

Analysis of the Effect of Dividend Policy on Stock Price Fluctuations (Case Study: PT Sekar Laut Tbk on the Indonesia Stock Exchange)

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ABSTRACT

The purpose of this writing is to analyze the effect of dividend policy on the correction of PT. Sekar Laut Tbk on the Indonesian stock market. The data used in this research covers the three year period 2019-2021. The method of analysis is simple linear regression, which determines the relationship between the dividend per share (X) and the stock price (Y). The research results show that there is a positive relationship between dividend per share and PT. Sekar laut company's share price. However, analysis of the correlation coefficient (r) obtained at 0.46 indicates a weak or even insignificant relationship between stock dividends and changes in stock prices. In addition, the results of the analysis also show that the dividend policy only affects the volatility of stock prices by 21.16%, while other factors such as economic conditions, political stability, banking policies, bank interest rates and exchange rates influence it. 78.84%. This research illustrates that the dividend policy of PT. Sekar Laut Tbk has no significant effect on stock prices. Other external factors also play an important role in stock price movements. This study can be a basis for companies in considering dividend policies according to market situations and external factors that affect stock prices

Keywords: Dividend Policy, Fluctuations, Stock Prices, and the Indonesian Stock Exchange

ABSTRAK

Tujuan dari penulisan ini adalah untuk menganalisis pengaruh kebijakan dividen terhadap koreksi harga saham PT. Sekar Laut Tbk di pasar saham Indonesia. Data yang digunakan dalam penelitian ini mencakup periode tiga tahun 2019-2021. Metode analisisnya adalah regresi linier sederhana, yang menentukan hubungan antara dividen per saham (X) dan harga saham (Y). Hasil penelitian menunjukkan bahwa terdapat hubungan positif antara dividend per share dengan PT. Harga saham perusahaan Sekar Laut. Namun, analisis koefisien korelasi (r) yang diperoleh sebesar 0,46

menunjukkan hubungan yang lemah atau bahkan tidak signifikan antara dividen saham dan perubahan harga saham. Selain itu, hasil analisis juga menunjukkan bahwa kebijakan dividen hanya mempengaruhi volatilitas harga saham sebesar 21,16%, sedangkan faktor lain seperti kondisi ekonomi, stabilitas politik, kebijakan perbankan, suku bunga bank dan nilai tukar mempengaruhinya. 78,84%. Penelitian ini memberikan gambaran bahwa kebijakan dividen PT. Sekar Laut Tbk tidak berpengaruh signifikan terhadap harga saham. Faktor eksternal lainnya juga berperan penting dalam pergerakan harga saham. Studi ini dapat menjadi dasar bagi perusahaan dalam mempertimbangkan kebijakan dividen sesuai dengan situasi pasar dan faktor eksternal yang mempengaruhi harga saham.

Kata Kunci : Kebijakan Dividen, Fluktuasi, Harga saham, dan Bursa Efek Indonesia

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1. Introduction

In developments in the economic sector, food companies are one of the companies that support the economy because they are able to survive amidst Indonesia's economic conditions. Food companies are also experiencing rapid development and attracting the attention of many investors. Food companies have bright prospects because they are a basic need for every individual for survival, and population growth has an effect on consumption levels. With the increase in Indonesia's population every year, public consumption will also increase correspondingly.

The food company that is the subject of this research is PT. Sekar laut is listed on the Indonesia Stock Exchange (BEI). Shares of the company PT. Sekar laut has experienced rapid growth in the last few years, which makes an analysis of the relationship between dividend policy and PT share fluctuations. It is now important to understand the complex behavior of a company. The influence of dividend policy on share price fluctuations has been the subject of ongoing discussion and research by experts in the financial sector. There are several theories used to support relevant research on dividend policy, such as agency theory, signaling theory, and trade-off theory.

Agency theory shows that there is a fundamental conflict of interest in the relationship between company management and shareholders. Company management may have an incentive to retain profits and not pay dividends to increase investment policies or maintain control over the

company. However, shareholders often want large dividends to get an immediate return on their investment. These differences can affect stock prices.

Determining a dividend policy is an important decision for a company because it is related to company financing. The company must determine the portion of net profit after tax (Hakami, 2018) that will be distributed to investors as dividends or retained by the company as retained earnings for reinvestment.

Apart from that, according to signaling theory, dividend policy can be a signal to investors about the company's condition and prospects in the future. Companies that pay large or consistent dividends can be considered stable and have good growth potential. Rather, a company cutting or reducing dividends can be seen as a negative signal about the company's financial condition and prospects. These signals can influence investor perceptions and ultimately influence stock prices.

