

The Effect of Dividend Policy on Stock Prices of Manufacturing Companies in the Automotive Industry Listed on the Indonesia Stock Exchange (IDX) for the Period 2018–2022

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ABSTRACT

The objective of this study is to examine and explain the effect of dividend policy on stock prices in manufacturing companies in the automotive industry listed on the Indonesia Stock Exchange (IDX) during the 2018–2022 period. The population of this study consists of 17 manufacturing companies in the automotive industry from 2018 to 2022. Sampling in this study used purposive sampling, which involves selecting samples based on specific criteria; 9 companies were selected over the 5-year period, resulting in 45 observations. This study employed regression analysis using the EViews 12 software. The independent variable in this study is dividend policy, and the dependent variable is stock price. The results of this study indicate that the dividend policy variable has an effect on stock prices.

Keywords: Dividend Policy, Stock Price

1. INTRODUCTION

The automotive industry is a key sector in Indonesia's economy, making a significant contribution to GDP and employment. Amid fierce competition, automotive companies need to optimize their financial strategies to enhance shareholder value and attract investors. A critical aspect is understanding the impact of liquidity on stock prices. Indonesia's automotive industry has become a key pillar of the country's manufacturing sector, as many world-renowned automotive companies have opened car factories or expanded production capacity in Indonesia [1]. Furthermore, Indonesia has undergone a remarkable transformation, evolving from a base for export vehicle production (particularly for the Southeast Asian region) into a large-scale domestic vehicle sales market. The growth in vehicle sales in Indonesia is closely tied to the growth of the national economy [1]. The automotive industry encompasses a business chain ranging from parts manufacturing, vehicle assembly, sales networks and after-sales services, to authorized repair shops and general maintenance, including a nationwide parts distribution network. This is because the majority of Indonesians prefer to own private vehicles. Consequently, many investors are interested in investing in Indonesian automotive companies [2].

A stable and consistent dividend policy can attract investors seeking a steady income, thereby increasing demand for the stock and raising its price. This aligns with the Modigliani-Miller theory, which posits that while dividend policy does not have a direct impact on a company's value, a stable and consistent dividend policy will attract investors seeking a steady income, thereby potentially increasing the stock price. According to Sartono (2010), dividends determine whether a company's profits are distributed to shareholders as dividends or retained as retained earnings to fund future investments.

According to [3], stock prices "serve as an indicator of corporate management. Profits ensure investor satisfaction. When a company's stock price is high, this yields benefits such as an enhanced reputation and capital gains, thereby making it easier for managers to raise external funds. Stock market prices are determined by the mechanisms of supply and demand in the capital market."

A study [4] found that the dividend policy variable, measured by the dividend payout ratio (DPR), had no effect on stock prices. Meanwhile, according to a study [5], the results indicate that dividend policy, measured by the dividend payout ratio, has a significant positive effect on stock prices in the manufacturing industry. This study aims to fill a gap in the literature by empirically examining how capital structure mediates the effect of dividend policy on stock prices in automotive manufacturing companies in Indonesia. This study provides a new contribution to the understanding of the relationship between these variables and offers valuable practical insights for investors and manufacturing companies in the automotive sector when making investment and financing decisions.

The objective of this study is to address this research gap by analyzing the impact of dividend policy on stock prices of manufacturing companies in the automotive industry listed on the Indonesia Stock Exchange. This study uses the latest data from 2018 to 2022. The reason the researcher chose to study automotive companies listed on the Indonesia Stock Exchange is that automotive companies are capital-intensive meaning they invest large amounts of money in their operations—and are actively traded on the Indonesia Stock Exchange. The automotive industry sector has unique characteristics, such as large capital requirements, volatile business cycles, and sensitivity to changes in the macroeconomy. This study will make a significant contribution by analyzing the influence of these variables on the stock prices of companies in the automotive industry sector.

2. LITERATURE REVIEW

2.1. Dividend Policy

Dividends are a portion of a company's profits derived from sales that are distributed by the company to its investors or shareholders as compensation for allowing shareholders to invest their capital in the company [5]. Meanwhile, according to [6], a dividend policy is the percentage of profits paid to shareholders in the form of cash dividends to ensure the stability of retained earnings used as investment in the company.

A dividend policy is a policy for distributing profits to shareholders in the form of dividends and retained earnings for business development. Stock price trends are also influenced by information regarding dividend policies. The amount of dividends varies depending on each company's policy, so it is important for managers to consider this. Stable or increasing dividend payments to shareholders boost investor confidence because they indirectly signal a company's growing ability to generate profits, which can drive up the company's stock price. A company's dividend payments can serve as a signal that the company is in good financial health and has favorable future prospects [7].

