ARTOKULO: Journal of Accounting, Economics and Management
E-ISSN : 3032-0461 | P-ISSN : 3032-047X
Volume 2 No 1 January – April (2025)

The Influence of Company Financial Performance on Stock Prices with Dividend Policy as an Intervening Variable in Banking Companies on the Indonesia Stock Exchange

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ABSTRACT

This research aims to analyze the influence of company financial performance on stock prices with dividend policy as an intervening variable (on banking companies listed on the Indonesia Stock Exchange from 2019-2023). This study uses four independent variables in financial performance with the protection of CR, DER, ROA, and TATO. The research method used is a quantitative method using secondary data obtained from financial reports. The population in this study amounted to 47 companies. The sampling technique used purposive sampling. The sample obtained was 11 companies with a 5-year period. The data analysis method used is path analysis using SPSS 25. The results showed that the current ratio directly had a significant negative effect on dividend policy, debt to equity ratio and return on assets directly had a significant positive effect on dividend policy, total asset turnover directly had no effect on dividend policy, current ratio, return on assets and dividend policy directly had a significant positive effect on stock prices, debt to equity ratio directly had a significant negative effect on stock prices, total asset turnover directly had no effect on stock prices, current ratio and return on assets had no effect on stock prices through dividend policy, and debt to equity ratio and total asset turnover had an effect on stock prices through dividend policy.

Keywords: *Financial Performance, Stock Prices, Dividend Policy*

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Received: February 28, 2025
Revised: March 19, 2025
Accepted: April 05, 2025
Published: April 30, 2025

1. INTRODUCTION

The capital market plays a crucial role in Indonesia's economic development. Through the Indonesia Stock Exchange (IDX), companies are given the opportunity to raise capital via public stock offerings, thereby supporting operational and expansion activities. The number of publicly listed companies on the IDX has steadily increased in recent years, leading to intensified stock trading activity. Amid these developments, stock prices have experienced high volatility, especially during the 2019–2023 period, marked by the COVID-19 pandemic and global market instability.

Financial performance remains a fundamental factor influencing stock prices, particularly in the banking sector, which holds a dominant role in Indonesia's financial system. According to Anggoro and Anggrainie (2024), evaluating a company's financial health through financial ratios is essential for investors to determine the potential returns of their investment. Investors must ensure that the stocks they acquire are capable of generating expected profits. Thus, the analysis of company fundamentals, such as liquidity, profitability, and leverage, becomes key in making investment decisions.

Dividend policy is another significant variable that attracts investors. It represents the portion of profits distributed to shareholders, and often serves as a signal of the company's financial stability. As Gunawan (2020) stated, the greater the earnings generated, the higher

the likelihood of dividend distribution, which positively impacts stock prices and investor interest. This aligns with Salsabila et al. (2023), who found that dividend policy has a significant positive effect on stock prices. However, some studies, such as Zaini and Utomo (2024), contradict this view, suggesting that dividend policy may have no significant effect on stock prices.

The banking sector's resilience during the pandemic, despite reduced profitability and constrained lending activities, provides a unique context for this research. According to Wahyuni et al. (2023), banks had to limit credit disbursement while continuing to fulfill obligations to depositors, affecting both performance and dividend policy. Nonetheless, many banks were still able to maintain consistent dividend payments, signaling strength and reliability to shareholders. This stability may influence investor sentiment and stock price movements in the sector.

As dividend policy can mediate the relationship between financial performance and stock price, it becomes essential to examine the strength of this mediation. Financial performance is often measured using indicators such as the Current Ratio (CR), Debt to Equity Ratio (DER), Return on Assets (ROA), and Total Asset Turnover (TATO). Each of these ratios provides insights into different aspects of a company's financial health. ROA, for instance, reflects how effectively a company uses its assets to generate profit, while DER reveals the extent to which a company relies on debt to finance its assets.

