + 0,396DPS + 0,252PF$$

The interpretation of the equation above is:

- 1) The value of the beta standardized coefficients variable dividend payout ratio (DPR) to the stock price is 0.154 with a positive sign. This means that any increase in dividend payout ratio (DPR) will increase share prices.
- 2) The value of the standardized coefficients beta variable dividend per share (DPS) to the stock price is 0.396

with a positive sign. This means that every increase in dividend per share (DPS) will increase share prices.

- 3) The value of the beta standardized coefficients profitability variable on stock prices is 0.252 with a positive sign. This means that any increase in profitability will increase stock prices.

Model one must know the standard error or the influence of other variables in the model are:

Table 7 Standard Model Error Test Results 3

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,648 ^a	,420	,416	,54840	,777

a. Predictors: (Constant), Profitability, Dividend Per Share, Dividend Payout Ratio

b. Dependent Variable: Stock Price

The value of R square in the table above is 0.420 so the standard errors that can be formed are:

$$e^1 = 1 - 0,420$$

$$= 0,580$$

$$= 58\%$$

Based on the above calculation, it can be explained that the value of the effect of the variable dividend payout ratio (DPR), dividend per share (DPS) and profitability on stock prices is 42% while the standard error or influence of other variables is 58% outside the research model.

- d. Model 4 (Effect of Mediation Effects) Direct and indirect effects in this study can be seen in the calculations below, namely:

- 1) Variable Dividend Payout Ratio (DPR)
 - The direct effect on stock prices is:= $DPR \rightarrow HS = \beta_{yx1} = 0,154 = 15,4\%$
 - Indirect effects on stock prices through profitability are:
 - = $\beta_{zx1} \beta_{yz}$
 - = $0,415 \times 0,252$
 - = $0,1045 = 10,45\%$

The value of the indirect effect of 0.104 <direct effect of 0.154 then the hypothesis is accepted manually. This means that the dividend payout ratio (DPR) variable influences stock prices through profitability. Profitability is able to be a mediation between the dividend payout ratio (DPR) to the stock price.

2) Variable *Dividend Per Share* (DPS)

The direct effect on stock prices is:
 $= \text{DPS} \rightarrow \text{HS} = \text{Pyx2} = 0,396 = 39,6\%$

Indirect effects on stock prices through profitability are:

$= \text{Pzx2 Pyz}$

$= 0,142 \times 0,252$
 $= 0,0357 = 3,57\%$

The value of the indirect effect of 0.035 <direct effect of 0.396 then the hypothesis is accepted manually. This means that the variable dividend per share (DPS) affects the stock price through profitability. Profitability is able to be a mediation between dividends per share (DPS) of stock prices.

e. Total Overall Effect on Stock Prices

Total direct and indirect effects can be arranged according to the table below, namely:

Table 8 Total Overall Influence

Information	Indirect	Direct	Total
The direct effect of the dividend payout ratio (DPR) on stock prices		15,4%	
The direct effect of the dividend payout ratio (DPR) on stock prices through profitability	10,45%		
The total direct effect of the dividend payout ratio (DPR) to the stock price			25,85%
The direct effect of dividends per share (DPS) to the stock price		39,6%	
The direct effect of dividends per share (DPS) to share prices through profitability	3,57%		
The total direct effect of dividends per share (DPS) on stock prices			43,17%
The direct effect of profitability on stock prices			25,2%
Total overall effect on stock prices			94,22%
<i>Overall error standard</i>			5,78%
Total effect			100%

Based on the table above, it can be explained that the value of the greatest influence on stock prices is dividend per share (DPS) of 43,17%. The next influence is the dividend payout ratio (DPR) of 25,85% and profitability of 25,2%. The overall total effect on stock prices with a mediating effect is 94,22% while the remaining 5,78% is influenced by other variables outside the research model.

Hypothesis testing in this study is used in several ways, namely:

a. T test

T-test results of dividend policy variables on stock prices are:

Table 9 Test Results of Dividend Policy on Share Prices

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2,686	,042		63,708	,000
	Dividend Payout Ratio	,007	,001	,259	5,265	,000
	Dividend Per Share	,029	,003	,431	8,783	,000

a. Dependent Variable: Stock Price

Based on the above table can be interpreted as follows, namely:

1) Dividend policy based on the dividend payout ratio (DPR) has a value of t arithmetic > t table of 5.265 > 1.966 and a significance of 0.000 < 0.05 then the hypothesis is accepted. This means that the dividend payout ratio (DPR) has a positive and significant effect on stock prices.

