

The Effect of Leverage and Profitability on Stock Prices with Dividend Policy as A Moderation Variable in LQ45 Companies Listed on The Indonesia Stock Exchange in 2019-2022

By:

Rahmiati^{1*}; Tatik Zulaika²; Sri Lestari Hendrayati³; Rapel⁴; Febria Valentina⁵

University of Palangkaraya^{1,2,3,4,5}

rahmiati@feb.upr.ac.id¹; tatikzlk@gmail.com²; a.isunaryo@yahoo.com³; rapeldalin@yahoo.co.id⁴;
febriavalentina18@gmail.com⁵

*Corresponding Author

ABSTRACT

The purpose of this study is to investigate how leverage and profitability affect stock prices in LQ45 businesses listed on the Indonesia Stock Exchange between 2019 and 2022, using dividend policy as a moderating variable. This study's quantitative research methodology collects secondary data through the use of annual reports as a source. Purposive sampling was used in this study to pick samples, and samples of 17 LQ45 firms that fit the sample criteria were acquired. Multiple linear regression analysis and moderate regression analysis are the data analysis techniques that are employed. The study's findings demonstrate that while profitability affects stock prices, debt has no bearing on them. The study's findings demonstrate that while profitability affects stock prices, debt has no bearing on them. The impact of leveraging profitability on stock price can be mitigated by dividend policy.

Keywords:

Dividend Policy; Leverage; Profitability; Share Price

Introduction

There are always dangers associated with investing. This concept, known as high risk-high return, states that the larger the reward, the greater the risk assumed. Investors must therefore be able to evaluate and locate information that develops before to investing in order to reduce the risks involved. Investors are able to assess information that comes from a variety of sources, including firm management, which may release financial statements or other company accounting information.

As to Sampurna (2017), Ang (1997) asserts that the capital market plays a crucial function in serving as a standard for a nation's economic advancement while bolstering its economy. The fluctuations in stock prices can indicate whether the capital market is bullish or bearish.

Additionally, as per the news from kontan.co.id (2021), PT Unilever Indonesia Tbk. would distribute dividends on its shares subject to the approval of the board of commissioners and directors of the firm on November 19, 2021. UNVR's stock price finished at 4,840 on Monday, November 22, 2021, up 180 points, or 3.86%, from the previous day's trade. So that businesses can increase or decrease the impact of leverage and profitability through the moderating effect of dividend policy on share price. Depending on how investors react to a company's dividend policy signals, relationships might get stronger or weaker. because the company's profits for each period are used to determine the amount of dividend payments. Businesses that function well typically have the ability to make money for the company.

According to this phenomena, a binding disclosure is a good signal if it contains information that has the potential to cause a market reaction, such as an increase in stock price. However, the revelation is a negative signal if it has a negative effect. where the stock price of the company will be impacted. Hartono (2017) asserts that market participants and the supply and demand of the relevant shares in the capital market determine the price of a stock that is present in the stock exchange market at a given moment.

Leverage has an impact on stock prices, according to studies by Gusrida (2015), Novitasari and Prasetyo (2017), Aryanti and Jayanti (2020), and Hajar (2022). Conversely, studies by Mardianti and Dewi (2021) and Murti and Kharisma (2020) claim that leverage has no bearing on stock prices.

Profitability has an impact on stock prices, according to studies by Gusrida (2015), Pebrianti (2020), Aryanti and Jayanti (2020), and Mardianti and Dewi (2021). However, studies by Putri (2017), Novitasari and Prasetyo (2017), and Ramadhani et al. (2020) found no connection between stock prices and profitability.

The company's big dividend payments are a sign of its substantial profitability. hefty profits translate into hefty dividend payments. The good news is that the hefty dividends offered on these equities pique investors' curiosity. This is due to the fact that investors receive returns on their investments without having to sell shares when you need money. This implies that the Company's Share Price may be strengthened by the Dividend Policy. because dividend distributions appeal to investors. The findings of studies by Aryanti and Jayanti (2020) and Novitasari and Prasetyo (2017) indicated that dividend policy can increase the impact of independent variables on stock price, such as profitability and leverage.

Conversely, some investors do not enjoy dividends because they would rather use their earnings to fund the expansion of their company's production capacity and acquisition of other businesses, which would raise the company's worth. In other words, a dividend policy may make the stock price of the company less valuable. due to the dislike of dividend distribution among investors. Research by Mardianti and Dewi (2021) and Ramadhani et al. (2020) shown that the presence of a dividend policy can reduce the impact of independent variables on stock prices.

