E-ISSN : 2721-1126, P-ISSN : 2721-1118
Available online at:
https://ejournal.stiewidyagamalumajang.ac.id/index.php/ijamr

# FACTORS AFFECTING STOCK RETURN OF COMPANIES ENTERED IN IDX HIGH DIVIDEND 20

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A R T I C L E I N F O

Date of entry:

*13 Jnauary 2021*

Revision Date:

*14 February 2021*

Date Received:

*9 March 2021*

A B S T R A C T

This study aims to examine and analyze the effect of Dividend Policy using the Dividend Payout Ratio proxy, Liquidity using the Current Ratio proxy, and Profitability using the Return On Equity proxy. This research was conducted on companies that are included in IDX High Dividend 20 for the 2015-2017 period. Sampling used in this research is using purposive sampling technique that gets 20 companies as research samples and uses multiple linear regression analysis for data processing. The type of data used is secondary data in the form of financial reports, and the data sources are internal data and external data. The results in this study state that partially dividend policy has a significant effect on stock returns, Likewise, liquidity does not have a significant effect on stock returns, and profitability also does not have a positive and significant effect on stock returns. The limitation of this study is that it only uses dividend policy, liquidity, and profitability variables to determine the impact on stock returns. While other variables that can affect stock returns are not examined and are expected to be continued by other researchers.

Keywords: Dividend Policy, Liquidity, Profitability, and Stock Return



Cite this as: Apriansyah, F. Y., Lukiana, L., Budiwati, H. (2021). FACTORS AFFECTING STOCK RETURN OF COMPANIES ENTERED IN IDX HIGH DIVIDEND 20. *International Journal of Accounting and Management Research*, *2*(1), 25-29. https://doi.org/10.30741/ijamr.v2i1.685

## INTRODUCTION

The development of the times and increasingly rapid technology has contributed to investment activities. Currently, many people have started to study investment. People from all walks of life, both parents, adults, and teenagers think that investment can provide the expected benefits. When going to invest, the public or investors must know what investments can be made. There are 2 (two) types of investment that many people or investors know about in the investment world, namely real investment (real investment) and financial investment (financial investment). according toFahmi (2014:265)real investment (real investment) is an investment that is tangible such as land, machinery, or factories. While financial investment (financial investment) is an investment in the form of a written contract or securities such as stocks, warrants, and bonds. However, many people do or choose to make financial investments in the form of shares. When investors will invest, they will do calculations using financial ratios, one of which is dividend policy, liquidity, and profitability. Which aims to get a return from buying shares.

Mustafa, (2017:141), explained that dividends are profits from a company that are distributed to shareholders. If the profits are not distributed to shareholders and used to be reinvested in the company, it is called retained earnings. Dividend policy in this study uses the dividend payout ratio proxy.Fahmi (2012), explains the liquidity ratio is sometimes also called the working capital ratio is a ratio that is often used to measure the liquidity in a particular company. In this study, liquidity uses the current ratio proxy.Fahmi (2012:80), profitability ratio is a measuring tool for the effectiveness of management as a whole which is seen from the size of the profits obtained by a company. In this study, profitability uses a return on equity proxy.Fahmi (2012:358), explains about return is the profit from investment policies obtained by companies, individuals, and institutions. Return is also called profit from investment through interest or dividends. Stock return in this study uses a formula by including the element of dividends.

Previous research that conducted research related to dividend policy, liquidity, and profitability was carried out by Fitriana et al., (2016),Ginting et al., (2013), Prakoso, (2016)Based on the test results, it is proven that partially, the solvency ratio has a negative effect on stock returns, the profitability ratio and dividend policy have a positive effect on stock returns, while the liquidity ratio and activity ratio have no effect on stock returns. Based on the F-test carried out and the results of the multiple linear regression analysis above, it can be seen that the regression model can be used to predict stock returns. Returns can be explained by independent variables, namely the ratio of liquidity, solvency, activity, profitability and dividend policy of 20.1%.

