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ANALYSIS OF THE INFLUENCE OF DIVIDEND POLICY AND INVESTMENT DECISIONS ON THE SHARE PRICES OF IDX MANUFACTURING COMPANIES 2019–2023

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Abstract

This study aims to analyze the implications of the existence of the Indonesian National Cooperative Council (Dekopin) in the context of national cooperative development. Using a qualitative descriptive method with a normative juridical approach, this research explores the legal, institutional, and operational aspects of Dekopin following the issuance of Law Number 11 of 2020 concerning Job Creation. The study finds that Dekopin's current structure raises legal questions regarding its institutional legitimacy, especially with the establishment of two competing organizational versions, which contradict the principles of cooperative unity and the Indonesian Cooperative Law. The results reveal that the government's ambiguity in enforcing legal clarity has led to confusion among cooperative actors and weakened the cooperative movement. This research suggests that the government needs to immediately revise or provide legal certainty regarding Dekopin's institutional status to strengthen the cooperative sector's governance and unity. The study also highlights the need for a more inclusive and democratic cooperative representation to ensure the optimal realization of cooperative development in Indonesia.

Keywords: Dividend Policy, Investment Decision, Manufacturing Companies, Share Price, Stock Market

INTRODUCTION

With the rapid development of the economy, the capital market in Indonesia is now one of the main choices for investors in allocating their funds. The Indonesia Stock Exchange (IDX) has experienced significant growth, with many companies, especially those engaged in the manufacturing sector, listed and offering opportunities for investors to reap profits through stock trading. The IDX itself functions as an institution that provides systems and facilities to make it easier for companies to conduct public offerings and assist foreign investors in investing in Indonesia. In short, the IDX is a place where securities trading is carried out and securities buying and selling transactions take place. Among the various industrial sectors listed on the IDX, the manufacturing sector occupies a strategic position as the main driver of national economic growth through its contribution to Gross Domestic Product (GDP), job creation, and increase in export value (Muninggarsih & Giyartiningrum, 2024).

Stocks are one of the main instruments in the capital market, which reflects an investor's ownership of a company. Stock prices are an important indicator in assessing the performance and prospects of a company in the capital market. Stock price fluctuations are influenced by a variety of internal factors, including dividend policies and investment decisions. According to signaling theory, a stable dividend policy gives a positive signal to the market regarding the company's prospects, so that it can increase the stock price (Jogiyanto, 2017; Agung Santosa, 2022). While investment decisions reflect a company's ability to allocate resources for future growth, wise investment decisions create market optimism and increase stock valuations (Sudiyatno, 2019; Arifin & Nugroho, 2021). Analysis of the relationship between dividend policy and investment decisions can provide an understanding of the interaction of the two factors. Knowing how a company sets dividend policies can be an indicator for management of how the company manages investment projects to improve the company's financial performance and value in the stock market.

In the manufacturing sector, which is a vital part of the Indonesian economy, dividend policies and investment decisions are becoming increasingly important. This sector makes a major contribution to Gross Domestic Product (GDP), creates jobs, and encourages innovation (Fatkhurrozi, 2024). However, companies in this sector also face various challenges, such as production cost pressures, fluctuations in raw material prices, changes in consumer demand, and increasingly fierce global competition. Therefore, how companies in this sector formulate dividend policies and make investment decisions is very important to be studied empirically.

This research is based on industrial sector manufacturing companies listed on the Indonesia Stock Exchange (IDX). Because manufacturing companies have an important role in supporting economic activities widely and experiencing rapid development, as evidenced by the number of companies listed on the IDX, which is as many as 193 companies. Where of these 193 companies are grouped into 3 sectors, namely: (1) consumer goods sector, (2) basic and chemical industry sector, (3) various industry sectors (www.idx.co.id). The manufacturing sector was also chosen because in previous research, there have not been many studies related to dividend policies, investment decisions in manufacturing companies.

The period from 2019 to 2023 is crucial to understanding these dynamics. During this time, manufacturing companies in Indonesia have undergone various significant changes in terms of dividend policies and investment decisions. This study aims to analyze the impact

of dividend policies and investment decisions on the stock prices of manufacturing companies listed on the IDX. Based on the description above, this research was conducted because the researcher views dividend policy and investment decisions as important aspects, both for investors and companies. Dividends are often considered to be one of the main factors that attract the attention of the majority of shareholders in making investment decisions. On the other hand, for companies, dividend policies can affect the availability of cash, which in turn impacts the company's ability to invest and grow its business in the future.