Thus, researchers are interested in examining the impact of leverage and predictability on stock prices due to the background information mentioned above as well as the inconsistent findings of earlier studies. Moreover, dividend policy serves as a moderating factor. Therefore, the title of this research is "The Effect of Leverage and Profitability on Stock Prices with Dividend Policy as a Moderation Variable in LQ45 Companies Listed on the Indonesia Stock Exchange in 2019-2022". The study aims to ascertain the following research objectives: (1) the impact of leverage on stock price; (2) the influence of profitability on share price; (3) the effect of dividend policy in moderating the effect of leverage on share price; and (4) the impact of a dividend policy.

Signalling Theory

Brigham and Houston (2018) define signals as the steps a business takes to give investors hints about the management's assessment of the company's future. Every business activity or event pertaining to a firm has the potential to contain information that could be interpreted as a signal, according to Fahmi (2017) and signaling theory. According to signaling theory, businesses should indicate to customers that their financial statements are favorable.

Leverage

Hanafi (2016) states that leverage is a ratio that businesses use to assess their capacity to fulfill long-term commitments. This indicates the ratio of the company's debt load to its assets. In this instance, the company's capacity to meet all of its short- and long-term debt is gauged by the leverage ratio.

Profitability

According to Hartono (2017), profitability A ratio called profitability indicates how profitable a business may turn a profit. The better the state of the company, the higher the profitability value. In order for investors and business owners to continue lending money to the company, profitability refers to the ability of the business to turn a profit that is agreeable to them. A company's capacity to turn a profit will draw in investors; in the event that profitability is low, however, investors will take their money out. Profitability can be used by businesses to assess how well their business entity management is working.

Dividend Policy

As per Hartono (2016), dividend policy The right of common stockholders to receive a portion of the company's profits is known as a dividend. All common shareholders receive equal rights in the event that the corporation chooses to distribute profits as dividends.

A company's policy or decision on dividend payments is known as its dividend policy. varied companies have varied dividend distribution policies. Companies might choose to decrease dividend distribution in order to smooth the company's operating cash flow or to boost dividend distribution in order to attract investors and raise the company's worth. The Dividend Payout Ratio (DPR) is used in this study to quantify the dividend policy.

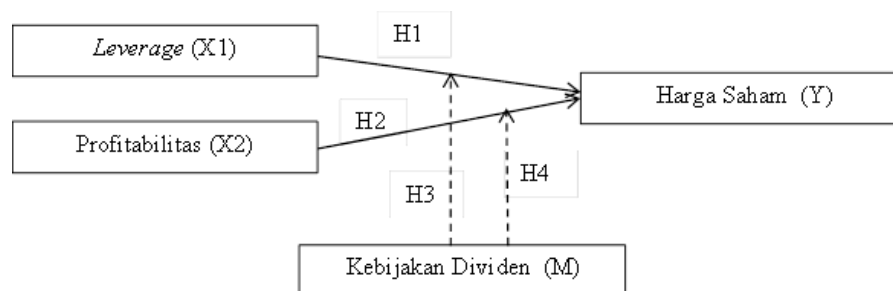


Figure 1. Engraving Framework

Research Methods

This study uses a particular kind of quantitative research methodology. The study's data sources are secondary data, or those that don't directly give the data collector the data, including information obtained from other people through papers. The annual financial statements of LQ45 firms retrieved from the websites of each company and the Indonesia Stock Exchange (www.idx.co.id) served as the secondary data used in this study.

Population and Sample

The LQ45 index firms listed on the Indonesia Stock Exchange between 2019 and 2022, totaling 62 companies, comprise the study's population. These companies were collected from

their separate company websites and the www.idx.co.id website. Purposive sampling was used in this study's sample selection process to generate representative samples based on predetermined criteria. Companies that are regularly featured in the LQ45 index for the 2019–2022 period are the sample criteria that should be used.

