

TOWARD ENHANCED STOCK VALUE: Exploring the Nexus of Financial Performance, Company Size, and Dividend Policy in Optimization Strategies

Endang Pratiwi

Universitas Jember, Indonesia
tiwi.pratiwiendang@gmail.com

Submitted: 19th June 2023 | **Edited:** 14th Oct 2023 | **Issued:** 01st Dec 2023

Cited on: Pratiw, E. (2023). TOWARD ENHANCED STOCK VALUE: Exploring the Nexus of Financial Performance, Company Size, and Dividend Policy in Optimization Strategies. *KINERJA: Jurnal Manajemen Organisasi dan Industri*, 2(2), 104-114.

ABSTRACT

In Indonesia, the development of basic industrial and chemical companies is quite rapid, it can be seen from the development of basic industrial and chemical companies listed on the Indonesia Stock Exchange (IDX) or becoming public companies from year to year increasing. The purpose of this study is to determine and analyze dividend policy, moderate the size of the company against the share price of manufacturing companies in the basic industrial and chemical sectors listed on the Indonesia Stock Exchange. The method used is the titative descriptive method. The total research population is 88 companies while the number of research samples is 20 companies. Before testing the hypothesis, the researcher first uses the classical assumption test consisting of the normality test, hetoregenity test, autocorrelation test, and multicollinearity test. The results of the study with Moderated Regression Analysis (MRA) testing show that the Dividend Policy is able to moderate the influence of Company Size on Share Prices in Basic Industrial and Chemical Companies listed on the Indonesia Stock Exchange

Keywords: Financial Performance, Company Size, Stock Price, Dividends, Financial Management

INTRODUCTION

In the current era of globalization, there are many advances in the business sector accompanied by economic conditions that continue to grow, one of which is in the basic industry and chemical sectors. The basic industry and chemical sector is one of the industrial sectors that continues to grow from time to time. This is because the basic industrial and chemical sectors represent elements used in everyday life. Almost all goods of daily life products are products of basic industrial and chemical companies, this sector consists of the cement sub-sector, animal feed sub-sector, ceramics sub-sector, metal sub-sector and the like, chemical sub-sector, plastic and packaging sub-sector and pulp and packaging sub-sector.

In Indonesia, the development of basic industrial and chemical companies is quite rapid, it can be seen from the development of basic industrial and chemical companies listed on the Indonesia Stock Exchange (IDX) or becoming public companies from year to year increasing. Basic Industry and Chemicals are part of the IDX that actively contribute to the capital market, because one of the sectors that has quite a lot of contributions in people's lives, of course, will affect changes in stock prices in the capital market. So that it gets the attention of investors who want to invest their capital. The presence of shareholders or creditors is one of the sources of company capital (Oktaviarni, et, al., 2019).

The capital market provides an opportunity for companies to attract investors to invest in their companies. Companies that want to get a source of funds in the capital market must decide to go public or be listed on the stock exchange. For companies that have gone public can trade their shares in the capital market. By trading its shares in the capital market, the company can obtain funds for the continuity of the company's operations and have the opportunity to develop the company. In companies that go public, the value of a company is reflected in the price of its shares traded on the stock exchange. Every company that has gone public will publish its corporate financial statements. Financial statements are very important as a source of information for company stakeholders.

Investors who invest in the capital market have a motive to get the maximum profit, security and growth of funds invested in the future, namely by obtaining dividends or Capital Gains. It is not easy for companies to attract investors in order to invest their capital, each investor has criteria in investing. Companies are required to see various opportunities that exist and find strategies on how to attract investors to invest in a company. And what investors are interested in a company, one of which is the company's stock price.

Stock price is a very important factor for investors in investing or investing and is an indicator of the strength of the company as a whole. If the stock price of a company experiences a continuous increase, then investors can assess that the company is managed as much as possible. Vice versa, if the stock price of a company decreases, the company is not managed optimally. Fluctuating stock prices are formed by the confluence of supply and purchase demand. According to (Agatha & Irsad, 2021), stock

price is the value traded on the stock exchange. The stock price used is the closing price, which means the market price that occurs because of the expiration of a period.