According to Setyawati and Cahyani (2024), shareholders are entitled to a portion of company profits, making dividend distribution an important determinant of investment attractiveness. Companies with stable earnings and reliable dividend policies send strong positive signals to potential investors. This concept aligns with the signaling theory, which suggests that companies use dividend announcements as a tool to convey financial strength to the market (Ghozali, 2020).

However, regulatory measures must also be considered. The Financial Services Authority (OJK) has implemented policies to prevent excessive dividend distribution, which could undermine a company's capital structure. Such constraints introduce additional complexity to dividend decision-making and its impact on stock prices (Apriliana & Mundiroh, 2023). Given these considerations and the existing contradictory findings in the literature, this research investigates the direct and indirect effects of financial performance on stock prices in the Indonesian banking sector, with dividend policy as an intervening variable. By examining data from 2019 to 2023, this study aims to provide empirical evidence on how these financial indicators interact and influence stock valuation..

2. METHODS

This study employed a quantitative research approach using an associative-causal method to examine the influence of financial performance on stock prices, with dividend policy acting as an intervening variable. The research aimed to analyze both direct and indirect relationships among the variables. The population in this study consisted of banking companies listed on the Indonesia Stock Exchange (IDX) during the period 2019–2023. From this population, a sample of 17 companies was selected using purposive sampling, based on criteria such as consistent publication of financial statements and dividend distribution during the observation period.

The analytical method used in this thesis is quantitative descriptive analysis combined with path analysis, processed using SPSS version 25. Quantitative approach is employed because this research aims to examine the relationships between variables using numerical data obtained from the financial statements of banking companies listed on the Indonesia Stock Exchange (IDX) during the period 2019–2023. The study relies on secondary data and applies descriptive statistical analysis to present the characteristics of the data, including mean, standard deviation, minimum, and maximum values. In addition, classical assumption tests such as normality, autocorrelation, and heteroscedasticity tests are

conducted to ensure that the data meets the requirements for regression modeling. Path analysis is used as an extension of multiple linear regression, allowing the researcher to identify both direct and indirect relationships among the independent variables (Current Ratio, Debt to Equity Ratio, Return on Assets, and Total Asset Turnover), the intervening variable (Dividend Policy), and the dependent variable (Stock Price). Path analysis is crucial in this research as it helps evaluate the mediating role of dividend policy in the relationship between financial performance indicators and stock price. Through this method, the researcher is able to calculate direct, indirect, and total effects among variables and understand the extent of each variable's contribution within the proposed model.

3. RESULTS AND DISCUSSION

Results

Table 1. List of Sample Companies

No.	Company Code	Company Name
1.	BBCA	Bank Central Asia Tbk.
2.	BBNI	Bank Negara Indonesia (Persero) Tbk.
3.	BBRI	Bank Rakyat Indonesia (Persero) Tbk.
4.	BDMN	Bank Danamon Indonesia Tbk.
5.	BJBR	Bank Pembangunan Daerah Jawa Barat
6.	BJTM	Bank Pembangunan Daerah Jawa Timur
7.	BMRI	Bank Mandiri (Persero) Tbk.
8.	BNGA	Bank CIMB Niaga Tbk.
9.	BNII	Bank Maybank Indonesia Tbk.
10.	MEGA	Bank Mega Tbk.
11.	SDRA	Bank Woori Saudara Indonesia Tbk.

Table 2. Results of Equation I t test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0,038	0,075		-0,501	0,620
	Current Ratio	-0,001	0,000	-0,354	-3,368	0,002
	Debt to Equity Ratio	0,040	0,007	0,602	5,666	0,000
	Return on Asset	5,564	1,647	0,380	3,378	0,002
	Total Asset Turnover	1,901	1,256	0,171	1,513	0,139

a. Dependent Variable: Kebijakan Dividen (Z)

Table 3. Results of Equation II t-test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	*Sig.*
		B	Std. Error	Beta		
1	(Constant)	190,894	1122,974		0,170	0,866
	Current Ratio	9,727	3,523	0,276	2,761	0,009
	Debt to Equity Ratio	-310,444	142,679	-0,264	-2,176	0,036
	Return on Asset	169342,772	28079,225	0.648	6,031	0,000
	Total Asset Turnover	-13297,364	19290,746	-0.067	-0.689	0,495
	Kebijakan Dividen	6996,370	2449,795	0,392	2,856	0,007

a. Dependent Variable: Harga Saham (Y)

