

## Effect of Financial Performance and Firm Size on Stock Price with Dividend Policy as Intervening Variable

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### Abstract

*This study aims to analyze the effect of profitability, liquidity, solvency, and firm size on stock prices with dividend policy as an intervening variable in food and beverage companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period. The research employed a quantitative approach with a causal associative method. The data used were secondary data obtained from audited annual financial reports. The sample was determined using purposive sampling, resulting in 70 companies that met the research criteria. Data analysis was conducted using Structural Equation Modeling (SEM) with a Partial Least Squares (PLS) approach and SmartPLS 4 software. The results show that profitability, solvency, and firm size have a significant direct effect on stock prices, while liquidity and dividend policy do not have a significant effect. Moreover, dividend policy does not mediate the relationship between profitability, liquidity, solvency, and firm size on stock prices. These findings suggest that dividend decisions are not yet strong enough to serve as market signals influencing stock price movements in the food and beverage sector. Nevertheless, the results confirm that the company's fundamental factors still contribute significantly to investor decision-making, especially through profitability and firm size indicators. This study is expected to provide valuable insights for investors, corporate management, policymakers, and academic literature development in the fields of financial management and capital markets*

**Keywords:** Profitability; Liquidity; Solvency; Firm Size; Stock Price.

## INTRODUCTION

In today's era of globalization, the capital market plays an important role in the modern economy, particularly as an alternative for corporate financing and as an investment vehicle for the public. The capital market serves as a financing option to obtain capital at relatively low costs and also as a place for short-term and long-term investments (Ningrum & Mildawati, 2020). One industrial sector that attracts investor attention is the food and beverage industry, as it produces products that are consistently needed by the public. Products in this sector tend to be resilient to crises, making it a defensive choice in an investment portfolio.

The capital market is one of the important indicators for assessing the economic condition of a country. Companies that have gone public are expected to increase their corporate value through market mechanisms, one of which is by attracting investor interest through strong financial performance. Stock prices reflect the market's assessment of a company's value, which is influenced by various internal fundamental factors. Investment in the capital market has always been a key factor forming the basis for investors to make stock investment decisions. To measure and analyze a company, the primary tool required is the financial statements (Husaini, 2021). Investors' expectations of the company issuing the stock influence stock demand. The better a company presents its financial position, the higher the investors' assumptions. As a result, stock prices rise and become more attractive. Conversely, if a company's financial performance is poor, investors' assumptions will be low, making them less interested in investing in the stock. Consequently, the stock price will decrease.

The phenomenon of stock price issues in food and beverage companies in Indonesia has occurred in several companies. The table below shows the stock prices. It can be observed that from 2019 to 2023, there were fluctuations in the stock prices of food and beverage companies listed on the Indonesia Stock Exchange (IDX). However, during this period, no company experienced consecutive increases or decreases in stock prices.

*Table 1 Stock Prices of Food and Beverage Companies Listed on the Indonesia Stock Exchange (2019–2023)*

No	Kode	2019	2020	2021	2022	2023
1	CEKA	1.670	1.785	1.880	1.985	2.010
2	DLTA	6.800	4.400	3.740	3.770	4.010
3	ICBP	11.150	9.575	8.700	10.025	11.175
4	INDF	7.925	6.850	6.325	6.825	6.950
5	MYOR	2.050	2.710	2.040	2.460	2.720
6	ROTI	1.300	1.360	1.360	1.295	1.285
7	SKLT	1.610	1.565	2.420	1.950	2.500
8	STTP	4.500	9.500	7.550	7.075	7.950
9	ULTJ	1.680	1.600	1.570	1.450	1.635
10	MLBI	15.500	9.700	7.800	8.925	9.000
11	SKBM	410	324	360	388	316
<b>Total</b>		<b>54.595</b>	<b>49.369</b>	<b>43.745</b>	<b>46.148</b>	<b>49.551</b>
<b>Rata-rata</b>		<b>4.963,18</b>	<b>4.488,09</b>	<b>3.976,89</b>	<b>4.195,27</b>	<b>4.504,64</b>

Source: [www.idx.co.id](http://www.idx.co.id)

The fluctuation of stock prices in the food and beverage sector during the 2019–2023 period reflects market dynamics influenced by companies' financial performance as well as other external factors.