Dividend policy can be measured using the dividend payout ratio (DPR). The dividend payout ratio is the proportion of profits paid out as dividends, or the ratio of profits paid out as dividends to total profits earned by shareholders. The dividend payout ratio is calculated by comparing dividends per share to earnings per share. This allows investors to understand profit distribution and how the company utilizes its working capital. Dividend policy is assessed using the dividend payout ratio (DPR). The dividend payout ratio is the ratio of dividends per share to earnings per share. Dividends are the equitable distribution of a company's profits to shareholders, distributed in the form of cash (cash dividends) or shares, with the amount determined by the General Meeting of Shareholders (GMS). If dividends increase, the stock price will also rise [8].

Companies with a low dividend payout ratio are typically chosen by investors who tend to focus on capital growth (long-term investments). On the other hand, investors seeking short-term investments usually prefer companies with a high dividend payout ratio. However, be careful not to set the dividend payout ratio too high. Dividends are usually paid in cash, so if dividends are too high, they can affect the company's liquidity and complicate cash management [8].

2.2. Stock Price

Stock prices serve as an indicator of corporate management. Profits ensure investor satisfaction. High stock prices provide companies with the benefits of a positive image and capital gains, thereby making it easier for managers to raise external funds [3]. Meanwhile, according to [9], stocks are a well-known capital market instrument, making them an attractive investment opportunity for investors and considered more profitable than investments in banking institutions. [10] Stock prices are determined by supply and demand in the capital market. If business risks increase, stock prices may decline, and stock prices are also difficult to predict.

A stock represents proof of capital contribution or ownership of funds in a company. A stock is a certificate bearing a par value and the company's name, and it outlines the rights and obligations of each shareholder. The stock price is the prevailing buy and sell price in the securities market and is determined by the forces of supply and demand in the capital market. The price per share also reflects the value of the company itself [11]. According to [7], the stock price is the price of a share listed on a stock exchange at a specific time, determined by market participants and influenced by the supply and demand for that stock in the capital market. A stock price is the value of a share that reflects the assets of the company issuing the stock, and fluctuations and changes in stock prices are primarily determined by supply and demand in the stock market. Therefore, the more investors who

want to buy or hold a particular stock, the higher its price will rise. Conversely, the more investors who want to sell or no longer hold a company's stock, the lower its price will become.

There are two factors that influence stock price fluctuations: internal factors and external factors. Internal factors originate from within the company itself and can influence stock prices in relation to the company's financial performance. External factors, on the other hand, are factors outside the company that are not directly related to the company's condition [1]. [12] noted that investors are more concerned with current dividend payments than with future capital gains. This is because dividend income carries lower risk, even though future capital gains may yield higher returns. In addition to these risks, there is also uncertainty regarding the company's future cash flows. The prices of the 20 stocks in this study were measured by calculating the closing price at www.yahooofinance.com.

3. METHODOLOGY

The subjects of this study are manufacturing companies in the automotive industry listed on the Indonesia Stock Exchange (IDX) during the 2018–2022 period. The researcher chose to study automotive companies listed on the Indonesia Stock Exchange because automotive companies are capital-intensive—meaning they invest large amounts of money in their operations—and are actively traded on the Indonesia Stock Exchange. The automotive industry has unique characteristics, such as large capital requirements, a volatile business cycle, and sensitivity to changes in the macroeconomy. This study will make a significant contribution by analyzing the influence of these variables on the stock prices of companies in the automotive industry.

The population in this study consists of all automotive manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2018–2022 period. Based on IDX data, the study population comprises 17 companies. A sample is a subset of the population selected as the subject of the study [13]. When the population is large, it is impossible for the researcher to study the entire population. Therefore, the study focuses on examining a representative sample. The sample used in this study consists of manufacturing companies in the automotive industry listed on the Indonesia Stock Exchange (IDX) from 2018 to 2022. This study uses a sample of 9 companies.

Table 1. List of Research Samples

Code	Company Name
ASII	PT Astra Internasional; Tbk
AUTO	PT Astra Otoparts Tbk
BOLT	PT Garuda Metalindo Tbk
IMAS	PT Indomobil Sukses Internasional Tbk
GJTL	PT Gajah Tunggal Tbk
LPIN	PT Multi Prima Sejahtera Tbk
INDS	PT Indospring Tbk
PRAS	PT Prima Alloy Steel Universal Tbk
SMSM	PT Selamat Sempurna Tbk

3.1. Sampling Techniques

The research sample was selected using purposive sampling, based on the following criteria:

- Automotive manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2018–2022 period.
- Automotive manufacturing companies that consistently published complete and audited annual reports during the 2018–2022 study period
- Automotive manufacturing companies that present complete financial data in accordance with the variables studied, namely liquidity, dividend policy, asset structure, stock price, and capital structure.