Table 4. Direct, Indirect, and Total Effects with Dividend Policy as Intervening Variable

No.	Variable	Direct Effect	Indirect Effect	Total Effect	Conclusion
1	Current Ratio	0.276	−0.138768	0.137232	Indirect < Direct = Not Intervening Dividend policy is not an intervening variable
2	Debt to Equity Ratio	−0.264	0.235984	−0.028016	Indirect > Direct = Intervening Dividend policy is an intervening variable
3	Return on Asset	0.648	0.14896	0.79696	Indirect < Direct = Not Intervening Dividend policy is not an intervening variable
4	Total Asset Turnover	−0.067	0.067032	0.000032	Indirect > Direct = Intervening Dividend policy is an intervening variable

The analysis of the table reveals that dividend policy functions as an intervening variable for two of the financial performance indicators—Debt to Equity Ratio (DER) and Total Asset Turnover (TATO)—while it does not serve as an intervening variable for Current Ratio (CR) and Return on Asset (ROA). Specifically, the indirect effect of DER and TATO on stock prices through dividend policy exceeds their respective direct effects, indicating that dividend policy mediates their relationship with stock price. In contrast, CR and ROA have stronger direct effects on stock price, suggesting that investors respond more directly to a company's liquidity and profitability rather than through dividend signals. These findings highlight that while some financial metrics exert a direct influence on stock valuation, others rely more on the dividend distribution mechanism to convey financial health and attract investor confidence. Consequently, dividend policy plays a partial mediating role in the broader relationship between financial performance and stock price movement in the Indonesian banking sector.

Table 5. Results of Coefficient of Equation Determination I

Model Summary[b]

Model	R	R Square	Adjusted R-Square	Std. Eror of the Estimate
1	0,772[a]	0,595	0,553	0,09221

a. Predictors: (Constant), TATO (X4), DER (X2), CR (X1), ROA(X3)
b. Dependent Variable: Kebijakan Dividen (Z)

Table 6. Results of Equation II Determination Coefficient

Model Summary[b]

Model	R	R Square	Adjusted R-Square	Std. Eror of the Estimate
1	0,852[a]	0,727	0,689	1374,084

a. Predictors: (Constant), Kebijakan Dividen (Z), TATO (X4), DER (X2), CR (X1), ROA(X3)
b. Dependent Variable: Harga Saham (Y)

The dependent variable dividend policy has an R Square value of 0.595, indicating that the contribution of the independent variables—current ratio, debt to equity ratio, return on assets, and total asset turnover—to the dividend policy is 59.5%, while the remaining 40.5% is attributed to other variables not included in this study. Meanwhile, the R Square value of

Equation II, as shown in Table 4.21, for the dependent variable stock price is 0.727, indicating that the contribution of the current ratio, debt to equity ratio, return on assets, total asset turnover, and dividend policy to the stock price is 72.7%, while the remaining 27.3% is due to other variables not included in the study.

a. The Effect of Current Ratio on Dividend Policy

Based on the analysis, it indicates that the current ratio has a significant negative effect on dividend policy directly. The dividend payout ratio or dividend policy tends to decline as the company's liquidity increases, and vice versa. This negative effect may stem from the company's greater focus on asset development, which results in a larger allocation of funds for asset expansion rather than for dividend distribution to shareholders. In addition, decisions regarding dividend allocation may not fully consider the company's liquidity condition, leading to dividend policies being established without taking the current level of liquidity into account. These findings are consistent with the study by Attahiriah et al. (2020), which stated that the current ratio negatively affects dividend policy.