In order for capital market investments to generate profits, investors who purchase stocks will first assess the company's business condition. In line with the law of supply and demand, an increase in demand for a company's stock will result in a rise in its stock price. A company's value is determined by its stock price. Consequently, increasing the company's value will enhance shareholders' returns. Investor demand for a company's stock will be high if the company's performance is operating at peak efficiency. Financial performance is one of the variables that influence stock prices. Financial statements, which are collections of accounting data, can be used to evaluate a company's financial performance. The primary purpose of financial statements is to provide reliable information to stakeholders that they can use to make investment decisions. Specifically, investors can use this information to decide whether to buy or sell their assets. As a result, investors need to use financial ratio analysis to evaluate financial statements. The tools used to analyze financial statements and assess a company's financial health are financial ratios. To evaluate a company's financial health and performance, five main categories of financial statistics are typically used: profitability ratios, liquidity ratios, and solvency ratios. Profitability ratios such as Return on Assets (ROA), liquidity ratios such as

Current Ratio (CR), and solvency ratios such as Debt to Assets Ratio (DAR) are among the ratios used in this study to analyze financial statements.

Asmeri & Anggraeni (2022) state that stock prices are a reflection of a company's performance and a reflection of investor confidence. Stock prices are one indicator of a company's progress; if a company's stock price generally increases, investors and prospective investors will conclude that the company is successfully managing its business. Stock prices fluctuate according to market demand and supply. Therefore, researchers are interested in discussing the capital market, particularly in relation to stock prices.

Profitability is a ratio that explains a company's ability to generate profits by utilizing its resources, such as assets, capital, and sales. A company that falls into the category of having high profitability and promising future prospects will attract many investors to buy its shares, which will, of course, drive the stock price higher. Profitability reflects a company's ability to generate profits, which can provide a positive signal to investors (Asmeri & Anggraeni, 2022).

Liquidity ratios are ratios related to a company's ability to pay its short-term debts or obligations. Liquidity ratios are used to determine a company's capacity to finance and meet its debt obligations when they are due. Liquidity reflects a company's ability to fulfill its short-term obligations (Indrayani et al., 2020).

Solvency ratios are used to measure the extent to which a company's assets are financed by debt. Dependence on debt or external funding sources is closely associated with solvency. Companies with high solvency levels rely heavily on debt, which represents capital obtained from external sources. The debt-to-asset ratio and the debt-to-equity ratio are two examples of methods used to calculate this ratio. Solvency reflects a company's ability to meet its long-term obligations. Company size is often associated with stability and the capability to withstand external pressures (Notama et al., 2021).

In addition to financial ratios, company size is also a factor that can influence changes in a company's stock price. Company size reflects the scale of a company, typically measured by total assets. Larger companies have greater and broader access to external funding sources, making it easier to obtain loans, as larger companies are considered to have a higher chance of surviving competition or thriving in the industry. Company size is a scale used to classify companies as large, medium, or small based on various criteria, including total assets, log size, market value, and others. Based on total assets, companies are categorized into three groups: large, medium, and small (Musthafa & Rahmatiah, 2020).

Besides these factors, dividend policy is also believed to play a role as a signal to investors. Dividend policy is a company's decision on whether profits will be distributed to shareholders as dividends or retained to fund future investments. A company's ability to pay dividends can indicate that the company has good value. If dividend payments are high, stock prices also tend to be high, which increases the company's value, and vice versa. Consistent dividend distribution can be considered an indicator of a company's financial stability and health. Therefore, in this study, dividend policy is examined as an intervening variable that can strengthen or weaken the relationship between fundamental factors and stock prices (Alfan & Suprihadi, 2020).

This study focuses on food and beverage companies listed on the Indonesia Stock Exchange during the 2019–2023 period. This sector was chosen because it has relatively stable resilience to economic changes and consistently steady demand.

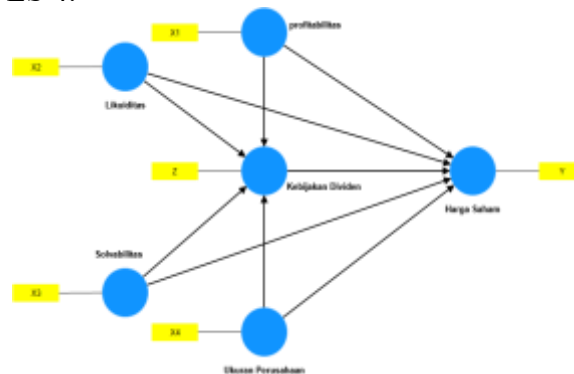
The aim of this study is to examine the direct and indirect effects of profitability, liquidity, solvency, and company size on stock prices, with dividend policy as an intervening variable. It

is expected that the study will provide both practical and academic contributions in the fields of financial management and investment decision-making.