Some factors that affect stock prices include financial performance. Financial performance is considered to affect stock prices. Financial performance is an analysis conducted to see the extent to which the company has implemented and used financial implementation rules, against a picture of the company's financial condition which is analyzed with financial analysis tools, so that it can be known about the good and bad financial condition of a company that can reflect work performance in a certain period (Apriliyanti, et, al., 2019). In analyzing the company's financial performance, there are financial ratios consisting of four groups, namely: profitability, liquidity, leverage and activity. But in this study, researchers only used 3 ratios, namely profitability using return on assets, liquidity ratio using current ratio and also solvency ratio using debt to equity ratio which affects stock price.

Profitability is a company's ability to generate profits (Hendryani & Amin, 2022). The profitability ratio represents a company's ability to generate profits by using the company's owned resources such as assets, capital, or sales. In this study, researchers used the Return On assets (ROA) ratio, in improving performance, probability is usually measured by retrun on assets which can show the company's ability to generate profits through all assets owned.

According to (Akbar & Fahmi, 2020) return on assets or commonly often referred to as return on investment is a measurement of the ability of the company as a whole to generate profits from the total number of assets owned by the company, high return on assets in a company, the company's profits will increase and will increase stock price growth which is an important factor for investors and easier to allocate funds to: distribute dividends to shareholders or strengthen their liquidity position.

With this ratio, investors can measure and see how much net profit is obtained. The amount of profit generated by the company can indicate that the company is in good condition and will certainly attract interest from investors to invest shares in the company. From the profits generated, it is able to provide welfare for investors and of course can increase the stock price of a company.

A large company size indicates that the company is experiencing development so that investors will respond will respond positively and the company's value will

increase. Relative market share shows the company's competitiveness is higher than its main competitors. Investors will respond positively so that the company's value will increase (Amaliyah & Herwiyanti, 2020).

The increase in stock price can be caused by various things, one of which is the dividend policy in a company. Each company has its own dividend policy. Dividend policy is a very important aspect and is most concerned by investors rather than looking at the company's own stock price. Dividend policy is a management decision in a company whether the profit earned in a period of years will be distributed to investors or become retained earnings for financing and operational activities of the company in the future (Siagiani, 2022). For optimal dividend policy making, of course, financial managers must look at the amount of profit and debt in the company. Financial managers must be able to determine the dividend policy to be taken to balance the dividends that the company currently has and the dividend growth rate in the future so that the value of a company can continue to be increased.

THEORETICAL BASIS

Share Price

(Handayani, et, al., 2019) said that Stock Prices are securities that show investor rights as proof of private and institutional ownership in a company. The Stock Price can be valued based on its face value, book value, base value or market value. Stock Price is a very important price and must be considered by investors in investing. Stock value is the right index for the effectiveness of a company so it is often said to maximize company value or maximize shareholder wealth. Thus, the higher the Share Price, the higher the value of the company and vice versa.

Stock prices are determined by market mechanisms, where factors such as a company's financial performance, outlook growth, industry conditions, and market sentiment can influence stock price fluctuations. Stock prices are often a benchmark for investors and analysts in assessing the value and potential of the Company (Nazir, 2022). Shares are a small part of the ownership of a company that can be traded on the stock market. Each shareholder has the right to income and dividends of the company according to the number of shares owned. In addition, shareholders also have the right

to participate in the general meeting of shareholders (GMS) and vote in important decisions related to the Company

Dividend Policy

Dividend Policy according to (Rakhmat & Rosadi, 2021), is an important policy in company finance, the purpose of the company to be established is so that the company can grow and survive in the midst of fierce competition, therefore the company must manage the company's profit results, either in the form of dividends or retained earnings.

The main purpose of establishing a company is to achieve business growth and sustainability. To achieve this goal, the company must be wise in managing the results of the profits generated. There are two main options in allocating company profits, namely in the form of dividends distributed to shareholders or in the form of retained earnings left in the company for investment purposes or reserve funds. Dividend Policy is important because it affects the views of investors and shareholders on the Company's performance (Yogantara, et, al., 2022). Dividends distributed regularly can attract investors because they show the stability and confidence of the company in its growth potential and profitability.

Financial Performance

Financial performance is an analysis conducted to see the extent to which the company has implemented and used financial implementation rules, against a picture of the company's financial condition analyzed with financial analysis tools, so that it can be known about the good and bad financial condition of a company that can reflect work performance in a certain period (Hamdani, 2020).