The purposive sampling process in this study is shown in Table . below:

Table 2. Research Purposive Sampling Process

No	Purposive Sampling	Total
1.	Automotive manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2018–2022 period	17
2.	Excluding companies that did not publish complete financial statements during the 2018–2022 study period	(5)

3.	Excluding companies that did not provide complete financial data according to the variables under study, namely liquidity, dividend policy, asset structure, stock price, and capital structure..	(3)
Total		9
Data observations over 5 years (2018–2022)		45

Based on the purposive sampling process in Table 2. above, there are 9 companies selected as samples in this study.

4. RESULTS

4.1. Descriptive Analysis

Descriptive analysis is a statistical method used to analyze data by describing the collected data as it is, without intending to draw conclusions that can be generalized. This analytical technique provides a detailed description of the obtained data through a theoretical approach, specifically in the form of frequency distributions, measures of central tendency, and graphical representations.

Table 3. Descriptive Test Results

	Stock Price	Dividend Policy
Mean	1641.630	0.901856
Median	1115.000	0.474026
Maximum	8225.000	4.611545
Minimum	122.0000	0.027469
Std. Dev.	1871.292	1.018570
Skewness	2.152883	2.039928
Kurtosis	6.829235	7.186912
Jarque-Bera	62.25499	64.07897
Probability	0.000000	0.000000
Sum	73873.33	40.58352
Sum Sq. Dev.	1.54E+08	45.64929
Observations	45	45

Based on the test results presented in Table 3, the following can be explained:

- Looking at stock prices from 2018 to 2022, the highest stock price recorded by companies in the automotive industry sector was 8,225,000, while the lowest was 122,000. Overall, the average stock price (Mean) for companies in the automotive industry sector listed on the Indonesia Stock Exchange is 1,641,630, with a standard deviation of 1,871,292.
- The dividend policies from 2018 to 2022 show that the lowest dividend policy value among companies in the automotive industry sector was 0.027469, or 2.74%, while the highest was 4.611545, or 4.611%. Overall, the average (mean) dividend policy value is 0.901856, with a standard deviation of 1.018570.

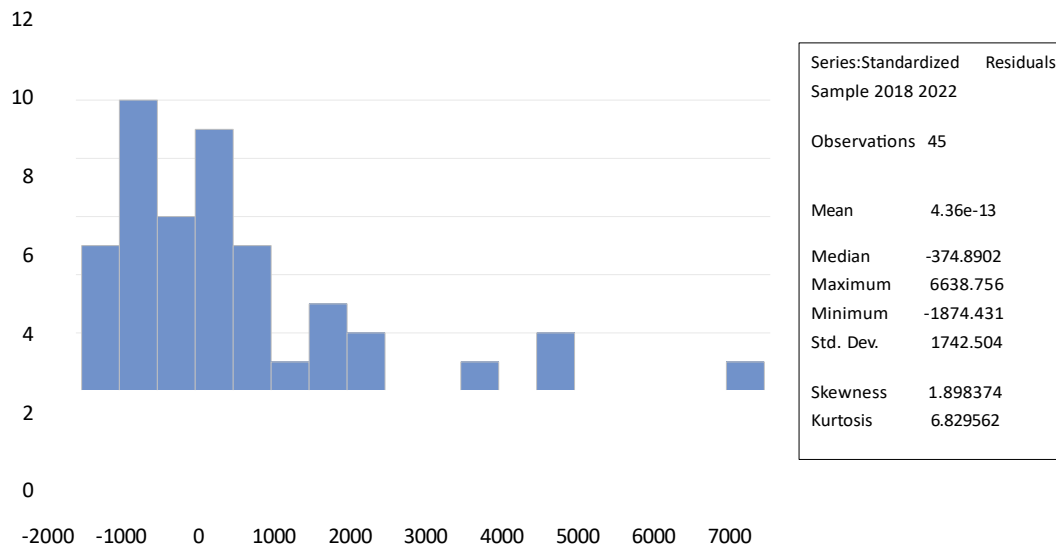
4.2. Classical Assumption Tests

Classical assumption testing is a type of statistical test that examines the assumptions that must be met in multiple linear regression analysis for the data to be suitable for analysis. The primary purpose of classical assumption testing is to ensure that the resulting linear regression model meets the necessary criteria to be considered valid and that its results are reliable.