This study contrasts with the findings of Salsabila et al. (2023) and Pamungkas et al. (2017), who stated that the current ratio has a significant positive influence on dividend policy. The amount of profit distributed as dividends or retained as retained earnings does not affect the company's ability to meet short-term obligations. Investment decisions made by the company have a greater impact on its liquidity level. Often, available cash is used to meet operational needs and investment opportunities rather than for dividend payments. Moreover, this study suggests that businesses will not issue high dividends merely to maintain their reputation without considering the actual amount of liquidity they possess

b. The Effect of Debt to Equity Ratio on Dividend Policy

Based on the analysis results, it indicates that the debt to equity ratio (DER) has a significant positive effect on dividend policy directly. When the DER increases, the distribution of dividends to shareholders also tends to rise, and vice versa. This benefits both the company and investors, as it shows that better financial conditions can attract greater investment interest and enhance investor expectations toward the company. As a result, the company can more easily establish dividend policies that align with its internal needs. These findings are in line with the study by Maulana & Maulida (2023), which stated that DER has a significant positive impact on dividend policy.

This study differs from the findings of Zaini & Utomo (2024) and Firdausi & Rusqiati (2021), who stated that DER does not influence dividend policy. This may be because debt repayment obligations are not derived from profits but from capital provided by shareholders. Therefore, companies can use their earned profits for investment and growth without compromising dividend payments to shareholders. This decision enables companies to maintain financial stability while meeting investor expectations. The company's ability to separate debt management from dividend policy also reflects good financial flexibility and effective management strategies in optimizing capital structure

c. The Effect of Return on Assets on Dividend Policy

Based on the analysis results, it is indicated that the return on assets (ROA) variable has a significant positive influence on dividend policy. The companies analyzed in this study demonstrate the ability to manage their assets effectively, allowing them to generate profits. Dividends are a portion of a company's net profit, which means they are only distributed to investors when the company earns a profit. Therefore, the level of dividend payments is highly influenced by the amount of profit the company generates. Since dividends are part of the net income produced during operations, they are paid out when a profit is recorded. This reflects how effectively a company manages its equity

capital and measures the return on shareholders' investments. The findings of this study are consistent with those of Salsabila et al. (2023), Wibisono et al. (2022), and Zakaria et al. (2021), which also found that ROA has a positive effect on dividend policy.

However, this study contrasts with the findings of Sunaryo et al. (2024), which showed that return on assets (ROA) does not have a significant influence on dividend policy. This may be due to the fact that companies with high ROA tend to allocate their profits toward other purposes, such as debt repayment or reinvestment, rather than distributing them as dividends. Even though these companies generate substantial profits, they may also have significant debt obligations, making it a priority to fulfill those obligations before distributing dividends to shareholders

d. The Effect of Total Asset Turnover on Dividend Policy

Based on the analysis results, the total asset turnover (TATO) variable does not have an effect on dividend policy. Dividend decisions are not always influenced by TATO values, as such decisions involve multiple complex elements. Although a high TATO indicates strong operational efficiency, companies with high TATO may choose to retain their earnings for expansion or research and development rather than distribute them as dividends. Thus, even though high TATO reflects good operational performance, dividend policy is influenced by various factors such as the company's cash flow, required investment levels, and long-term strategic plans. These findings are consistent with the research by Zaini & Utomo (2024), who also stated that total asset turnover does not significantly affect dividend policy.

This study differs from the findings of Maulana & Maulida (2023), who reported that total asset turnover (TATO) has a positive influence on dividend policy. According to their findings, dividends tend to increase along with TATO. A high asset turnover reflects strong financial performance. The more efficiently a company uses its assets, the greater its ability to distribute dividends. TATO demonstrates how well a company manages its assets, and a high ratio reflects strong performance. High asset turnover can also increase company profits, allowing companies that manage their assets effectively to increase dividends and provide added value to shareholders.

e. The Effect of Current Ratio on Stock Price

Based on the analysis results, the current ratio variable has a significant positive direct effect on stock prices. One way to understand changes in stock prices is by using the Current Ratio (CR). A higher ratio indicates that a company is better able to meet its short-term debt obligations. Generally, business operations are supported by current assets. The CR value is related to the company's liquidity, reflecting its ability to meet short-term liabilities. This condition attracts investors and can lead to an increase in stock prices. These findings are in line with the studies conducted by Tya, L., & Triyonowati (2023) and Vianti (2020), which stated that the current ratio has a significant positive impact on stock prices.