Methods for Analyzing Data

The statistical techniques employed in this study's hypothesis testing are part of the Statistical Packages for Social Science (SPSS) software. The formula for the MRA equation is as follows:

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 M + b_4 X_1 * M + b_5 X_2 * M + e \dots\dots\dots 1$$

Results of Research

Descriptive Statistical Test Results

Table 1. Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
X1	68	16,701	86,887	51,59454	20,533616
X2	68	1,069	61,496	14,97710	10,424392
M	68	2,028	147,302	57,33132	29,636813
And	68	840	39025	8232,35	6879,622
N valid (listwise)	68				

Source: Appendix 2 SPSS Output

Four traditional assumption tests are used in this study: autocorrection, multicollinearity, heteroscedasticity, and normality. An example of a basic assumption test produced by the SPSS 25 output is as follows:

Table 2. Classical Assumption Test Results

Test Type	Test Results	Information
Normalitas	ASIM,SIG (2) = 0.074 > 0.050	Normally distributed
Autokorelass	Sig value. <i>Running tests</i> 0.463 > 0.05	No autocorrelation
Multicolinearitis	<i>Leverage</i> VIF = 1.120 < 10 <i>Tolerance</i> 0.893 > 0.10	No multicollinearity occurs
	<i>Profitability</i> VIF = 1.232 < 10 <i>Tolerance</i> 0.812 > 0.10	No multicollinearity occurs
	<i>Dividend Policy</i> VIF = 1.239 < 10 <i>Tolerance</i> 0.807 > 0.10	No multicollinearity occurs
Heteroscedasticity	<i>Leverage</i> Ignite. 0.248 > 0.05	No heteroscedasticity occurs
	<i>Profitability</i> Ignite. 0.084 > 0.05	No heteroscedasticity occurs
	<i>Dividend Policy</i> Ignite. 0.737 > 0.05	No heteroscedasticity occurs

Regression Analysis

Table 3. Regression Test Results

Test	Test Results			Information
<i>Constant</i>		B	Sig.	-5895,420
T Test	<i>Leverage (X1)</i>	B = 91,343	Sig. = 0,321 > 0,05	Rejected hypothesis
	<i>Profitability (X2)</i>	B = 1030,022	Sig. = 0,000 < 0,05	Acceptance of the hypothesis
	<i>Divident Policy (M)</i>	B = 234,692		-
MRA test	<i>Leverage and Divident Policy (X1*M)</i>	B = -3,042	Sig. = 0,032 < 0,05	Moderate (lessening)
	<i>Profitability and Divident Policy (X2*M)</i>	B = -11,187	Sig. = 0,000 < 0,05	Moderate (lessening)
Coefficient of Determination		<i>Adjuded R Square = 0,287</i>		

The formula for the MRA equation is as follows:

$$Y = -5.895,420 + 91,343X_1 + 1.030,022X_2 + 234,692M - 3,042X_1 * M - 11,187X_2 * M + e$$

Discussion

Leverage's Impact on Stock Prices

The first hypothesis looks into how leverage affects stock prices. The results of the hypothesis test show that leverage has no bearing on stock price. Thus, based on the results of the statistical data analysis, it is possible to say that the first hypothesis (H1) is rejected. The results of the analysis showed that leverage had no bearing on the share prices of LQ45 companies that registered on the Indonesia Stock Exchange between 2019 and 2022. Because the value of leverage is determined by investors' estimates of its riskiness. According to Fahmi (2017), leverage is a measure of how much debt a company is financing; a high leverage suggests a significant amount of debt.

The results of this analysis corroborate those of studies by Mardianti and Dewi (2021) and Murti and Kharisma (2020), who revealed no correlation between leverage and stock prices. This is because debt that is managed well will increase the total capitalization of the business. However, if debt is not managed correctly.

Profitability's Impact on Stock Prices

The second hypothesis looks into how profitability affects stock prices. The results of the hypothesis test show that stock price is influenced by profitability. The study's conclusions show that profitability has a favorable and considerable impact on the share prices of the LQ45 companies listed on the Indonesia Stock Exchange between 2019 and 2022. According to Hartono (2017), profitability is a ratio that describes a company's ability to make a profit. Strong profitability or positive earnings will result in an increase in the stock price of the company

since these companies can turn a profit. The results of the study corroborate those of earlier studies that discovered a connection between stock price and profitability, such those by Pebrianti (2020), Gusrida (2015), Aryanti and Jayanti (2020), Mardianti and Dewi (2021), and others.