4.2.1. Normality Test

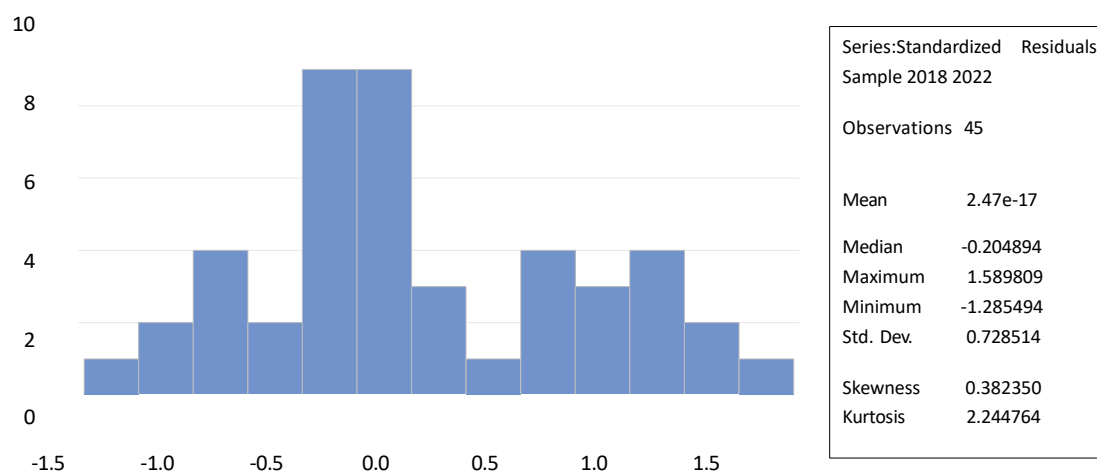
A normality test is used to determine whether the residuals are normally distributed or not. To determine whether they are normally distributed, the Jarque-Bera test is used. If the Jarque-Bera (JB) value is greater than 0.05, the residuals can be said to be normally distributed. If the Jarque-Bera probability value is less than 0.05, the residuals can be said not to be normally distributed.

Tabel 4. Normality Test Results



It can be concluded that the results of the normality test for the output in Table 4 show a probability value of $0.000000 < 0.05$; therefore, the residuals are not normally distributed. To address the non-normal distribution of the data, we will use the natural logarithm.

Table 5. Results of the Normality Test Using the Natural Logarithm



It can be concluded that the results of the normality test for the output in Table.5 show a probability value of $0.338595 > 0.05$; therefore, it can be concluded that the residuals are normally distributed using the natural logarithm.

4.2.2. Heteroscedasticity Test

The heteroscedasticity test aims to determine whether there is unequal variance in the residuals from one observation to another within the regression model. There are several methods for detecting the presence of heteroscedasticity, including the Glazer test. The significance level used is $\alpha = 0.05$, which is commonly employed in research.

Table 6. Heteroscedasticity Test Result

Sample: 2018-2022

Periods included: 5

Cross-sections included: 9

Total panel (balanced) observations: 45

Variabel	Coefficient	Std. Error	t-Statistic	Prob.
C	0.327374	0.094689	3.457346	0.0013
X1	0.023324	0.054258	0.429872	0.6695

Based on the results in Table 6. above, it can be concluded that the results of the heteroscedasticity test indicate that the probability values for X1 are greater than 0.05; therefore, it can be concluded that the data do not exhibit heteroscedasticity.

4.2.3. Autocorrelation Test

The autocorrelation test aims to determine whether, in a linear regression model, there is a correlation between the residuals at period t and those at period t-1 (the previous period). If such a correlation exists, it is referred to as an autocorrelation problem. Autocorrelation can be assessed using the Durbin-Watson (DW) statistic. The DW test is only used to detect first-order autocorrelation and requires the presence of an intercept (constant) in the regression model and the absence of lagged variables among the independent variables.

Table 7. Autocorrelation Test Result

Sample: 2018-2022

Periods included: 5

Cross-sections included: 9

Total panel (balanced) observations: 45

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1780.894	480.0245	3.710007	0.0006
X1	578.1454	275.0613	2.101878	0.0418
Root MSE	1723.034	R-squared		0.132909
Mean dependent var	1641.630	Adjusted R-squared		0.069463
S.D. dependent var	1871.292	S.E. of regression		1805.129
Akaike info criterion	17.91934	Sum squared resid		1.34E+08
Schwarz criterion	18.07993	Log likelihood		-399.1851
Hannan-Quinn criter.	17.97921	F-statistic		2.094847
Durbin-Watson stat	0.271094	Prob(F-statistic)		0.115729

