The Impact of Devidend Policy on Stock Return (Property Sector, and Real Estate 2019–2021)

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Abstract. In the capital market sector, dividend policy is an action that is difficult to predict because many essential vital aspects need to consider. One aspect of the dividend policy is stock returns. Based on these essential aspects, the researcher aims to investigate the effect of the rate of return on investment and assets on stock returns. The researcher uses a quantitative approach by using secondary data on the companies operating in the property and real estate sub- for the 2019–2021 period, which list on the Indonesian stock exchange. To prove this effect, the researchers used multiple regression analysis. The results indicate a negative effect on the level of earnings per share and a positive influence on the company's efficiency on stock returns. The research's implication shows a decreased return on investment and an increase in the return on assets on stock returns.

Keywords: Dividend Policy · Stock Return · Property Sector · and Real Estate

1 Introduction

Advances in technology and increasing access to information have also changed the business patterns of various property and real estate industries. [1] One of the positive impacts of these developments is the emergence of a digitalization system in the form of property and real estate management known as e-government. [2, 3] mentions that electronic government or e-government intends to how to improve the accessibility of information, transactions, and services by using information and communication technology, including computers, the internet, equipment automation, and other devices.

The digital era has changed people's lifestyles, including the ease of payment transactions and digital investments. Financial literacy is related to having knowledge of financial products and concepts, having the ability to manage financial attitudes, and having financial behaviour skills [4]. One of the impacts of the digitalization era is the economic field which can increase efficiency and productivity. The digital era makes investments easier to access and faster because they do not require many requirements and can be continuously monitored. [5] What also needs to be anticipated is the imposition of tax rates because they impact increasing costs. Investment as a financial activity requires knowledge and the ability to assess the rate of return and risk of investment assets. [6].

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The phenomenon of the digitalization era brings many positive and negative influences, where all compete to do as not to be run over by technology that continues to develop. [3] The government, business actors, and academics agree that the digital economy is one of the saviours of the national economy when facing the Covid-19 pandemic. [7] The digital economy continues to grow amidst the sluggishness of various fields during this pandemic. The economy is an essential factor for the progress of a country, especially during the Covid-19 pandemic that has occurred since early 2020 as it is today; where all countries in the world have had a significant impact, one of which is on companies, such as declining stock prices and financial performance which can affect the value of the company. [8] Looking at the world meters, until the last week of August 2022, there have been 571,339,677 cases, of which 6,395,930 died from 224 infected countries. Due to the Coronavirus Disease 2019 (Covid-19) outbreak, the uncertainty of economic conditions during the pandemic caused stock returns to fluctuate more. This situation can be seen from the increasing property, and real estate stock returns volatility. Stock returns of property and real estate sector companies during the pandemic were influenced by external factors such as inflation and the growth in the cumulative number of Covid-19 cases. [9] Inflation during the Covid-19 pandemic is a positive signal for economic conditions that are starting to improve, so it positively influences the movement of stock returns. At the same time, the growth in the number of cumulative cases of Covid-19 is a negative sentiment that harms stock returns movement. [10] Disruptions from both the operational and demand sides have put tremendous pressure on the company's performance during the Covid-19 pandemic. On the other hand, this also caused panic among investors, resulting in the collapse of most of the global stock markets in the first quarter of 2020.

Investors have a significant role in the capital market, and people mainly invest in making a profit. [11] The purpose of investors or investors investing their capital in stock securities in the property and real estate sub-sector is to get a high return (return) but with a low level of risk. [12] Good stocks can provide realized returns that are close to expected returns. Many factors can use to predict stock returns, one of which is calculating the company's financial ratios. [13] Investors who do not speculate will undoubtedly consider and assess financial performance, which consists of financial ratios in choosing a stock. [14] Often the uncertainty that is difficult to predict in estimating stock prices becomes a severe problem for investors because stock prices fluctuate due to various factors, both micro and macro factors. [15].

This study uses financial statement analysis to evaluate financial performance from dividend policy as seen from Earning Per Share and Net Profit Margin. A dividend policy is one of the directions companies and investors take to find out the company's value. [16].

Firm value is the perception of investors and potential investors on the company's performance as reflected in changes in stock prices. [17] A good company's performance will be considered reasonable by the market so that the demand for sharesi will increase, followed by an increase in stock prices. [6] So that the increase in stock prices will affect capital gains as an element of Stock Return. [18] From the property and real estate sub-sector companiesi listed on the Indonesia Stock Exchangei, the author only examines companies that report audited financial statements every year starting from 2019–2021.

From the Stock Return data above, it can saw that the Stock Return is unstable and always increases or decreases every quarter, even though many Stock Returns show negative numbers. Developments during the three-year observation period from 2019 to 2021 became one basis for researchers to examine more deeply what factors might affect stock returns in the property and real estate sub-sectors.

