



Effect of Dividends as Moderator on Trading Volume and Stock Prices in the Green Economy.

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Abstract. This study aims to evaluate the performance of sustainable investments in the green economy sector, focusing on the paradoxical relationship between trading volume and stock prices, with dividends as a moderating variable. Using data from companies in the green economy sector listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023, the study employs a quantitative approach with explanatory research design. The results indicate that trading volume does not have a significant direct effect on stock prices (Sig. = 0.158). However, when dividends are included as a moderating variable, the relationship between trading volume and stock prices becomes significant (Sig. = 0.000). This suggests that while trading volume alone does not influence stock prices, the presence of dividends strengthens the impact of trading volume on stock price movements. Dividends serve as a positive signal to investors, indicating financial stability and promising future prospects, which enhances investor confidence, particularly in the green economy sector, where sustainability is a key factor. These findings contribute to the literature on sustainable finance by providing new insights into how financial policies such as dividends interact with market behavior in sectors focused on environmental sustainability.

Keywords: Trading Volume, Stock Prices, Dividend.

1. Introduction

In the green economy sector, the paradoxical relationship between trading volume and stock prices shows that an increase in trading volume is not always accompanied by an increase in stock prices, indicating that there are other factors that influence stock prices [1]. One key factor that can moderate this phenomenon is dividend policy.

Dividends are often considered a positive signal by investors because they reflect the financial stability and future prospects of the company [2]. In financial theory, dividends provide investors with confidence that the company has sufficient cash flow to distribute profits to shareholders, without sacrificing the company's growth. This is especially important in the green economy sector, which is often considered higher risk by investors due to sustainability challenges and demands for compliance with environmental, social, and governance (ESG) standards.

In the context of the paradoxical relationship between trading volume and stock prices, dividend policy can moderate or reduce stock price volatility. For example, even though trading volume is high but the stock price does not show an increase, dividends announced or paid by the company can provide investors with confidence in the stability of the company. These dividends act as a counterweight that helps keep stock prices stable or even increase even though trading volume shows uncertainty.

On the other hand, if a company does not distribute dividends, or reduces dividend distribution, investors may doubt the long-term stability of the company, especially in risky sectors such as the green economy[3]. This can lead to higher stock price volatility, where trading volume increases but stock prices decrease, or vice versa.

Thus, dividend policy can strengthen the relationship between trading volume and stock prices by providing a stable financial signal to the market[2]. It also reduces the negative impact of the paradoxical relationship that often occurs in the green economy sector, where trading volume does not always reflect expected stock price movements. This study aims to analyze in depth how dividend policy can moderate this phenomenon and contribute to market stability, especially in sectors that focus on environmental sustainability.

2. Methodology

This study uses a quantitative approach with an explanatory research design . The population in this study are companies engaged in the green economy sector and listed on the Indonesia Stock Exchange (IDX). Companies in this sector are generally involved in economic activities that prioritize sustainability and reduce negative impacts on the environment . This study uses secondary data, which includes stock price data, trading volume, and company dividend policies obtained from annual financial reports, financial databases such as Bloomberg and Yahoo Finance, and from the official website of the Indonesia Stock Exchange (IDX). The sample was selected using a purposive sampling technique, with the following criteria:

- Companies listed on the IDX during the research period (2019-2023),
- Engaging in business activities related to the green economy, such as renewable energy, waste management, or environmentally friendly innovation,
- Having complete data on trading volume, stock prices, and dividend policies

3. Results

3.1. Classical Assumption Test

1. Normality Test

In this study, the normality test of the residuals was carried out using the Kolmogorov-Smirnov test. The level of significance used was $\alpha = 0.05$. The basis for decision making is to look at the probability number p , with the following provisions. If the probability value $p \geq 0.05$, then the normality assumption is met. If the probability < 0.05 , then the normality assumption is not met

The results of the Kolmogorov-Smirnov test provide a It is known that the probability value (Asymp. Sig. (2-tailed)) is $0.115 > 0.05$, this means that the normality assumption is met.

2. *Multicollinearity Test*

Multicollinearity test was conducted to ensure that there was no very high correlation between the independent variables (financial literacy and environmental concern attitude). Multicollinearity can be seen through the Variance Inflation Factor (VIF) and Tolerance values.

VIF for the variable trading volume and dividen = 1,032 (VIF < 10), so it can be concluded that there is no multicollinearity problem. Tolerance for the variable trading volume and dividen is 0,968 (> 0,1), which indicates there is no multicollinearity problem between financial literacy and environmental concern attitudes.

3. *Heteroscedasticity Test*

Heteroscedasticity test is whether in the model the regression aims to test whether there is inequality of variance from the residual of one observation to another. If the variance of the residual of one observation to another observation remains constant, it is called homoscedasticity, if the variance is different it is called heteroscedasticity. It can be seen that the sig value of the trading volume is 0.463 > 0,05 which indicates that there is no heteroscedasticity and the sig value of the deviden is 0.411 > 0,05

4. *Autocorrelation Test*

Autocorrelation test is conducted to check whether there is a correlation between residuals in different observations. Autocorrelation test is usually conducted using the Durbin-Watson Test. Durbin-Watson value ranges from 0 to 4, where value close to 2 indicates no autocorrelation. The Durbin-Watson value = 1.274 , which is close to the value of 2, indicates that there is no autocorrelation in this model.