In analyzing the company's financial performance, there are financial ratios consisting of four groups, namely: profitability, liquidity, solvency and activity. But in this study, researchers only used 3 ratios, namely profitability using return on assets, liquidity ratio using current ratio and also solvency ratio using debt to equity ratio which affects stock price (Erawat, et, al., 2022).

Company Size

Company size is a scale where the size or size of the company can be classified according to various ways, including total assets, log size, stock market value and others. The more total assets, the more money turnover. And the greater the market

capitalization, the greater the company is known in the community (Hawari & Putri, 2020).

Company size is a scale where companies can be classified according to various ways, including total assets, log size, stock market value, and so on. In large companies where shares will be widely spread, any expansion of share capital will have little effect on the loss or shift of control from the dominant party to the party concerned (Romadhani, et, al., 2020).

The size of the company is an important indicator to assess the scale and complexity of the company's operations. Total assets describe the amount of investment a company has, and the larger this investment, the more likely the company is to make more transactions and generate more revenue. The size of the company has an important role in showing the scale and popularity of the company and can provide an idea of the level of activity and involvement of the company in the market.

METHOD

The method of data analysis in this study is to use quantitative analysis techniques. Quantitative analysis is carried out by analyzing a problem that is realized by titative. In this study, quantitative analysis is carried out by quantifying research data so as to produce the information needed in the analysis. This study uses an associative approach which is an approach taken to determine the relationship between two or more variables.

The population in this study is basic industrial and chemical companies listed on the Indonesia Stock Exchange The total study population is 88 companies. Sampling in this study was carried out using the purposive sampling method, in this case more specifically the use of the judgment sampling method. The number of research samples was 20 companies. To explain the strength of the influence of several independent variables and explanatory variables on one dependent variable, the data analysis technique in this study uses multiple regression models.

RESULT

The Effect of Profitability on Stock Prices

Based on the tests conducted, a regression coefficient value of 6.425612 was obtained with a significant lift of 0.0000. With a level of significance smaller than the required 0.05, it can be concluded that the results of the first hypothesis test (H1) obtained that profitability (Return on Assets) has a significant positive effect on Share Prices in Basic Industrial and Chemical Companies listed on the Indonesia Stock Exchange.

Return On Asset is a profitability ratio that measures the company's ability to generate profits compared to the number of assets owned by the company. The results showed a significant positive influence between profitability (Return On Assets) on stock prices. The higher the Return On Assets indicates that the company is more effective in utilizing assets to generate net profit after tax, the higher the Return On Assets indicates the more effective the company's performance.

The Effect of Liquidity on Stock Prices

Based on the tests conducted, a regression coefficient value of -5.277475 was obtained with a significant lift of 0.0000. With a significance level smaller than the required 0.05, it can be concluded that the results of the second hypothesis test (H2) were obtained that liquidity has a significant negative effect on Share Prices in Basic Industrial and Chemical Companies listed on the Indonesia Stock Exchange.

Current Ratio is a liquidity ratio that compares current assets with current debt of the company. If current assets are too high, it is said that the company has too much idle money, and it can also be interpreted that the company has the ability to pay short-term obligations or pay debts that are less than 1 year overdue. The results showed a significant negative influence of the current ratio on stock prices. It can be said that increased liquidity is responded negatively by investors on the stock exchange. Or it can also be said that this increase in the current ratio gives a negative signal for investors in the stock market.

The Effect of Solvency on Stock Prices

Based on the test conducted, a regression coefficient value of -7.989491 was obtained with a significant lift of 0.0000. With a level of significance smaller than the required 0.05, it can be concluded that the results of testing the third hypothesis (H3) obtained that solvency has a significant negative effect on Share Prices in Basic Industrial and Chemical Companies listed on the Indonesia Stock Exchange

Debt to Equity Ratio is a company's solvency ratio, which is to measure the company's ability to pay long-term obligations or also said as the leverage ratio, which is the ratio of debt to equity owned by the company. If this ratio is too high, it will pose a risk to the company, namely the risk of debt default. The results showed that solvency has a significant negative influence on stock prices. This shows that the increase in the debt to equity ratio is responded negatively by investors on the stock exchange which is characterized by a decline in stock prices.