Various studies have been conducted to examine the influence of dividend policies and investment decisions on stock prices, but the results still show inconsistencies. For example, research by Ariko Beni (2023) and Anggeraini & Triana (2023) found that dividend policy has a significant positive effect on stock prices. On the other hand, Warouw et al. (2021) concluded that dividend policy has no effect, while investment decisions actually have a significant effect on stock prices. Research by Hidayat & Sumarni (2022) and Wahyuni & Syahrul (2022) shows that both have a significant effect on stock prices simultaneously.

The inconsistency of these results shows that there is a research gap, especially in the manufacturing sector in Indonesia in the post-COVID-19 pandemic period, very complex economic dynamics, such as disruption due to the COVID-19 pandemic, changes in global interest rate policy, and national economic recovery. The change in economic conditions is believed to have an impact on the company's financial policy strategy, including in terms of dividends and investments. Therefore, this study aims to analyze the influence of dividend policies and investment decisions on stock prices in manufacturing companies listed on the Indonesia Stock Exchange for the 2019–2023 period.

REVIEW OF LITERATURE

Signaling Theory

Signaling theory explains that companies can provide signals to investors about their financial condition through information submitted to the public. One form of such signal is the dividend policy. Financially healthy companies tend to distribute dividends consistently as a signal that they have good prospects for the future (Jogiyanto, 2017). The signal will be responded to by the market, which ultimately affects the stock price. According to Santosa and Wibowo (2022), positive signals such as increased profits or dividend distribution will boost investor confidence and trigger an increase in stock prices. On the other hand, if the company holds dividends or gives other negative signals, then investors can assume that the company's financial condition is unstable, which can lead to a decline in the stock price. Therefore, signaling theory is very relevant in explaining how dividend policies and investment decisions can affect a company's value in the capital market.

Dividend Policy

Dividends are the company's net profit that is partially distributed to shareholders based on the proportion of shareholding owned. The amount and timing of dividend payment are based on the General Meeting of Shareholders (GMS) (Samrotun, 2019). Dividend policy is the percentage of profit paid to shareholders in the form of cash dividends, maintenance of dividend stability over time, distribution of stock dividends and share buybacks (Gaddafi & Syahputra 2019). Basically, the company also carries out its operational activities which are inseparable from the obligation to pay dividends to provide remuneration for shareholders.

A stable dividend policy makes it necessary for companies to provide a certain amount of funds to pay the fixed dividend amount. There are three types of dividend policies, namely 1) Constant Ratio Payment Dividend Policy, 2) Regular Dividend Policy and 3) Regular Low and Extra Dividend Policy.

The dividend policy is one of the parts that affects the company's funding decisions so it is an important thing and must be carefully considered (Rahman, Agusti, and Rofika 2015). The factors that affect the amount of dividends paid by the company to shareholders (Jaya et al. 2018) among others, 1) The company's liquidity position, 2) The need for funds to pay debts, 3) The company's growth rate, and 4) Supervision of the company.

Investment Decision

Investment decisions are related to the process of selecting one or more investment alternatives that are considered profitable from a number of alternatives available to the Company (Rahayu, A. E., 2023). This process involves evaluating the potential risks and returns of each alternative, with the aim of allocating funds or other resources into projects or assets that are expected to provide future returns. Appropriate investment decisions are aimed at providing positive growth for both companies and investors. For investors, positive growth is a profitable prospect, because the investment invested can provide optimal returns in the future. In general, investment decisions can include the purchase of stocks, bonds, property, or other forms of investment that aim to increase the value of wealth (Sudiyatno, 2019).