The amount of earnings per share is expected to affect investor confidence in investing. If EPS increases, investors consider the company to have bright prospects in the future, thereby increasing investor interest in investing in the company. EPS is the net profit investors earn per share they own. Therefore, the higher the EPS value, the higher the profit level per share owned by investors. Furthermore, positive earnings will impact returns expected to be profitable for investors so that they can be used as a basis for consideration by an investor to decide whether to buy or sell the shares in question [13]. The Net Profit Margin on the object of research from the property and real estate sub-sector companies listed on the Indonesia Stock Exchange is quite varied, seems to fluctuate during the pandemic, and has decreased. However, if the decline continues, it will cause a bad company image in the eyes of investors, and investors will not be interested in investing in the company. [19] tested the sub-sector of property and real estate, showing no effect of earnings per share on stock returns. Different results are shown by [20], which indicate that using the Parks-Kmenta and Beck-Katz analysis technique indicates that earnings per share affect stock returns. [21] show that net profit margin does not affect stock prices in the food and beverage sub-sector. However, [22] research shows different results in the sub-sector of property and real estate, which shows an effect of net profit margin on stock prices. Based on the gap in the results of previous research, the researcher focuses on the rate of return on shares in the the companies operating in the property and real estate sub-sector with listed on the Indonesia Stock Exchange (IDX) in the 2019–2021 period, which is influenced by dividend policy as proxied by Earning Per Share (EPS) and Net Profit Margin (NPM). The aims and objectives of the study were to determine the effect of dividend policy proxied by Earning Per Share (EPS) and Net Profit Margin (NPM) on Stock Returns in property and real estate sub-sector companies listed on the Indonesia Stock Exchange (IDX) for the 2019–2021 period.

2 Method

To find out the prediction results, the researcher uses a quantitative approach, which is a method that aims to systematically describe the facts and relationships between the variables to be tested. This research was conducted in the companies operating in the property and real estate sub-sector that took data from the Indonesia Stock Exchange (IDX). The researcher used a purposive sampling technique in determining the research sample. There are several companies listed on the IDX, and the two companies studied in this study, the companies are PT. Bekasi Fajar Industrial Estate Tbk., PT. Bumi Serpong Damai Tbk., researchers only conducted research in the two companies, and the research time sets to be three years, namely in the 2019–2021 period. The classical assumption test determines how closely the relationship between EPS and NPM on Stock Return is with a regression model that meets criteria of best, linear, unbiased, and estimator (BLUE). After the classical assumption test is fulfilled, multiple regression analysis carries out, then it is partially seen from the results of the t-test value and the simultaneous test seen from the results of the F-test value.

3 Result and Discussion

Researchers tested classical assumptions to determine whether the regression model met the BLUE (Best Linear Unbiased Estimator) criteria, and the results of normality testing using the Kolmogorov-Smirnovi test (K-S) to determine the extent to which the data is normally distributed. The results of the calculations in this study are normally distributed, namely $0.195 > 0.05$; in other words, the assumption of normality of the data is normal. The results of the multicollinearity test are from the respective Tolerancei and VIF (Variance Inflation Factor) values. The basis for making decisions on the multicollinearity test of Tolerance and VIF does not occur multicollinearity symptoms if from the calculation results the Tolerance valuei is greater than 0.10 and the VIF value is less than 10.00. For testing with a linear regression model, it should not have a correlation with the independent variables. The calculation of the tolerance value test shows that there are no independent variables that have a tolerance calculation result value smaller than 0.10. Furthermore, based on the results of calculating the VIF value, it shows that there are no independent variables that have a VIF calculationi value of more than 10. Therefore, based on the multicollinearity criteria, from the calculation results it is known that there is no multicollinearity between the independenti variables. At the same time, the results of the Heteroscedasticity test show that the points from the scatterplot graph are spread out and do not form a specific pattern. Therefore, as seen from the scatterplot graph above, it can be concluded that this regression model does not occur heteroscedasticityi, which means that there is a similarity of the variance of the observed residuals among other residual observations. Moreover, based on results of the autocorrelationi test show that the Durbin Watsoni value is 1.777 or Durbin Watson is in the range of -2 to 2. So, this result can be said that this study has no autocorrelation.

Based on the results of the correlation analysis between Stock Return and EPS obtained by -0.016. This figure shows a very low correlation between the two variables because it is below 0.01. Based on the results of calculations with multiple regression analysis, the following results are obtained:

$$Y = 21.790 - 0.005X1 + 0.374X2$$

The coefficient in the equation above is a constant of 21.790, indicating that if EPS and NPM are equal to zero, the average Stock Return in the property and real estate sub-sectors is 21.790. Meanwhile, EPS has a coefficient of -0.005, which is negative, which means that if EPS decreases by 1 unit, it will reduce Stock Return by -0.005.