In Order to Moderate Leverage Against Stock Prices, Dividend Policy

The relationship between leverage and share price is examined in the third hypothesis in relation to the dividend policy. The results of the hypothesis test suggest that dividend policy can attenuate, or lessen, the relationship between leverage and share price. The study's conclusions suggest that the dividend policy may lessen the impact of leverage on share prices for LQ45 companies listing between 2019 and 2022 on the Indonesia Stock Exchange. When the dividend policy is in place to limit it, the value of high leverage is much less than the considerable level with a negative direction. Therefore, the dividend policy can mitigate the effect of leverage on stock prices.

According to Brigham and Houston (2018), signals are the actions that companies take to provide investors with suggestions about how management views the company's prospects. The results of the study indicate that the existence of a dividend policy can lessen (mitigate) the effect of leverage on stock price. This is because going with a dividend policy is preferable when the company has funds put aside for paying off debt or when the debt is not very large. such that the dividend policy can regulate how much leverage affects share price.

The Role of Dividend Policy in Controlling Share Prices and Profitability

The fourth hypothesis examines the relationship between profitability and share price and how it is impacted by the dividend policy. The results of the hypothesis test show that a dividend policy can reduce, or lessen, the relationship between profitability and stock price. Therefore, based on the results of the statistical data analysis, it may be claimed that the fourth hypothesis (H4) is accepted. The study's conclusions suggest that the dividend policy may lessen the impact of profitability and share price for LQ45 companies listed on the Indonesia Stock Exchange between 2019 and 2022.

Signals are defined by Brigham and Houston (2018) as the actions a firm takes to provide investors with clues regarding the management's outlook for the company. The investigation's results are in line with research by Ramadhani et al. (2020) and Mardianti and Dewi (2021), which indicates that the dividend policy may lessen the effect of profitability on stock prices. If the corporation decides to distribute dividends, the money comes from the profits the company has made. As a result, the dividend will reduce the business cash that can be used for larger, future firm expansion.

Conclusion

The study's findings allow for the following conclusions to be drawn: 1) The price of stocks is unaffected by leverage. This is true because the value of leverage is based on how risky investors perceive it to be. Since every business has some internal capital that is still held and is not totally backed by debt, the corporation does not provide a significant danger. 2) Profitability has a strong and favorable influence on stock price. This is because companies that generate strong profits or positive earnings will have higher stock prices due to their ability to turn a profit. 3) The dividend policy may regulate, or lessen, the relationship between leverage and stock price. This is because the company knows that investors will be interested in knowing

how much dividends it will pay out. As a result, when dividends are high, debt payments will be low, unless it's corporate debt, which is often low. 4) The dividend policy may moderate, or weaken, the correlation between profitability and stock price. This is because, should the company decide to distribute dividends, those funds come from the profits the company has generated. As a result, dividends will reduce the corporate funds available for larger, future firm expansion.

Several recommendations for future research are made by researchers based on the study's findings and conclusions, including the following: 1) Businesses need to be aware of their financial performance, particularly in relation to profitability, leverage, and dividends, as these factors may be taken into account by potential investors. Businesses can perform better in order to handle debt-derived firm capital more skillfully and productively. 2) It is required of investors to put their money into businesses that can fulfill all of their commitments. Then, since investors generally desire greater future prospects for their firm, you can carefully observe and take into account the stock price of the business to be purchased. Since the profit increases with the price of the company's shares. 3) This study can be expanded upon by future researchers by including other variables including ownership structure, firm size, and other factors. Other moderating factors like asset structure, sales growth, and others can then be used. Other firm indices, such the IDX30 Index, IDX High Dividend 20, Kompas 100, and other stock indices, are also subject to additional research.