Stock Price

Shares are letters that have a sign of ownership of a person or entity to a company. Shares are the participation of a person's or business entity in a company or limited liability company with a piece of paper a person can be referred to as the owner of a company (Darmadji and Fakhrudin in Husein and Kharisma, 2020). Shares can be defined as one of the new sources of funds obtained by the company from the owner of the capital with the consequence that the company must provide a return on the capital in the form of dividends and capital gains (Hermawan and Fajrina, 2017). The stock market price is determined through the interaction between demand and supply made by investors. This process occurs when investors reach an agreement regarding the price of a stock. Stock prices can change, both up and down, over time. These price changes are influenced by the strength of demand and supply; if the demand for a stock is greater than the supply, the price will tend to rise, whereas if the supply is larger, the stock price will tend to fall (Fama & French, 2021).

RESEARCH METHOD

This study uses a quantitative approach with a type of causal associative research that aims to determine the influence of dividend policies and investment decisions on stock prices in manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period. The type of data used is secondary data obtained from the company's annual financial statements as well as market data from the IDX's official website and other relevant sources. The population in this study is all manufacturing companies listed on the IDX. The sampling technique was carried out by purposive sampling with the following criteria: (1) manufacturing companies that were consistently listed on the IDX during 2019–2023, (2) companies that distributed dividends during the period, and (3) companies that had complete data for the variables studied.

The independent variables in this study were dividend policy (as measured by the Dividend Payout Ratio) and investment decisions (as measured by the Price Earning Ratio). The dependent variable is the stock price (which is measured based on the year-end closing price). The data analysis technique uses multiple linear regression to determine the simultaneous and partial influence of independent variables on stock prices. The classical assumption tests used include normality, multicollinearity, heteroscedasticity, and autocorrelation tests to ensure the validity of the model. Data processing is carried out with the help of EViews 12 software to obtain accurate and standardized analysis results.

RESULTS AND DISCUSSION

The results of data analysis in this study show that dividend policy and investment decisions have an influence on the stock price of manufacturing companies. This influence can be seen through the analysis carried out on the data that has been collected. The results of this analysis are presented in the form of tables and images that have been processed to facilitate understanding. The findings of this study indicate that dividend policy has a significant relationship with stock prices, suggesting that companies that have a consistent dividend policy tend to have more stable stock prices. On the other hand, investment decisions also show a significant influence on stock prices, indicating that the right investments can increase investor confidence and have a positive impact on stock prices.

The results of this study are consistent with signaling theory which states that dividend policy and investment decisions can be positive signals for investors. This is in line with previous research by Wahyuni and Syahrul (2022) which showed that dividend policies and investment decisions have a significant effect on the stock prices of manufacturing companies. Theoretically, this study contributes to the literature on the influence of dividend policies and investment decisions on stock prices. Practically, the results of this research can be a guide for the management of manufacturing companies in formulating the right dividend policy strategies and investment decisions to increase the company's value in the eyes of investors.

Model Selection Test Results

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	356.391494	(4,18)	0.0000
Cross-section Chi-square	109.612499	4	0.0000

Figure 1
Chow Test Results

The Prob value is 0.000 < 0.05, then the selected FEM

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.499253	2	0.7791

Figure 2
Hausman Test Results

The prob value is 0.7791 > 0.05, then the selected one is the REM model

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	47.20356 (0.0000)	2.994297 (0.0836)	50.19786 (0.0000)
Honda	6.870485 (0.0000)	-1.730404 (0.9582)	3.634586 (0.0001)
King-Wu	6.870485 (0.0000)	-1.730404 (0.9582)	3.634586 (0.0001)
Standardized Honda	7.757673 (0.0000)	-1.561806 (0.9408)	1.900264 (0.0287)
Standardized King-Wu	7.757673 (0.0000)	-1.561806 (0.9408)	1.900264 (0.0287)
Gourieroux, et al.	--	--	47.20356 (0.0000)

Figure 3
Legrange Multiplier Test

The prob value is 0.000 > 0.05, then what is selected is the REM model, based on the results of the Chow Test, Hausman Test, and LM Test, then the best model in this study is REM. Using the Random Effect (REM) model in Eviews is not mandatory to perform a classical assumption test as in OLS (Ordinary Least Squares) regression, because REM is based on the Generalized Least Squares (GLS) approach, not the usual OLS.