However, this study differs from the findings of Nuraeni et al. (2021) and Nadella & Nugroho (2022), who stated that the current ratio does not have a significant effect on stock prices. Although a high current ratio implies a company has a greater ability to settle its short-term liabilities using its current assets, this financial strength does not necessarily influence stock prices. This suggests that the company's ability to repay short-term debt does not directly impact investor valuation reflected in stock market performance

f. The Effect of Debt to Equity Ratio on Stock Price

Based on the analysis results, the debt to equity ratio (DER) variable has a significant negative direct effect on stock prices. Investors are more likely to incur losses when a company has a high DER, which can reduce their confidence in the company's ability to meet its obligations. Additionally, higher company debt means greater interest

expenses and debt repayments, increasing the firm's financial risk—especially if its revenues are insufficient to cover interest and principal payments. The more debt a company has, the greater the potential losses for shareholders, which can lead to decreased demand for the company's stock and a subsequent drop in stock prices. These findings are consistent with the research by Zaini & Utomo (2024), which also stated that the debt to equity ratio has a negative impact on stock prices.

However, this study differs from the findings of Nuraeni et al. (2021), Zakaria (2021), Ahmad Azmil Marrom et al. (2023), and Salsabila (2023), who argued that the debt to equity ratio does not affect stock prices. Investors do not necessarily base their investment decisions solely on high or low DER values. Instead, they tend to evaluate how effectively the company uses its debt to finance operations. The amount of debt a company holds does not directly influence investor interest in purchasing shares if the debt is used efficiently. When debt is employed productively to support business operations, it may send a positive signal to investors and drive stock prices upward. Conversely, inefficient use of debt can weaken investor confidence and adversely affect stock performance

g. The Effect of Return on Asset on Stock Price

Based on the analysis results, return on assets (ROA) has a significant positive direct effect on stock prices. As ROA increases, it indicates that a company is managing its assets more effectively to generate profits, which can attract investors to trade the company's shares. Stock prices may rise when demand exceeds supply. This supports the idea that profitability reflects how efficiently a company can generate earnings from its total assets after accounting for the costs of financing those assets. The higher the profitability, the more efficient the company's cost structure, resulting in greater net returns for investors. Thus, stock prices tend to rise as profitability increases. These findings are consistent with the studies conducted by Sunaryo et al. (2024), Irdiana et al. (2021), and Vianti (2020), which concluded that return on assets significantly influences stock prices.

However, this study contrasts with the findings of Parmuji et al. (2021), who stated that return on assets does not have a significant impact on stock prices. According to their findings, investors do not necessarily consider a company's profitability in relation to its total assets when making investment decisions. Their research showed that stock prices actually declined when ROA increased. This may suggest that investors prioritize other factors, such as long-term growth prospects, dividend policy, or broader macroeconomic conditions, as primary considerations when selecting investment opportunities.

h. The Effect of Total Asset Turnover on Stock Price

Based on the analysis results, the total asset turnover (TATO) variable does not have a significant effect on stock prices. This suggests that although asset turnover may reflect a company's operational efficiency, investors tend to focus more on other factors such as profitability and debt structure, which more directly influence investment decisions and perceptions of risk associated with the company. These findings align with the study by Nadella & Nugroho (2022), which also stated that total asset turnover has no effect on stock prices.