The results of the factors that affect stock returns will make investors interested in buying shares from companies that have been analyzed and seen the company's performance. The purpose of this study is to test and analyze the dividend policy, liquidity, and profitability partially on the stock returns of companies listed in IDX High Dividend 20.

## METHODS

This study uses quantitative methods with a population of 19 companies for the 2015-2017 period. The sample used is 57 financial statements, using purposive sampling technique. method of data collection using documentation techniques, namely finding and collecting data from the financial statements of companies listed on the IDX High Dividend 20 through the Indonesia Stock Exchange. In conducting the classical assumption test, using the data normality test, using the Kolmogorov Smirnov technique using the SPSS application with the provisions of probability. 0.05, which means that the data is normally distributed, and if the value is <0.05, it is stated that the data used is not normally distributed. The multicollinearity test is a test that is used for a test requirement for all causality hypothesis tests using the VIF value and the correlation coefficient between the independent variables. the lower the tolerance value. Heteroscedasticity TestA good model is obtained if there is no certain pattern on the graph, such as gathering in the middle, narrowing then widening or vice versa. And the autocorrelation test using the run test method where the results are more than 0.05. After that, the hypothesis was tested using the t-test. And calculate the coefficient of determination or R Square.

## RESULTS AND DISCUSSION

Based on the normality test of the data using the Kolmogorov Smirnov test, it shows that the significant value is 0.186 > 0.05 (5%), the data meets the normality criteria, which means that the data is said to be normally distributed. The results of the multicollinearity test show that the dividend policy tolerance value is 0.750 > 0.1 and the VIF value is 1.334 < 10. It can be concluded that the data model is free from multicollinearity or there is no correlation between independent variables. Liquidity produces a tolerance value of 0.816 > 0.1 and a VIF value of 1.226 < 10, meaning that the data model is free from multicollinearity. Profitability produces a tolerance value of 0.810 > 0.1 and a VIF value of 1.235 < 10. It can be concluded that the data model is free from multicollinearity or there is no correlation between independent variables. The results of the heteroscedasticity test (Scatterplot) show that the spread of the points on the plot does not form a certain pattern, so it can be concluded that the model is free from the assumption of heteroscedasticity. Hthe result of the run test is 0.228, which means that it is free from the autocorrelation test because the result of the 0.228 run test is greater than 0.05. It can be concluded that the data has passed the classical assumption test and this research can be continued to multiple linear regression analysis.

Table 1.1 Multiple Linear Regression

| Variable | Unstandardized Coefficients | | St.Coefficients | T | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | -0.100 | 0.132 | | -0.758 | 0.452 |
| Dividend payout ratio (X1) | 0.237 | 0.220 | 0.169 | 1.081 | 0.285 |
| Current Ratio (X2) | 0.004 | 0.032 | 0.018 | 0.119 | 0.906 |
| Return On Equity(X3) | -0.140 | 0.177 | -0.119 | -0.791 | 0.433 |

The results of multiple linear regression analysis show that the independent variable has an effect on the dependent variable. The constant value obtained is -0.100, it shows that the value of the dividend payout ratio, current ratio and return on equity is zero (0) the stock return value is -0.100 or -10%. The dividend payout ratio (X1) coefficient of 0.237 or 23.7% indicates that the value of stock returns increased by 23.7%. This applies if the current ratio (X2) and return on equity (X3) are constant. The coefficient of the current ratio (X2) of 0.004 or 0.4% indicates that stock returns have increased by 0.4%. Assuming that the dividend payout ratio (X1) and return on equity (X3) are constant. The coefficient of return on equity (X3) of -0.14 or -14% indicates a decrease in stock returns of -14%.

**Table 1.2 Coefficient of Determination**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | 0.180a | 0.032 | -0.022 | 0.419122 |

Dependent Variable: Stock return

In table 1.1 the results of the coefficient of determination using the value of R square (R2) are 0.032 or 3.2%. Which means that the dividend payout ratio, current ratio, return on equity can affect stock returns by 3.2% while the rest is indicated for the estimated error of 96.8% which is influenced by variables not examined in this study.