Hypothesis Test Results

Dependent Variable: Y
Method: Panel Least Squares
Date: 05/17/25 Time: 15:50
Sample: 2019 2023
Periods included: 5
Cross-sections included: 5
Total panel (balanced) observations: 25

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1680.093	585.3338	2.870316	0.0089
X1	-1975.485	5106.482	-0.386858	0.7026
X2	-1.490800	5.703007	-0.261406	0.7962

Figure 4
Test Results t

The results of the regression analysis show that the dividend policy variable (X1) has a coefficient of -1975.485, which means that every one unit increase in the dividend policy tends to decrease the stock price by 1975.485 units, assuming the other variables remain constant. However, a probability value (p-value) of 0.7026 which is greater than 0.05 indicates that the effect of dividend policy on the stock price is not statistically significant at a significance level of 5%. Thus, partially, the dividend policy does not have a significant influence on the stock price in this model.

Furthermore, the investment decision variable (X2) has a coefficient of -1.490800, which indicates that every one unit increase in investment decisions will decrease the stock price by 1.49 units. However, the p-value of 0.7962 which is greater than 0.05 indicates that the influence of investment decisions on the stock price is also not statistically significant. This means that investment decisions do not have a significant partial influence on the stock price in this model. Meanwhile, the constant in the regression model has a value of 1680.093 and is proven to be statistically significant with a p-value of 0.0089 which is smaller than 0.05. This means, when the variable dividend policy and investment decision are zero, the share price of manufacturing companies listed on the Indonesia Stock Exchange (IDX) is estimated to have an average value of 1680,093 units.

F Test

The F test is used to test whether all independent variables together have a significant effect on the dependent variables.

R-squared	0.008373
Adjusted R-squared	-0.081775
S.E. of regression	2387.561
Sum squared resid	1.25E+08
Log likelihood	-228.3262
F-statistic	0.092877
Prob(F-statistic)	0.911661

Figure 5
F Test Results

The results of the F-statistical test show that the F-statistical probability value of 0.911661 is greater than 0.05. This means that the zero (H_0) hypothesis is accepted, which suggests that simultaneously, the dividend policy (X1) and investment decision (X2) do not have a significant influence on the stock price (Y) of manufacturing companies listed on the Indonesia Stock Exchange (IDX). In other words, the regression model used in this study is not able to explain the variation in stock prices together based on dividend policy variables and investment decisions. These results indicate that there are other factors beyond the two independent variables that are more dominant in influencing the stock prices of manufacturing companies during the study period.

Coefficient of Determination Test (R2)

The determination coefficient (R^2) test aims to find out how much variation the change in the dependent variable (Y - Stock Price) can be explained by the independent variables (X1 = Dividend Policy and X2 = Investment Decision) in the regression model.

R-squared	0.008373
Adjusted R-squared	-0.081775
S.E. of regression	2387.561
Sum squared resid	1.25E+08
Log likelihood	-228.3262
F-statistic	0.092877
Prob(F-statistic)	0.911661

Figure 6
Coefficient of Determination Test (R2)

The results of the analysis show that the value of the determination coefficient (R^2) is 0.008373, which means that only about 0.8373% of the stock price variation can be explained by a combination of dividend policy variables and investment decisions. Meanwhile, the remaining 99.1627% is explained by other factors outside of this regression model, such as the company's financial performance, market conditions, interest rates, investor expectations, and various other external factors. In addition, the adjusted R^2 in this model is negative (-0.081775), which indicates that the regression model has a very low predictive ability to explain the relationship between the variables studied. Negative adjusted R^2 usually occurs when the number of independent variables exceeds the model's ability to explain the dependent variables, or when the variables are not statistically relevant. In conclusion, the regression model used in this study has very weak predictive capabilities, so dividend policies and investment decisions are not sufficiently able to explain the fluctuations in the stock prices of manufacturing companies during the study period.

CONCLUSION

Based on the results of the data analysis that has been carried out, it can be concluded that dividend policies and investment decisions partially do not have a significant influence on the share prices of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 period. This is indicated by a probability value greater than 0.05 for both variables. Simultaneously, dividend policy and investment decisions also had no significant influence on the stock price, with a probability value of F-statistic greater than 0.05. In addition, the very small value of the determination coefficient (R^2), which is 0.8373%, indicates that the regression model used has very low predictive capabilities, where almost all stock price variations are explained by factors outside of this model. This indicates that there are other factors that are more dominant in influencing the stock price of manufacturing companies, such as financial performance, market conditions, interest rates, and investor expectations.

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