However, this study differs from the findings of Zaini & Utomo (2024) and Maulana & Maulida (2023), who concluded that total asset turnover has a significant impact on stock prices. Total asset turnover (TATO) measures how effectively a company manages all its assets or investments to generate sales. A higher ratio indicates stronger asset utilization, which often leads to higher stock prices, as investors believe the company is efficiently managing its resources. This ratio reflects that more frequent asset turnover implies better efficiency in their use. As businesses utilize more assets to increase sales, profits also tend to rise. High profitability can attract investors, leading to

increased demand for the company's stock, which in turn may drive up the stock price in the capital market.

i. The Effect of Dividend Policy on Stock Price

Based on the analysis results, the dividend policy variable has a significant positive direct effect on stock prices. Dividend policy plays a crucial role in determining stock price movements, as it sets the proportion of earnings to be distributed to shareholders and the portion to be retained by the company as retained earnings. A high dividend policy reflects the company's ability to generate substantial profitability, which in turn can drive stock prices upward. An increase in dividend payments signals management's confidence in the company's future prospects and indicates sound governance. Announcements of dividend distributions are generally interpreted as positive signals about company performance; the larger the dividend declared, the higher the likelihood of stock price appreciation. The company's consistency in raising dividends over time also strengthens investor confidence. Consequently, the dividend payout ratio (DPR) has an increasingly significant impact on stock price fluctuations. These findings align with studies by Sunaryo et al. (2024), Ahmad Azmil Marrom et al. (2023), and Salsabila et al. (2023), which concluded that dividend policy has a significant positive effect on stock prices.

However, this study contrasts with the findings of Zaini & Utomo (2024) and Maulana & Maulida (2023), who argued that dividend policy does not significantly influence stock prices. Company decisions regarding dividends are often driven by broader corporate strategy and overall financial conditions, even though dividend distributions provide immediate benefits to shareholders. Additionally, macroeconomic conditions, investor sentiment, and market perceptions often have a greater impact on stock price changes than dividend distributions. As a result, while dividends are an important consideration in investment decisions, stock prices are more heavily influenced by the company's overall performance, future objectives, and broader external factors.

j. The Influence of Current Ratio on Stock Price through Dividend Policy

Current ratio does not influence stock price through dividend policy. This may indicate that investors tend to focus more on other factors, such as earnings, growth strategies, or the dividend policy itself—factors more directly related to investment decisions and market perceptions—even though the current liquidity ratio reflects the company's financial stability. As a result, even if a company has a good liquidity ratio, it does not automatically correlate with appropriate dividend distribution decisions. These findings are consistent with the study conducted by Krismon (2021), which stated that the current ratio does not have a significant effect on stock price through dividend policy.

This research differs from the findings presented by Vianti (2020) and Salsabila et al. (2023), who stated that the current ratio significantly affects stock price through dividend policy. Companies that distribute dividends annually tend to attract investors because this reflects strong performance and high profits. Consistent dividend payments also demonstrate sound financial management and stable cash flow, sending a positive signal about the company's long-term prospects. Moreover, dividends provide a reliable source of passive income for investors, making the company more attractive to them.

k. The Influence of Debt to Equity Ratio on Stock Price through Dividend Policy

The debt to equity ratio (DER) has a significant positive effect on stock price through dividend policy. An increase in the debt ratio (DER) can lead to an increase in stock price through higher dividend distributions. A high level of corporate debt, as indicated by DER, may signal a potential rise in stock price, and through dividend policy, it can be inferred that the DER value can also be viewed as contributing to stock price increases. Some investors perceive a high DER positively, believing that growing companies naturally require more funding for operations, which cannot be met solely

through internal equity. Companies have two primary options to repay their debt: using retained earnings or issuing new bonds.

These findings are consistent with the studies conducted by Maulana & Maulida (2023), Salsabila (2023), and Vianti (2020), which state that the debt to equity ratio has a significant effect on stock price through dividend policy. This research, however, differs from the findings of Sunaryo et al. (2024), Ahmad Azmil Marrom et al. (2023), and Wibisono et al. (2022), who argue that the debt to equity ratio does not affect stock price through dividend policy. Although dividend policy can directly influence stock prices, it has not been proven to function as a mediating or intervening variable between the debt to equity ratio and stock price. This suggests that a high DER is often seen as an indicator of high financial risk, which can negatively impact stock prices directly.

l. The Influence of Return on Assets on Stock Price through Dividend Policy

Based on the results of the direct and indirect effect analysis, it can be concluded that return on assets (ROA) does not have an effect on stock price through dividend policy. A high ROA increases investor confidence in a company's ability to generate profits through effective asset management. Therefore, dividend policy does not serve as a mediating variable in the relationship between ROA and stock price. When a company shows a high ROA, investors tend to view it as a financially stable entity and are more likely to purchase shares without waiting for a dividend announcement.