Because of the value of sig. 0.010, which means < 0.05, and from the calculation of tcount and ttable above, it can see that the value of the EPS variable is tcount $-3.268 >$ ttable 2.228, meaning that partially EPS has a significant effect on Stock Return.

According to [20], if the company's Earning Per Share (EPS) has increased well, the company continues to grow, and its share returns grow. On the other hand, if the company's EPS is negative, the company suffers a loss. This result will affect the amount of Stock Return.

Based on the results of the correlation analysis between Stock Return and NPM, there is a correlation that produces several 0.639. This figure shows the strong correlation between Stock Return and NPM because it is above 0.01.

Meanwhile, based on the results of the study, it can be seen from the test resultsi that the NPM variable has a significant effect on Stock Return, and the results are positive. Based on the results of multiple regression calculations obtained are:

$$\text{Y} = 21.790 - 0.005\text{X1} + 0.374\text{X2}$$

The coefficient contained in the above equation is a constant of 21.790, which indicates that if EPS and NPM are equal to zero, the average Stock Return in the property and real estate sub-sectors is 21.790. While the NPM has a coefficient of 0.374 and is positive, which means that if the NPM increases by 1 unit, it will increase the Stock Return by 0.374.

Because of the value of sig. 0.001, which means < 0.05, and from the calculation of tcount and ttable above, the NPM variable's value is tcount -4.926 $>$ ttable 2.228, meaning that partially NPM has a significant effect on Stock Return.

Earnings Per Share significantly affected the Stock Return of the companies operating in the propertyi and real estate sub-sector with listed on the Indonesia Stock Exchange (IDX) in 2019–2021. This result is shown from the calculation results, namely the tcount of -3.268, which is greater than the ttable of 2.228. Furthermore, the significant value is below 0.05, which is 0.010. Partially, Net Profit Margin has a significant effect on stock returns of the companies operating in the property and real estate sub-sector with listed on the Indonesia Stock Exchange (IDX) in 2019–2021. This result is shown from the calculation results, namely with a tcount of 4.926, which is greater than the ttable of 2.228.

Moreover, the significant value is below 0.05, which is 0.001. Simultaneouslyi, Earningi Per Share and Net Profit Margin significantly affect the Stock Return of the companies operating in the property and real estate sub-sector with listed on the Indonesia Stock Exchange (IDX) in 2019–2021. This result is shown from the calculation results, namely the Fcount of 12.136, which is greater than the Ftable of 4.26. Moreover, the significant value is below 0.05, which is 0.003.

[22] states that if the company'si Net Profit Margin (NPM) is high, the company's return on investment will be high so that investors will be interested in buying the shares, and the share price will increase.

The calculation of the coefficient of determinationi value is 0.730 (73%), which means that the change in Stock Return influenced by fundamental factors, namely EPS and NPM, is 73%. At the same time, the remaining 27% is the influence of other factors, namely technical factors not examined in this study as measured by beta on Stock Return. Based on the results of the simultaneous or joint test, it can be seen from the test results that the EPS and NPM variables significantly affect Stock Return. Because of the value of sig. 0.003, which means < 0.005, and from the calculation of tcount and ttable above, the independent variable's value is F count 12.136 $>$ F table 4.26.

The resultsi of this study are relevant to [20] and [23] which state that simultaneously EarningiPer Share (EPS), Net Profit Margin (NPM) has a positive and significant effect on stock return controlled by the company's financial performance and sales growth.

4 Conclusions

Based on the research results and the data analysis indicates the effect of dividend policy proxied by earning per share and net profit margin on stock returns. Therefore, the companies need to pay attention to increasing Stock Returns by making dividend policies by increasing the Earning Per Share of a company, especially for the companies operating in the property and real estate sub-sector should pay more attention to and optimize the profits generated by the company from each share because based on the results of this study the ratio EPS has a significant effect on Stock Return if the EPS ratio shows good results, the Stock Return will increase and attract many investors. Dividend policy also needs to pay attention to Net Profit Margin, especially for the companies operating in the property and real estate sub-sector. This ratio is essential because it interprets the level of company efficiency by taking into account the efficiency of the company to generate net profit from each sale. NPM is a ratio that makes it easier for investors to assess the company. For example, which ones have good company prospects in the future. To increase the stock return in the property and real estate sub-sector, it must increase and optimize the profit generated from each share and show high company efficiency by generating high profits from its sales so that investors are interested.

This study only uses the OLS testing approach. Hence, the study's results still need to be optimal to find out more comprehensive results, can conduct research for the future by using more company data for a long time and using model testing calculations for panel data such as fixed and random models.

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