The Effect of Company Size on Stock Prices

Based on the tests conducted, a regression coefficient value of 8.526638 was obtained with a significant lift of 0.0000. With a level of significance smaller than the required 0.05, it can be concluded that the results of testing the fourth hypothesis (H4) were obtained that the Company Size has a significant positive effect on the Share Price of Basic Industrial and Chemical Companies listed on the Indonesia Stock Exchange

Company size is a measure of the number of assets owned by the company, where if this number continues to grow every year, the company is said to grow healthy or have good financial performance. Conversely, if the number of company assets as decreasing every year, it can be said that the company is in a bad condition. The results showed that the size of the company had a significant positive effect on the stock price. This shows that the number of company assets continues to increase and is responded positively by investors on the stock exchange, causing stock prices to increase.

The Role of Dividend Policy in Moderating Profitability Against Stock Prices

The results of testing the sixth hypothesis (H6) obtained that the Dividend Policy was able to moderate profitability to Share Prices in Basic Industrial and Chemical Companies listed on the Indonesia Stock Exchange. Return On Asset is a profitability ratio that measures the company's ability to generate profits compared to the number of assets owned by the company. The test results partially show that profitability has a significant positive effect on stock prices, this means that investors respond positively on the stock market.

The Role of Dividend Policy in Moderating Liquidity to Stock Prices

The results of testing the seventh hypothesis (H6) obtained that the Dividend Policy significantly moderates liquidity to Share Prices in Basic Industrial and Chemical Companies listed on the Stock Exchange. This means that the Dividend Policy

strengthens investor confidence in investment decision making which is characterized by rising Share Prices. Previous partial test results that liquidity or institutional ownership exerted a significant negative influence on Share Price, but after moderating by the Dividend Policy the results moderated negative. It can be said that if there is an increase in liquidity, the Stock Price will decrease, and vice versa, if there is a decrease in liquidity, the Stock Price will increase.

The Role of Dividend Policy in Moderating Solvency Against Stock Prices

The results of testing the seventh hypothesis (H5) obtained that the Dividend Policy negatively moderated solvency to Share Prices in Basic Industrial and Chemical Companies listed on the Indonesia Stock Exchange period. This means that the Dividend Policy strengthens investor confidence in investment decision making which is characterized by rising Share Prices. The results of the partial solvency test on the Stock Price showed negative results. However, after moderating by the Dividend Policy the result moderated to negative. It is said that the Dividend Policy is able to strengthen investor confidence in making investment decisions for investors on the Stock Exchange.

The Role of Dividend Policy in Moderating Company Size to Stock Price

The results of testing the seventh hypothesis (H5) obtained that the Dividend Policy negatively moderated the Company Size to Share Prices in Basic Industrial and Chemical Companies listed on the Stock Exchange. This means that the Dividend Policy strengthens investor confidence in investment decision making which is characterized by rising Share Prices. The partial test results of Company Size against Stock Price show negative results. However, after moderating by the Dividend Policy the result was also negative moderating results. It is said that the Dividend Policy is able to strengthen investor confidence in making investment decisions for investors on the Stock Exchange.

CONCLUSION

The conclusion of the analysis that has been done is that variables X1 and X2 have a significant influence on variable Y by 75.70%. This means that changes in variables X1 and X2 together can account for 75.70% of the changes that occur in

variable Y. In other words, both variables play a considerable role in influencing the value or outcome of variable Y.

These results show that X1 and X2 can be considered as important factors in explaining the behavior or characteristics of variable Y. By understanding the influence of these two variables, we can better understand what factors contribute to changes in Y, and how we can optimize the value or performance of variable Y through the management or control of variables X1 and X2. These conclusions provide valuable insights and can be the basis for taking decisions or planning further actions, especially in the context of management or analysis of variable Y and the factors that influence it.