2) Dividend policy based on dividend per share (DPS) has a value of t arithmetic > t table of 8.783 > 1.966 and a significance of 0.000 < 0.05 then the hypothesis is accepted. This means that dividend per share (DPS) has a positive and significant effect on stock prices.

T test results of dividend policy on profitability are:

Table 10 Test Results of Dividend Policy on Profitability

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,038	,006		6,429	,000
	Dividend Payout Ratio	,002	,000	,415	7,750	,000
	Dividend Per Share	,001	,000	,142	2,653	,008

a. Dependent Variable: Profitability

Based on the above table can be interpreted as follows, namely:

1) Dividend policy based on dividend payout ratio (DPR) has a value of t arithmetic > t table of 7.750 > 1.966 and a significance of 0,000 < 0.05 then the hypothesis is accepted. This means that the dividend payout ratio (DPR) has a positive and significant effect on profitability.

2) Dividend policy based on dividend per share (DPS) has a value of t arithmetic > t table of 2.653 > 1.966 and a significance of 0.008 < 0.05 then the

hypothesis is accepted. This means that dividend per share (DPS) has a positive and significant effect on profitability.

T test results of dividend and profitability policies on stock prices are:

Table 11 Test Results of Dividend Policy and Profitability on Stock Prices

Model		Coefficients ^a						
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2,612	,043		60,984	,000		
	Dividend Payout Ratio	,004	,001	,154	3,023	,003	,609	1,643
	Dividend Per Share	,027	,003	,396	8,286	,000	,695	1,439
	Profitability	1,944	,356	,252	5,455	,000	,744	1,344

a. Dependent Variable: Stock Price

Based on the above table can be interpreted as follows, namely:

- 1) Dividend policy based on the dividend payout ratio (DPR) has a value of t arithmetic > t table of 3.023 > 1.966 and a significance of 0.003 < 0.05 then the hypothesis is accepted. This means that the dividend payout ratio (DPR) has a positive and significant effect on stock prices.
- 2) Dividend policy based on dividend per share (DPS) has a value of t arithmetic > t table of 8.286 > 1,966 and a significance of 0,000 < 0.05 then the

hypothesis is accepted. This means that dividend per share (DPS) has a positive and significant effect on stock prices.

- 3) Profitability has a value of t arithmetic > t table of 5.455 > 1.966 and a significance of 0.000 < 0.05 then the hypothesis is accepted. This means that profitability has a positive and significant effect on stock prices.

b. Sobel Test

Sobel test results in this study are:

- 1) Variable *Dividend Payout Ratio* (DPR) Sobel test results for the variable dividend payout ratio (DPR) are:

Table 12 Sobel Test Results Tests on Dividend Payout Ratio (DPR)

DIRECT And TOTAL EFFECTS						
	Coeff	s.e.	t	Sig(two)		
b(YX)	,0141	,0013	10,8251	,0000		
b(MX)	,0018	,0002	10,8219	,0000		
b(YM.X)	2,3495	,3842	6,1147	,0000		
b(YX.M)	,0098	,0014	6,8791	,0000		
INDIRECT EFFECT And SIGNIFICANCE USING NORMAL DISTRIBUTION						
	Value	s.e.	LL 95 CI	UL 95 CI	Z	Sig(two)
Effect	,0043	,0008	,0027	,0059	5,3065	,0000

Based on the above table, it is explained that in the indirect effect part, it can be seen that the indirect effect of the dividend payout ratio (DPR) on stock prices through profitability has a significance value of 0,000 < 0.05, then the hypothesis is accepted. These results are the same as the results of

manual calculations in the discussion of path analysis. It can be concluded that the dividend payout ratio (DPR) has a positive and significant effect on stock prices with profitability as a mediating variable.

2) Dividend Variables Per Share (DPS)
 Sobel test results for the variable dividend per share (DPS) are:

Table 13 Sobel Test Results Tests on Dividends Per Share (DPS)

DIRECT And TOTAL EFFECTS						
	Coeff	s.e.	t	Sig(two)		
b(YX)	,0388	,0029	13,3387	,0000		
b(MX)	,0032	,0004	7,5424	,0000		
b(YM.X)	2,3485	,3341	7,0299	,0000		
b(YX.M)	,0312	,0029	10,6328	,0000		
INDIRECT EFFECT And SIGNIFICANCE USING NORMAL DISTRIBUTION						
	Value	s.e.	LL 95 CI	UL 95 CI	Z	Sig(two)
Effect	,0076	,0015	,0047	,0104	5,1185	,0000

Based on the above table, it is explained that the indirect effect of the indirect effect of dividends per share (DPS) on stock prices through profitability has a significance value of 0,000 < 0.05, so the hypothesis is accepted. These results are the same as the results of manual calculations in the discussion of path analysis. It can be concluded that the dividend per share (DPS) has a positive and significant effect on stock prices with profitability as a mediating variable.