The study conducted by Ningrum & Mildawati (2020) showed that performance, proxied by return on assets (ROA) and price-to-earnings ratio (PER), has a positive effect on stock prices, whereas the debt-to-equity ratio (DER) does not affect stock prices. The study by Sadiyah & Hermawan (2023) indicated that profitability, liquidity, and company size influence dividend policy. Meanwhile, Wardana (2024) found that return on assets and debt-to-equity ratio do not have a partial effect on stock prices, and dividend policy does not mediate the effect of return on assets and debt-to-equity ratio on stock prices.

## RESEARCH METHODS

This type of research is causal-associative research that employs a quantitative approach. According to Ghozali (2022), associative research aims to understand the influence or relationship between two or more variables. This associative research takes the form of causal relationships, meaning that one variable (exogenous) influences another variable (endogenous). The relationships among the variables under study are more causal in nature, which means the research involves endogenous, exogenous, and intervening variables. The quantitative approach is a research method that uses quantitative data, namely data measured on a numerical scale. The population consists of food and beverage companies listed on the Indonesia Stock Exchange during 2019–2023. The sample was selected using purposive sampling, resulting in 70 companies. Data were obtained from audited annual reports. Variables include profitability (ROA), liquidity (CR), solvency (DAR), firm size (Ln Total Assets), dividend policy (DPR), and stock price. Data were analyzed using Structural Equation Modeling (SEM) with Partial Least Squares (PLS) in SmartPLS 4.



*Figure 1 Research Model*

## RESULTS AND DISCUSSION

### Research Data Description

This study examines the effect of profitability, liquidity, solvency, and firm size on stock prices with dividend policy as an intervening variable. The research variables consist of profitability, proxied by Return on Assets (ROA); liquidity, measured by Current Ratio (CR); solvency, measured by Debt to Asset Ratio (DAR); and firm size, measured by the natural logarithm of total assets (Ln Asset). These four variables are exogenous variables, stock price serves as the endogenous variable, and dividend policy, measured by Dividend Payout Ratio (DPR), acts as the intervening variable.

### Data Alaysis

#### Outer Model

In assessing the outer model, there are four criteria in the use of data analysis techniques with SmartPLS, namely convergent validity, discriminant validity, composite reliability, and Cronbach's alpha. Convergent validity in the measurement model with reflective indicators is assessed by the relationship between the item score/component score estimated with the SmartPLS analysis tool. The individual reflective measure is considered high if it correlates  $> 0.7$  with the measured construct. Once convergent validity is met, discriminant validity is examined using the Average Variance Extracted (AVE). The AVE value must be above 0.50, while composite reliability and Cronbach's alpha must be above 0.7.

In this study, secondary data were used, obtained from the companies' financial statements. Therefore, reliability and validity tests of the instrument were not conducted, since such tests are generally applied to primary data collected using measurement instruments such as questionnaires. As a result, the researcher did not perform these instrument tests.

#### Inner Model

The structural model test, or inner model, is used to examine the direct and indirect relationships between variables. The structural or inner model test can be conducted using the bootstrapping method. The results of the bootstrapping test are as follows:

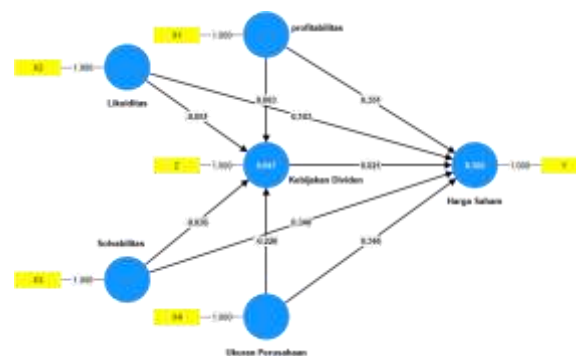


Figure 2 Bootstrapping Test Results

#### a. Coefficient of Determination (R<sup>2</sup>)

The evaluation of the structural model begins with examining the R-Square values. Based on data processing using SmartPLS, the R-Square results are as follows:

Table 2 Adjusted R-Square Value

	R-square adjusted
Stock Price	0.366

Dividend Policy	0.047
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Source: SPSS Output (2025)

Based on the analysis:

- The R-Square for stock price of 0.366 means that 36.6% of the variation in stock price can be explained by profitability, liquidity, solvency, firm size, and dividend policy. The remaining 63.4% is influenced by other variables not included in the model. This value is considered moderate.
- The R-Square for Dividend Payout Ratio (DPR) of 0.047 indicates that only 4.7% of the variation in DPR is explained by profitability, liquidity, solvency, and firm size. This shows that the contribution of these variables to DPR is very low.