3.2. Results of Hypothesis Testing

Moderated Regression Analysis (MRA)

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5,089	1,913		2,660	,014
	X	-,342	,234	-,187	-1,460	,158
	XM	,038	,006	,765	5,958	,000

a. Dependent Variable: Y

- The regression coefficient of trading volume is -0.342, which means that every 1 unit increase in trading volume will reduce the stock price of companies in the green economy sector by -0.342 units.
- The regression coefficient of Stock Trading Volume moderated by Dividends is 0.038, which means that if there is an increase in the value of stock trading volume moderated

by dividends by 1 unit, it will strengthen the stock trading volume against the stock price of green economy sector companies by 0.038 units.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,799 ^a	,639	,606	,36598

a. Predictors: (Constant), XM, X

- This means that all of these variables are only able to influence stock prices in green economy sector companies in 20219-2023 by 63.9%, while the remaining 36.1% is likely to be influenced by other variables.

4. Discussion

This study aims to analyze the effect of trading volume on stock prices in green economy companies with dividends as a moderating variable. Based on the results of the regression analysis conducted, it was found that trading volume did not have a significant direct influence on stock prices. However, when dividends are used as a moderating variable, the results show a significant effect between trading volume and stock prices.

4.1. Trading Volume Does Not Have a Direct Impact on Stock Prices

From the analysis results, the regression coefficient of trading volume on stock prices is not statistically significant ($0,158 > 0.05$). This shows that trading volume directly does not have a significant effect on stock price movements in green economy companies. This phenomenon is in line with the results of previous research, which found that in the context of a green economy, trading volume often cannot be used as a leading indicator of stock price changes [4]. Investors in this sector tend to pay more attention to sustainability factors and financial policies, such as dividends, rather than just looking at increased stock trading activity.

This finding also supports research conducted which found that the green economy sector is different from the traditional sector, where investors focus more on non-financial factors such as environmental, social, and governance (ESG) performance than financial indicators such as trading volume [5]. This shows that trading volume is not a major factor considered by investors in determining the decision to buy or sell shares in this sector.

4.2. Dividends as a Moderating Variable Affecting the Relationship between Trading Volume and Stock Prices

When dividends are included as a moderating variable, the results show a significant relationship between trading volume and stock price ($0,00 < 0.05$). This means that dividends strengthen the effect of trading volume on stock prices. In other words, although trading volume does not directly affect, when a company distributes dividends, trading volume begins to show a significant relationship with stock prices. This is consistent with the signaling theory

which states that dividends provide a positive signal to the market regarding the stability and prospects of the company in the future [6]

Research conducted supports these results, where they found that dividend policy has a strong moderating effect in influencing the relationship between trading volume and stock prices [7]. Investors are more likely to respond positively to increased trading volume when a company pays dividends, as dividends are seen as a signal that the company has confidence in its financial performance. Thus, dividends strengthen investors' belief that increased trading volume indicates positive prospects for the company, which ultimately drives the stock price up.

In addition, research by [8] also shows that dividends strengthen the influence of trading volume on stock prices in green economy companies. When dividends are distributed, investors feel more confident to invest or maintain stocks, especially in sectors that have high environmental and social risks such as the green economy. This shows that dividends are not only a financial factor, but also a signal of corporate stability in this dynamic sector.

5. Conclusion

This study investigates the moderating role of dividend policy on the relationship between trading volume and stock prices in companies operating within the green economy sector. The findings reveal a paradox: trading volume alone does not significantly influence stock prices, suggesting that market participants in this sector rely on more than just market activity indicators. However, when dividend policy is introduced as a moderating variable, it significantly strengthens the relationship between trading volume and stock prices.

The results align with signaling theory, which posits that dividends serve as a credible signal of a company's financial health and future prospects. In the context of the green economy—often perceived as a high-risk sector due to environmental and regulatory challenges—dividends offer reassurance to investors and reduce uncertainty. This moderating effect of dividends confirms that financial policies play a crucial role in shaping investor perceptions and market responses.

These findings highlight the importance of consistent and transparent dividend policies for green economy firms, not only as a means of shareholder return but also as a strategic tool to enhance stock price stability amid fluctuating market conditions. Furthermore, it underscores the evolving behavior of investors in ESG-oriented markets, where traditional indicators such as trading volume are less predictive unless coupled with reliable financial signals.

In conclusion, dividend policy serves as a critical moderating factor in the trading volume–stock price dynamic within green economy companies, providing both theoretical insight and practical implications for corporate financial strategy and investor decision-making in sustainable sectors.

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