4. 2 Discussion

H1: The Effect of Dividend Policy on Share Prices

In this study dividend policy is measured based on the dividend payout ratio (DPR) and dividend per share (DPS). The results showed that the dividend payout ratio (DPR) and dividend per share (DPS) had a positive and significant effect on stock prices. This conclusion is proven by the t test with the significance value of the variable dividend payout ratio (DPR) of 0,003 < 0.05, as well as the dividend per share variable (DPS) having a significance value of 0,000 < 0.05, then the hypothesis is accepted. The conclusion in this study dividend policy has a positive and significant effect on stock prices.

The results of this study explain that companies must closely monitor each dividend policy because it has a significant impact on

changes in the company's stock price. Any increase in dividend policy in the sense of increasing dividend payments will increase the company's stock price. The results of this study are supported by previous studies conducted by Hasan (2013), Araoye (2019), and Iftikhar (2017) who concluded that dividend policy has a significant impact on stock prices.

The results of this study support the bird in the hand theory which explains that investors are more likely to like dividend policy than the risk of selling shares. This means that the more dividends issued, the higher the company's stock price. This happens because investors will be interested in buying shares in companies that issue dividends. Companies that issue dividends are considered to be more tangible and responsible for the welfare of investors. The high demand for the company's shares will be able to increase the price of its shares.

Company value can be maximized by dividend payment ratios (DPR and DPS) so that dividend payments will be maximized by company management. In the bird in the hand theory explains the future dividend flow will be discounted at a level lower than the profit model expectations. Shares will be valued higher if the expected dividend is higher than the company with lower expected dividends. This means that the greater the dividend policy, the higher the stock price of a company.

The average stock price movement of manufacturing companies in five years (2014-2018) is Rp. 5.130 with an average dividend payment ratio (DPR) of 25.28% of the company's total profits. The profit level of dividend payment per share is Rp. 153,10. The average manufacturing company set aside a profit of 25.28% to be distributed to shareholders with an average value of Rp. 153,10 per share. This is high enough that at least an investor can get 25% profit from company profits. This will increase investor welfare, which in turn will increase the value of the company in the securities market.

H2 : Effect of Profitability on Share Prices

In this study profitability is measured through the rate of return on assets. The results showed that profitability had a positive and significant effect on stock prices. This conclusion is proven by the t test with the significance value of the profitability variable having a significance value of $0,000 < 0.05$, then the hypothesis is accepted. The conclusion in this study profitability has a positive and significant effect on stock prices.

The results of this study explain that the company must increase its profitability because it has a significant impact on changes in the company's stock price. Every increase in profitability will increase the company's stock price. The results of this study are supported by previous studies conducted by Avdalović (2017) and Araoye (2019) who concluded that profitability has a significant impact on stock prices.

The results of this study are consistent with signaling theory which explains that companies that have high performance will tend to have high stock prices. Company performance can be illustrated from the level of profitability obtained by the company. A high level of profitability will encourage investor trust in the company that by placing funds in the company will bring benefits in the future. Increased profitability can also provide guarantees for consumers that the company will not easily go bankrupt so investors

will be attracted to the company. The high demand for the company's shares will be able to increase the price of its shares.

The average stock price movement of manufacturing companies in five years (2014-2018) is Rp. 5,130 with an average company's ability to generate a profit of 8.52% of its total assets. The development of profitability which reached 8.52% was a pretty good achievement. According to signaling theory investors will be very interested in companies that have a high level of profitability so stock prices are likely to experience an increase.

H3: The Effect of Dividend Policy on Profitability

In this study dividend policy is measured based on the dividend payout ratio (DPR) and dividend per share (DPS). The results showed that the dividend payout ratio (DPR) and dividend per share (DPS) had a positive and significant effect on profitability. This conclusion is proven by the t test with a significance value of the variable dividend payout ratio (DPR) of $0,000 < 0.05$, as well as the dividend per share variable (DPS) having a significance value of $0.008 < 0.05$, the hypothesis is accepted. The conclusion in this study dividend policy has a positive and significant effect on profitability.

The results of this study explain that companies must closely monitor each dividend policy because it has a significant impact on changes in company profitability. Every increase in dividend policy in the sense of adding dividend payments will increase the company's profitability. The results of this study are supported by previous studies conducted by Adimasu (2019), Kanwal (2017), Anandasayanan (2016), Chinemere (2018), and Amidu (2007) who concluded that dividend policy has a significant impact on profitability.