At the same time, trade-off theory suggests that companies must find a balance between paying dividends to shareholders and retaining profits to finance investment or business growth. If a company pays large dividends, it can reduce the internal financial resources available for company expansion. On the other hand, if the company maintains profits, it can increase internal funding sources for investment, but it can also cause dissatisfaction with shareholders who want higher dividends. A company's dividend policy can influence share prices.

There has been a lot of empirical research on the effect of dividend policy on stock price fluctuations, and the results can vary. This ratio can be influenced by several factors such as the company's financial condition, business cycle, investor preferences and capital market regulations. Therefore, it is important to review recent research to increase our understanding of the impact of dividend policy on share price volatility.

Dividend policy is one of the most important financial decisions of a company. When a company decides how much dividend to distribute to shareholders, this decision can influence investors' perceptions of the company's performance and value. High dividends can be seen as a positive sign indicating a company's economic well-being and ability to generate sufficient cash flow. On the other hand, low dividends or dividend cuts can be seen as a negative signal and raise concerns about the company's prospects. This perception can influence stock prices.

However, share price means the price set for buying or selling shares of a company on the capital market. Share prices are influenced by factors such as supply and demand for shares, company performance, market conditions, investor sentiment and available information. Share

prices can change under certain circumstances, which are influenced by market conditions and the financial performance of the company issuing the shares, as well as investors' interest in buying these shares. According to Yulianto's research (Selpiana and Badjra, 2018), the country's macroeconomic situation also influences stock prices.

Dividend policy can influence share prices because dividends are a source of income for shareholders. When a company pays dividends, it can increase shareholder returns and profit potential, which in turn can affect share prices. In addition, dividend policy also indicates the company's financial status and future prospects, which can influence investor perceptions and in turn influence share prices.

Through this research, the dividend policy implemented by PT. The Sekar laut Indonesia Stock Exchange will implement stock fluctuations during the 2019-2021 period. This analysis also takes into account factors that influence dividend policy, such as profit growth, investment policy, and the company's financial leverage.

It is hoped that the results of this research can provide new understanding to investors, business managers and market regulators about the importance of dividend policy in managing the volatility of company share prices on the Indonesian stock market. In addition, this research can provide recommendations for companies to determine optimal dividend policies to increase investor confidence and stock market stability in the food industry.

1. Literature Review

Stock

The definition of shares according to Fahmi (in Suryaman & Hindriari, 2021) states "Shares are proof of ownership of capital/funds in a company, paper that clearly states the nominal value, name of the company and is followed by the rights and obligations explained to each holder and inventory ready for sale." Therefore (Dr. Suad Husnan, 2015) states that shares are proof of ownership of a company in the form of a joint stock company. However (Bodie, 2014), shares are part of ownership in a company, where each share gives the owner one vote.

Stock Prices

The price of a share is the price of a share that appears on the stock market at a certain time which is determined by market participants and determined by the demand

and supply of the shares concerned in the capital market (Octavia and Genjar, 2019). According to Sunariyah (in Gere and Yuniati, 2015), the decision to buy shares is made when share valuation is lower than the market price. To determine the price of a share, investors must first analyze the share. The purpose of stock analysis is to assess whether the share price of a company is offered fairly or not. According to (Anoraga, Pandji, 2021), the share price is the present value of the cash flows that shareholders will receive in the future. The share price used in trading on the capital market is a price formed by market mechanisms, namely market demand and supply. Stock prices can move up or down very quickly. Meanwhile, in the view of Sutrisno (2009), share prices can be explained as the share value that arises as a result of share trading in the secondary market. According to Mohanty et Al. (2016), stock prices reflect various information that occurs in the capital market, with the assumption that the capital market is efficient.

Dividend

Some definitions put forward by experts to explain dividends are as follows:

According to Ridwan S. Sundjaja and Inge Barian (in Yosephine and Tjun, 2016), the profit sharing provided by issuers is the profit generated by the company.

(Stice, 2004) states that: "Dividends are payments made to the shareholders of a company in proportion to the number of shares owned by each owner".

According to Scott Besley and Eugene F. Brigham (in Yosephine and Tjun, 2016), dividends are money distributed to shareholders from company profits, as well as profits from the current or previous period.

Dividend Policy

According to Sejati et al. (2020), dividend policy is an important part of a company's financial decisions. The dividend payout ratio determines the amount of profit that can be given to the company as a source of financing. However, maintaining high profits in a company also means there is less money available for current dividend payments.