Based on the output in Table 7. above, it can be concluded that the results of the autocorrelation test show a Durbin-Watson statistic of 0.271094. Given that N (number of data points) is 45 and K (number of independent variables) is 3, based on the Durbin-Watson reference table with $\alpha = 5\%$, the following results are obtained:

- L value = 1.3832
- 4-DL value = 2.6168
- DU value = 1.6662
- 4-DU value = 2.3338
- Durbin-Watson value = 0.271094

Therefore, the results of the Durbin-Watson autocorrelation test show that $DU < DW < 4-DU$ ($1.6662 < 0.271094 < 2.3338$). It can be concluded that the data does not exhibit autocorrelation or passes the autocorrelation test because the Durbin-Watson statistic falls between the DU and 4-DU values.

4.3. Hypothesis Testing

4.3.1. Partial Hypothesis Testing (t-Test)

A t-test is conducted to examine the effect of a single independent variable on the dependent variable, assuming that all other independent variables are held constant Ghazali, (2017). If the probability value for each independent variable is less than 0.05, there is an effect of the independent variable on the dependent variable. Conversely, if the probability value for each independent variable is greater than 0.05, there is no effect of the independent variable on the dependent variable.

Table 8. Results of the Partial Hypothesis Test (T-Test)

Sample: 2018-2022

Periods included: 5

Cross-sections included: 9

Total panel (balanced) observations: 45

Variable	Coefficient	Std. Error	t-Statistic	Prob.
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C	1780.894	480.0245	3.710007	0.0006
X1	578.1454	275.0613	2.101878	0.0418

Based on the results in Table 8. above, the results of the t-test—or the partial effect of the independent variables on the dependent variable—are as follows:

- a. The Prob. value for X1 is 0.0418, which is less than 0.05; therefore, H₀ is accepted and H₁ is rejected. It can thus be concluded that the dividend policy variable affects stock prices. This means that H₂, which states that dividend policy has a positive and significant effect on stock prices, is proven.

4.3.2. Simultaneous Hypothesis Test (F-Test)

Table 9. Simultaneous Hypothesis Test (F-Test) Result

R-squared	0.132909
Adjusted R-squared	0.069463
S.E. of regression	1805.129
Sum squared resid	1.34E+08
Log likelihood	-399.1851
F-statistic	2.094847
Prob(F-statistic)	0.115729

Based on the results in Table 9. above, the F-test results can be seen. The simultaneous hypothesis test in this study was conducted to determine whether the independent variables have a combined effect on the dependent variable. Since the probability value of 0.115729 is greater than 0.05, H_a is rejected and H_o is accepted; thus, it can be concluded that liquidity, dividend policy, and asset structure do not affect stock prices. Consequently, the independent variables do not have a simultaneous effect on the dependent variable.

4.3.3. R-Square (R²)

Table 10. R-Square Test Results

R-squared	0.132909
Adjusted R-squared	0.069463
S.E. of regression	1805.129
Sum squared resid	1.34E+08
Log likelihood	-399.1851
F-statistic	2.094847
Prob(F-statistic)	0.115729

Based on the results in Table 10. above, the R-Square test results can be seen. The independent variables—liquidity, dividend policy, and asset structure—explain 0.06, or 6%, of the dependent variable (stock price), while the remaining 94% is explained by other variables.

5. DISCUSSION

This discussion is based on the results of tests conducted to obtain analytical findings that explain the relationship between the independent and dependent variables. In the test results from this study, there are two variables: one independent variable dividend policy and one dependent variable stock price.

5.1. The Effect of Dividend Policy on Stock Prices

Based on the results of the hypothesis test (t-test) for the dividend policy variable's direct effect on stock price, the calculated probability value of 0.0418 is less than 0.05; therefore, it can be concluded that the dividend policy variable influences stock price. This means that hypothesis H₂, which states that dividend policy has a positive and significant effect on stock price, has been proven. This study is consistent with the research by [5], which states that dividend policy, as measured by the dividend payout ratio, has a significant positive effect on stock prices.

6. CONCLUSION

Based on the results of a study on the effect of dividend policy on stock prices of manufacturing companies in the automotive industry listed on the Indonesia Stock Exchange (IDX) for the period 2018–2022, the following conclusions can be drawn. The effect of dividend policy on stock prices is directly demonstrated by the results of the hypothesis test (t-test), namely that the Prob. value obtained is 0.0418, which is less than 0.05; therefore, from this calculation, it can be concluded that the dividend policy variable has an effect on stock prices of manufacturing companies in the automotive industry listed on the IDX for the 2018–2022 period.

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