The results of this study are in line with agency theory where dividend payments can reduce the potential investment value that is misused by company management. Investors make dividend payments as a tool to reduce

investment that is not useful and will reduce corporate profits. The company management chose a large company because it could create higher income or compensation when compared to smaller companies. This opinion is not concerned with the wishes of the company owner so that dividend payments can be beneficial for shareholders to control the problem of overinvestment.

Easterbrook explained that dividends can reduce the problem of excess investment because dividend payments can increase the frequency of companies that are in the capital market (Anandasayanan, 2016). Amidu (2007) explains that an increase in the frequency of companies is marked by the necessity of companies to enter the equity market in order to obtain additional capital, so that company management must comply with market monitoring and discipline. This can reduce agency costs because share repurchases can create the same monitoring effect. Dividend payments can reduce agency costs so as to increase profitability in the next period.

The average ability of manufacturing companies to produce a profit of 8.52% of total assets where the average dividend payment of 25.28% of net income with an average profit of Rp. 153.10 per share. The average dividend payment is greater than the company's profitability development. This means that company management pays close attention to the welfare of its investors by paying dividends greater than the company's financial performance (profitability). The excess investment can be said to be low because most of the profits are used for dividend payments, so company management does not have excess funds for unprofitable investments.

H4: The Effect of Dividend Policy on Share Prices through Profitability

In this study dividend policy is measured based on the dividend payout ratio (DPR) and dividend per share (DPS). The results of the study based on the Sobel Test showed that

profitability was able to mediate between the dividend payout ratio (DPR) and the dividend per share (DPS) on stock prices. This conclusion is proved by the significance value of the dividend payout ratio (DPR) of 0,000 <0.05, as well as the dividend per share variable (DPS) having a significance value of 0,000 <0.05, then the hypothesis is accepted. The conclusion of this study is that dividend policy has a positive and significant effect on stock prices with profitability as a mediating variable.

A well-managed dividend policy can affect stock prices if profitability is also maintained. An increase in dividend payments can increase profitability because it reduces agency costs and can increase share prices because of investor confidence. Profitability can be a mediation in the relationship between dividend policy on stock prices because with the existence of regular dividend payments will reduce agency costs and minimize investment audits that are not important so that it will encourage investor interest in the company which will ultimately increase its share price.

Bird support in the hand theory which explains that investors will buy shares of companies that issue dividends with a note that can maintain profitability. Signaling theory explains the impact of dividend policy and changes in the level of profitability can make stock prices react. The more dividend payments with due regard to the profitability of the company, the higher the share price. If the dividend payment is excessive without paying attention to profitability, investors will be careful in choosing the company, as a result the stock price will fluctuate.

5. Conclusions and Recommendations

5.1 Conclusion

Based on hypothesis testing conducted by researchers, it can be concluded that the dividend policy variable measured through the dividend payout ratio (DPR) and dividend per share (DPS) has a partially positive effect on stock prices. The

better the dividend policy, the better the company's stock price. Every increase in dividend policy will increase the price of its shares. This is evidenced by the results of the partial t test for the variable dividend payout ratio (DPR) with significant value of $0,003 < 0.05$ and dividend per share (DPS) with each significant value of $0,000 < 0.05$.

Profitability variables have a positive and significant effect on stock prices. The better the profitability of the company's stock prices will tend to increase. This is evidenced by the significant value in the t test of $0,000 < 0.05$.

Dividend policy variables measured through the dividend payout ratio (DPR) and dividend per share (DPS) have a partially positive effect on profitability. The better the dividend policy, the better the company's profitability. Every increase in dividend policy will increase the profitability of the company. This is evidenced by the results of the partial t test for the variable dividend payout ratio (DPR) and dividend per share (DPS) with significant values of $0,000$ and $0.008 < 0.05$, respectively.

Dividend policy variables measured through dividend payout ratio (DPR) and dividend per share (DPS) have a partially positive effect on stock prices with profitability as a mediating variable. Every increase in dividend policy will increase the price of its shares which will also increase profitability as a mediating variable. This is evidenced by the results of the multiple test for the variable dividend payout ratio (DPR) and dividend per share (DPS) with each significant value of $0,000 < 0.05$.

5.2 Suggestion

The suggestions are:

1. It is better for a company to supervise dividend policy and share price because it has a high impact on changes in stock prices.
2. The company should always pay dividends well because it will trigger changes in stock prices and profitability.
3. Investors must carefully analyze each dividend policy because it has the

opportunity to trigger changes in stock prices, if combined with changes in profitability will trigger a more significant effect of changes in stock prices.

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