Bibliography

- Ajaib. (2021). Hal Ini Ternyata yang Jadi Penyebab Saham UNVR Turun. Retrieved 5 11, 2023, from <https://ajaib.co.id/hal-ini-ternyata-yang-jadi-penyebab-saham-unvr-turun/>.
- Brigham, E. F., & Houston, J. F. (2018). *Dasar-Dasar Manajemen Keuangan*. Jakarta: Salemba Empat.
- Ermiahi, C., Amanah, D., & Harahap, D. A. (2019). Pengaruh Kebijakan Dividen terhadap Harga Saham Perusahaan Sub Sektor Otomotif dan Komponen yang Terdaftar di Bursa Efek Indonesia Periode 2008-2017. *Niagawan*, 131-139.
- Fahmi, I. (2017). *Analisis Laporan Keuangan*. Bandung: Alfabeta.
- Ghozali, I. (2018). *Aplikasi Analisis Multivariate dengan Program IBM SPSS 25*. Semarang: Badan Penerbit Universitas Diponegoro.
- Gursida, H. (2015). Pengaruh Profitabilitas dan Leverage terhadap Harga Saham Perusahaan yang Terdaftar di Bursa Efek Indonesia. *MAGMA: JURNAL MAGISTER MANAJEMEN*, 3(1).
- Hanafi, M. (2016). *Dasar-dasar Manajemen Keuangan*. Jakarta: Penerbit Balai Pustaka.
- Hartono, J. (2017). *Teori Portofolio dan Analisis Investasi*, Edisi Kesepuluh. Yogyakarta: BPFE.
- Hery. (2017). *Analisis Laporan Keuangan Integrated and Comprehensive Edition*. Jakarta: PT. Grasindo.
- Istanti, S. L. (2018). Pengaruh Kebijakan Dividen terhadap Harga Saham pada Perusahaan LQ 45. *Potensio*, 19(01).
- Mardianti, A., & Dewi, S. R. (2021). The Effect of Liquidity and Profitability on Stock Prices With Dividend Policy as Moderation in Manufacturing Companies Listed on the Stock Exchange in 2016-201. *Indonesian Journal of Innovation Studies*, 16.
- Murti, R. A., & Kharisma, F. (2020). Pengaruh Debt to Equity Ratio dan Debt to Asset Ratio terhadap Harga Saham. *Borneo Student Research*, 1(2), 1155-1163.
- Novitasari, D., & Prasetyo, E. (2017). Pergerakan Harga Saham Dengan Kebijakan Dividen sebagai Variabel Moderating (pada Perusahaan Pertambangan yang Terdaftar di Bursa Efek Indonesia). *Jurnal Ekuivalensi*, 3(2), 1-18.
- Parmuji, Ibrahim, M. M., & Djaddang, S. (2021). Faktor-Faktor yang Mempengaruhi Harga Saham dengan Kebijakan Dividen sebagai Pemoderasi pada Perusahaan LQ45 di BEI Tahun 2015-2017. *Jurnal Ilmiah Manajemen Kesatuan*, 9(1), 141-150.
- Pebrianti, Y. (2020). Pengaruh Profitabilitas dan Kebijakan Dividen terhadap Harga Saham Indeks LQ45 Bursa Efek Indonesia. *Jurnal Riset Terapan Akuntansi*, 4(2), 206-218.

- Putri, L. P. (2015). Pengaruh Profitabilitas terhadap Harga Saham pada Perusahaan Pertambangan Batubara di Indonesia. *Jurnal Ilmiah Manajemen dan Bisnis*, 16(2).
- Ramadhani, J. B., Husnan, L. H., & Putra, I. N. (2020). Pengaruh Profitabilitas terhadap Harga Saham dengan Kebijakan Dividen dan Leverage sebagai Variabel Pemoderasi pada Perusahaan Sektor Industri Barang Konsumsi yang Terdaftar di Bursa Efek Indonesia. *JMM Unram (Jurnal Magister Manajemen Universitas Mataram)*, 9(1), 42-52.
- Sampurna, D. S. (2016). Analisis Pengaruh Faktor-Faktor Ekonomi Makro terhadap IHSG di Bursa Efek Indonesia (BEI). *Jurnal STEI Ekonomi*, 25(01).
- Satar, A., & Jayanti, S. D. (2020). Pengaruh Profitabilitas dan Leverage terhadap Harga Saham dengan Kebijakan Dividen sebagai Variabel Moderating pada Perusahaan Manufaktur yang Terdaftar di Indeks Saham Syariah Indonesia (ISSI) Tahun 2014 – 2018. *I-FINANCE: a Research Journal on Islamic Finance*, 148-167.
- Soenarso, S. A. (2021). Retrieved 5 1, 2023, from Pemilik saham UNVR akan terima dividen Rp 66 per saham, berikut jadwal pembayarannya: <https://amp.kontan.co.id/news/pemilik-saham-unvr-akan-terima-dividen-rp-66-per-saham-berikut-jadwal-pembayarannya-1>
- Sugiyono. (2017). *Metode Penelitian Kuantitatif, Kualitatif R&D*. Bandung: CV. Alfabeta.