Husnan and Pudjiastut (in Ilhamsyah and Soekotjo, 2017) argue that dividend policy is related to the use of income as part of shareholder rights. Profits can be distributed as dividends or saved for reinvestment.

Riyanto (in Rizal, 2007) defines dividend policy as a policy related to the distribution of

income to shareholders as dividends or used internally by the company. This means that income must be kept within the company.

"In the context of this research, the hypothesis proposed is that dividend policy has the potential to have a significant influence on share price fluctuations at PT Sekar laut which is listed on the Indonesia Stock Exchange (BEI)."

Methods, Data, and Analysis

What is meant by operational variables are objects that have values used in research. The variables tested in this research consist of two types of variables, namely: Share price as a dependent variable (Y) is determined based on the official (closing) exchange rate of PT. Sekar laut, a public company in Indonesia, and expressed in rupiah. And dividend policy as an independent variable (X) In deciding company policy, whether to distribute profits to shareholders as dividends or leave profits undistributed in profits. Dividend policy as an independent variable is expressed as dividend per share or dividend per share in this research. The analysis method used in this research to analyze the data is simple linear regression and correlation coefficient (r).

Results and Discussion

The goal of capital market investors is to obtain profits on their investments in the future. Oleh because it is important for an investor to get information about the company's prospects. Company dividend payments can be used as guidance and information for investors when investing their capital. Dividend payments indirectly reflect the company's information and communication to shareholders about how well the company has succeeded in distributing dividends stably each year. Thus, the company's share price is expected to remain stable, especially in unstable economic conditions such as Indonesia. This also increases the risk of investing in capital markets. Therefore, investors must be very clever in choosing stable prices. Investors always prefer stable share prices because they indicate the strength of a company's financial position. The right dividend policy can increase shareholder wealth by attracting investors to buy shares. Apart from increasing future wealth, investment objectives also include receiving dividends or capital gains.

The company's aim in formulating its dividend distribution policy is to maximize the wealth of its shareholders. The decision whether to distribute company profits as dividends or allocate profits to retained earnings has a significant impact. This decision is an important consideration in channeling important financial resources to support the company's growth.

Dividends are cash flows paid to shareholders. On the one hand, every company wants its company to grow, but on the other hand it also wants to pay dividends to shareholders. However, these goals often conflict with each other. The higher the dividends paid by the company, the weaker the company's investment capacity, which in turn slows down profit growth and can reduce share prices. Large dividend payments usually mean a good level of profitability for the company at that time.

Therefore, it can be said that the higher the dividend payment set by the company, the less funds the company has to reinvest. One of the most important tasks of a financial manager is to determine the distribution of net profit after tax. In this decision, we consider whether earnings are used to pay dividends on the one hand or distributed to retained earnings on the other. This decision has a significant impact on company value, and if the company makes the wrong decision in using this policy, it can cause losses for the company.

Conclusion and Suggestion

Based on the results of simple linear regression calculations and the coefficient of determination (r^2), it can be concluded that PT Sekar laut Tbk's dividend policy has a relatively low influence on share price fluctuations. This indicates that investors and shareholders need to pay attention to other external factors when making investment decisions, such as economic conditions and macro financial factors, in addition to the company's dividend policy.

This research provides insight for companies to consider a more appropriate dividend policy, by considering external factors and understanding that dividend policy does not have a significant effect on share prices. In addition, this research also provides a basis for further research on the relationship between dividend policy and share price fluctuations in a broader corporate and market context.

Based on the study above, there are good suggestions that researchers can carry out to improve further research, namely: This research uses a three-year case study of PT

Sekar laut Tbk. Future studies could expand to include more companies from different industries or for longer periods of time. This provides a broader understanding of the impact of dividend policy on stock price volatility in the capital market. You can also use more complex analysis methods such as multiple regression or more complex econometric models. This can help to obtain more accurate and comprehensive results regarding the relationship between dividend policy and share price volatility. Further studies can also expand the analysis to include other factors that influence political stock prices, such as economic conditions, stability, bank policies, bank interest rates, and exchange rates. In this way, a more complete understanding of the factors that can influence stock price fluctuations other than dividend policy can be obtained.

Apart from the quantitative approach, further researchers can use qualitative research methods such as interviews with company managers or document analysis to gain a deeper understanding of dividend policy and its effect on stock prices. By using these elements, further researchers can increase their understanding of the relationship between dividend policy and stock price fluctuations and the factors that influence them.

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