These findings are consistent with the research conducted by Salsabila et al. (2023), Sunaryo et al. (2024), and Zakaria (2021), which state that ROA does not have a significant effect on stock price through dividend policy. However, this research contrasts with the findings of Irdiana et al. (2021), Salsabila et al. (2023), and Vianti (2020), who argue that ROA has a significant effect on stock price through dividend policy. With a dividend strategy, stock prices are influenced by the level of ROA. Companies are more likely to use debt for financing and rely on third parties when they have a higher ROA. Investors may incur losses if a company cannot effectively manage its debt to cover operational costs. Nevertheless, a low level of corporate debt does not always affect investor interest, as the focus is more on how the company utilizes its debt for operational expenses. Companies can meet their needs and achieve goals by using debt prudently.

m. The Influence of Total Asset Turnover on Stock Price through Dividend Policy

Total asset turnover (TATO) has a significant positive effect on stock price through dividend policy. A high TATO value indicates that the company operates with a minimal yet optimal amount of assets, while a low TATO value suggests that the company tends to allocate more funds toward investment in fixed assets. When the TATO ratio increases, it reflects greater efficiency in utilizing the company's total assets to generate sales revenue. This indicates that dividend policy can signal to investors that the company has promising future prospects. These findings are consistent with the study conducted by Maulana & Maulida (2023), which states that total asset turnover significantly affects stock price through dividend policy.

However, this study differs from the findings presented by Zaini & Utomo (2024), who argue that total asset turnover (TATO) does not significantly affect stock price through dividend policy. The TATO value reflects how effectively a business uses its assets to generate revenue and how well it manages its assets to achieve optimal results. With a high level of efficiency, a business can generate substantial revenue. However, due to various corporate considerations, investors may be less interested in purchasing shares, leading to a decline in stock price. As a result, high earnings are not always allocated to pay dividends to shareholders.

4. CONCLUSION

This study was conducted to evaluate the effects of current ratio, debt to equity ratio, return on assets, and total asset turnover on stock prices, with dividend policy acting as an intervening variable. Using path analysis and SPSS 25, the findings offer valuable insights into the financial indicators influencing stock prices both directly and indirectly through dividend policy. First, the analysis reveals that the current ratio has a negative and significant direct effect on dividend policy. This suggests that higher liquidity may not necessarily support dividend distribution, possibly due to conservative cash management or retained earnings strategies. On the other hand, both the debt to equity ratio and return on assets exhibit positive and significant direct effects on dividend policy. Companies with higher profitability and well-managed leverage are more likely to distribute dividends, indicating financial confidence and stability. However, total asset turnover shows no significant influence on dividend policy, implying that operational efficiency alone does not strongly drive dividend decisions.

Second, the analysis shows that current ratio and return on assets have positive and significant direct effects on stock prices. Investors are likely to respond favorably to companies with strong liquidity and efficient profit generation. In contrast, debt to equity ratio and total asset turnover do not have significant direct effects on stock prices, indicating that leverage levels and asset efficiency might not directly influence investor valuation unless mediated by other factors. Third, it is evident that dividend policy itself has a significant positive effect on stock prices. This underscores the role of dividends as a signal to investors regarding the company's financial health and future prospects. Lastly, the results indicate that debt to equity ratio and total asset turnover significantly affect stock prices through dividend policy, confirming the mediating role of dividends. However, current ratio and return on assets do not significantly affect stock prices through this pathway, suggesting their impact is more direct in nature. In conclusion, dividend policy plays a crucial role in linking certain financial ratios to stock prices, while others exert influence independently. These findings offer important implications for corporate financial strategy and investor decision-making.

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