Overall, the model is stronger in explaining the variation in stock prices compared to DPR.

**b. Predictive Relevance (Q<sup>2</sup>)**

A model is considered to have predictive relevance if the Q-Square value is greater than 0 (> 0). The value of Q-Square predictive relevance is obtained using the following formula:

$$Q^2 = 1 - (1 - R1^2)(1 - R2^2)$$

Therefore:

$$Q^2 = 1 - (1 - 0,366)(1 - 0,047)$$

$$Q^2 = 1 - (0,634)(0,953)$$

$$Q^2 = 1 - 0,604202$$

$$Q^2 = 0,395798$$

The Q-Square calculation result is 0.3957898, which means that 39.57% of the variance in the research data can be explained by the structural model developed in this study. This indicates that the structural model test in this research has achieved a fairly good level of predictive relevance.

**c. Multicollinearity Test**

The multicollinearity test is used to identify whether there is a correlation among the independent variables. It can be detected using the Variance Inflation Factor (VIF) value (Ghozali, 2018). The results of the multicollinearity test are as follows:

*Table 3 Multicollinearity Test Results*

	VIF
CR	1.000
DAR	1.000
DPR	1.000
HS	1.000
UP	1.000
ROA	1.000

Source: SPSS Output (2025)

It is known that each variable has a VIF value < 10. This means that there is no multicollinearity in the data.

**d. Hypothesis Testing and Mediation Effect**

**1. Direct Effect Testing**

The Path Coefficient test shows the strength of the influence exerted by the independent variables on the dependent variable. Based on the inner model scheme shown in the figure and the path coefficient table, the effects can be explained from the strongest to the weakest.

*Table 4 Direct Effect Test Results (Path Coefficient)*

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ((O/STDEV))	P values
DPR -> HS	0.021	0.019	0.068	0.309	0.758
CR-> HS	0.103	0.119	0.100	1.027	0.305
CR -> DPR	-0.051	-0.038	0.130	0.393	0.695
ROA-> HS	0.340	0.354	0.141	2.410	0.016
ROA -> DPR	-0.036	-0.048	0.177	0.207	0.836
DAR -> HS	0.346	0.433	0.170	2.031	0.042
DAR -> DPR	-0.226	-0.229	0.157	1.438	0.150
UP -> HS	0.351	0.318	0.178	1.977	0.048
UP -> DPR	0.093	0.145	0.200	0.463	0.644

Source: SPSS Output (2025)

The table above presents the results of the path coefficient test used to evaluate the extent of the influence among profitability, liquidity, solvency, firm size, and dividend policy on stock prices. The hypothesis testing results in this study show that the effects of liquidity and dividend policy on stock prices, as well as the effects of profitability, liquidity, solvency, firm size, and stock prices on dividend policy, were rejected. Meanwhile, the effects of profitability, solvency, and firm size on stock prices were accepted.

**a. Effect of Profitability on Stock Price**

The test results show that profitability (ROA) has a positive and significant effect on stock price, with a path coefficient of 0.340 and a t-value of 2.410 (greater than the t-table value of 1.96). Thus, Hypothesis 1 is accepted.

**b. Effect of Liquidity on Stock Price**

The test results show that liquidity (CR) has no significant effect on stock price, with a path coefficient of 0.103 and a t-value of 1.027, which is smaller than the t-table value (1.96). Thus, Hypothesis 2 is rejected.

**c. Effect of Solvency on Stock Price**

The test results show that solvency (DAR) has a positive and significant effect on stock price, with a path coefficient of 0.346 and a t-value of 2.031, which is greater than the t-table value (1.96). Thus, Hypothesis 3 is accepted, indicating that solvency influences stock price.

**d. Effect of Firm Size on Stock Price**

The test results show that firm size has a positive and significant effect on stock price, with a path coefficient of 0.351 and a t-value of 1.977, which is slightly higher than the t-table value (1.96). Thus, Hypothesis 4 is accepted.

**e. Effect of Dividend Policy on Stock Price**

The test results show that dividend policy (DPR) has no significant effect on stock price, with a path coefficient of 0.021 and a t-value of 0.309, which is smaller than the t-table value (1.96). Thus, Hypothesis 5 is rejected.