This study obtained the results of t-test partial dividend payout ratio t count of 1.081 smaller than t table that is 2.00575 then the dividend payout ratio has no effect on stock returns. The significant value produced is 0.285, more than the significant value specified in this study, which is 0.05, so that the dividend payout ratio is not significant for stock returns. In conclusion, the dividend payout ratio has no significant effect on stock returns. In this study (H1) was rejected. Dividend policy has no effect on stock returns. This condition is in line with the irrelevant theory proposed by Modigliani and Miller (MM) that dividend distribution is irrelevant, because the dividend payout ratio is only a small part of the company's funding decisions so that the dividend payout ratio does not affect a shareholder's profit which is reflected in stock returns. This is in line with the results of research fromFitri (2017) and Sari (2017)dividend payout ratio has no effect on stock returns. But contrary to the results of research conducted bySuhandi (2014), Nirayanti & Widhiyani (2014), and Fitriana et al., (2016), dividend payout ratio has a positive effect on stock returns.

The results of the partial t-test of the current ratio produce a t-count of 0.119, which is smaller than the t-table of 2.00575, so the current ratio has no effect on stock returns. The significant value of 0.906 is greater than the significant provision of 0.05 so that the current ratio is not significant to stock returns. In conclusion, the current ratio has no significant effect on stock returns. In this study (H2) was rejected. Liquidity as measured by the current ratio, the greater the company's ability to meet its short-term obligations will ultimately affect stock prices. This can ensure that investors owning the company's shares will get a high stock return as well. While a high current ratio value reflects that there are unused funds and results in operational activities experiencing a decrease or not running optimally which will affect the optimal output of a company. These results are in line with research conducted byErari (2014), Raningsih & Dwiana Putra (2015)which says that liquidity has a negative effect on stock returns. And in contrast to the results of research conducted byDwi Putra & Dana (2016) where liquidity has a positive effect on stock returns.

The results of the partial t-test of return on equity have a t-value of -0.791, which is greater than t-table -2.00575, which means that return on equity has no effect on saram returns. The significant value is 0.433, which is greater than the provision, namely 0.05, which means that the return on equity is not significant to stock returns. In conclusion, return on equity has no significant effect on stock returns. In this study (H3) is rejected. Profitability using a return on equity measurement tool has no effect on stock returns. High return on equity indicates that the profitability of a company is very good, but return on equity does not affect dividends or capital gains for shareholders, therefore return on equity is not a measure of the actual return received by shareholders.Fitri (2017)The results of this study say that profitability has no effect on stock returns. And these results contradict the research conducted byBudialim (2013) The results of this study say that return on equity has an effect on stock returns

## CONCLUSION

Based on the results of the analysis of the effect of dividend policy, liquidity, and profitability on stock returns in companies that are included in IDX High Dividend 20 for the 2015-2017 period using multiple linear regression methods and partial testing, the conclusions are as follows: (1). Dividend policy using a dividend payout ratio proxy has no significant effect on the stock returns of companies included in IDX High Dividend 20 for the 2015-2017 period. This theory is also in accordance with the approach of The Frim Foundation Theory where no one knows for sure what will happen in the future, what will be a factor in income and dividend payments that will come. (2). Liquidity using the current ratio proxy has no significant effect on the stock returns of companies that are included in IDX High Dividend 20 for the 2015-2017 period. Therefore, a high current ratio cannot affect stock returns because a high current ratio means that the cash value is large and the company cannot use its cash properly to develop the company. (3). Profitability using the return on equity proxy has no significant effect on the stock returns of companies that are included in IDX High Dividend 20 for the 2015-2017 period. because the effect on the price of outstanding shares is decreasing, which affects the demand for the value of capital gains to be obtained and it is likely to get a capital loss.

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