REFERENCES

- Agatha, N. A., & Irsad, M. (2021). Pengaruh Likuiditas, Struktur Modal, Profitabilitas, Kebijakan Dividen dan Ukuran Perusahaan Terhadap Nilai Perusahaan Pada Perusahaan Properti dan Real Estate yang Terdaftar di Bursa Efek Indonesia Tahun 2015-2019. *Jurnal Ilmiah Akuntansi Dan Humanika*, 11(2), 329-339.
- Akbar, F., & Fahmi, I. (2020). Pengaruh ukuran perusahaan, profitabilitas dan likuiditas terhadap kebijakan dividen dan nilai perusahaan pada perusahaan manufaktur yang terdaftar di bursa efek Indonesia. *Jurnal ilmiah mahasiswa ekonomi manajemen*, 5(1), 62-81.
- Amaliyah, F., & Herwiyanti, E. (2020). Pengaruh keputusan investasi, ukuran perusahaan, keputusan pendanaan dan kebijakan deviden terhadap nilai perusahaan sektor pertambangan. *Jurnal Penelitian Ekonomi Dan Bisnis*, 5(1), 39-51.
- Apriliyanti, V., Hermi, H., & Herawaty, V. (2019). Pengaruh kebijakan hutang, kebijakan dividen, profitabilitas, pertumbuhan penjualan dan kesempatan investasi terhadap nilai perusahaan dengan ukuran perusahaan sebagai variabel moderasi. *Jurnal Magister Akuntansi Trisakti*, 6(2), 201-224.
- Erawati, T., Ayem, S., & Tokan, M. M. (2022). Pengaruh Ukuran Perusahaan, Likuiditas Dan Kebijakan Dividen Terhadap Kinerja Keuangan Perusahaan (Studi Pada Perusahaan Otomotif Yang Listing Di Bei Periode 2015-2019). *Akurat| Jurnal Ilmiah Akuntansi FE UNIBBA*, 13(1), 76-88.
- Hamdani, M. (2020). Pengaruh Kinerja Keuangan, Kebijakan Dividen dan Umur Perusahaan Terhadap Nilai Perusahaan di Moderasi Ukuran Perusahaan. *Jurnal Akuntansi Dan Ekonomika*, 10(2), 188-197.
- Handayani, K. M., Indarti, I., & Listiyowati, L. (2019). Pengaruh Kinerja Keuangan dan Ukuran Perusahaan terhadap Harga Saham dengan Kebijakan Dividen sebagai Variabel Intervening pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia. *Jurnal Ilmiah Aset*, 21(2), 93-105.
- Hawari, M. N., & Putri, Z. E. (2020). Pengaruh Kinerja Keuangan, Ukuran Perusahaan dan Manajemen Laba terhadap Return Saham dengan Kebijakan Dividen sebagai Variabel Moderasi. *Jurnal Ilmu Akuntansi*, 13(1), 30-32.

- Hendryani, V., & Amin, M. N. (2022). Pengaruh Ukuran Perusahaan, Profitabilitas, Kebijakan Hutang dan Kebijakan Dividen Terhadap Nilai Perusahaan. *Akuntabilitas*, 16(1), 177-194.
- Nazir, N. (2022). Pengaruh Leverage, Kebijakan Dividen Dan Ukuran Perusahaan Terhadap Volatilitas Harga Saham. *Jurnal Ekonomi Trisakti*, 2(2), 833-844.
- Oktaviarni, F., Murni, Y., & Suprayitno, B. (2019). Pengaruh profitabilitas, likuiditas, leverage, kebijakan dividen, dan ukuran perusahaan terhadap nilai perusahaan. *Jurnal Akuntansi*, 9(1), 1-16.
- Rakhmat, A. S., & Rosadi, A. (2021). Pengaruh Ukuran Perusahaan, Kebijakan Hutang Dan Kebijakan Dividen Terhadap Nilai Perusahaan. *IKRAITH-EKONOMIKA*, 4(1), 94-104.
- Romadhani, A., Saifi, M., & Nuzula, N. F. (2020). Pengaruh profitabilitas, ukuran perusahaan dan kebijakan dividen terhadap nilai perusahaan. *Profit: Jurnal Administrasi Bisnis*, 14(2), 71-81.
- Siagian, A. (2022). ANALISIS KINERJA KEUANGAN, UKURAN PERUSAHAAN TERHADAP NILAI PERUSAHAAN DAN KEBIJAKAN DIVIDEN SEBAGAI VARIABEL INTERVENING. *Jurnal Liabilitas*, 8(1), 39-51.
- Yogantara, K. K., Asana, G. H. S., & Wartana, M. H. (2022). PENGARUH UKURAN PERUSAHAAN, KINERJA KEUANGAN DAN KEPEMILIKAN INSTITUSIONAL TERHADAP KEBIJAKAN DIVIDEN. *Journal of Applied Management and Accounting Science*, 4(1), 65-74.