**f. Effect of Profitability on Dividend Policy**

The test results show that profitability (ROA) has no significant effect on dividend policy, with a path coefficient of -0.036 and a t-value of 0.207, which is smaller than the t-table value (1.96). Thus, Hypothesis 6 is rejected.

**g. Effect of Liquidity on Dividend Policy**

The test results show that liquidity (CR) has no significant effect on dividend policy, with a path coefficient of -0.051 and a t-value of 0.393, which is smaller than the t-table value (1.96). Thus, Hypothesis 7 is rejected.

**h. Effect of Solvency on Dividend Policy**

The test results show that solvency (DAR) has no significant effect on dividend policy, with a path coefficient of -0.226 and a t-value of 1.438, which is smaller than the t-table value (1.96). Thus, Hypothesis 8 is rejected.

**i. Effect of Firm Size on Dividend Policy**

The test results show that firm size has no significant effect on dividend policy, with a path coefficient of 0.093 and a t-value of 0.463, which is smaller than the t-table value (1.96). Thus, Hypothesis 9 is rejected.

**2. Indirect Effect Testing**

The indirect effect analysis was conducted to determine whether there is a significant indirect relationship through mediation. The results of the indirect effect testing are as follows:

*Table 5 Indirect Effect Analysis Results*

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ((O/STDEV)	P values
CR-> DPR -> HS	-0.001	0.003	0.012	0.092	0.927
DAR -> DPR -> HS	-0.001	0.006	0.019	0.040	0.968
UP -> DPR -> HS	-0.005	-0.011	0.030	0.161	0.872
ROA -> DPR -> HS	0.002	0.000	0.018	0.111	0.912

Source: SPSS Output (2025)

**Mediation Test: Liquidity → Dividend Policy → Stock Price**

The test results show that dividend policy is unable to mediate the relationship between liquidity and stock price, with a t-value of 0.092 (< 1.96), a p-value of 0.927 (> 0.05), and a path coefficient of -0.001. Thus, there is no significant mediating effect, and the mediation mechanism is rejected.

**Mediation Test: Solvency → Dividend Policy → Stock Price**

The test results indicate that dividend policy does not mediate the relationship between solvency and stock price, with a t-value of 0.040 (< 1.96), a p-value of 0.968 (> 0.05), and a negative path coefficient of -0.001. Thus, there is no significant mediating effect, and the mediation hypothesis is rejected.

**Mediation Test: Firm Size → Dividend Policy → Stock Price**

The test results show that dividend policy does not mediate the relationship between firm size and stock price, with a t-value of 0.161 ( $< 1.96$ ), a p-value of 0.872 ( $> 0.05$ ), and a negative path coefficient of -0.005. Thus, there is no significant mediating effect, and the mediation hypothesis is rejected.

**Mediation Test: Profitability → Dividend Policy → Stock Price**

The test results show that dividend policy does not mediate the relationship between profitability and stock price, with a t-value of 0.111 ( $< 1.96$ ), a p-value of 0.912 ( $> 0.05$ ), and a positive path coefficient of 0.002. Thus, there is no significant mediating effect, and the mediation hypothesis is rejected.

**The Effect of Profitability on Stock Prices**

The results of the study show that profitability (ROA) has a positive and significant effect on the stock prices of food and beverage companies listed on the IDX during the 2019–2023 period. These findings are supported by Ramadhan (2025), who reported that the profitability variable has a path coefficient value of 0.340, a t-statistic of 2.410, and a p-value of 0.016. Similar evidence is also presented by Ningrum & Mildawati (2020), Lina et al. (2023), Djou et al. (2022), Sunaryo et al. (2024), Elly et al. (2025), Erdi (2025), Rachman & Wahyudi (2023), Sani & Rusnaeni (2025), Wardana (2024), and Sururi et al. (2021), who highlight that high profitability reflects strong company performance and receives a positive response from investors. Based on signaling theory, profitability serves as a positive financial signal, while according to the bird-in-the-hand theory, companies with high profitability tend to be more attractive because they are likely to distribute consistent dividends. This increases market demand and drives stock prices upward.

**The Effect of Liquidity on Stock Prices**

The test results show that liquidity (Current Ratio) has a negative and insignificant effect on stock prices. This finding is consistent with several previous studies, such as Lina et al. (2023), Sururi et al. (2021), and Alfian & Suprihadi (2020), which state that the liquidity variable has a path coefficient of 0.103, a t-statistic of 1.027, and a p-value of 0.305. Since the t-statistic  $< t$ -table (1.96) and the p-value  $> 0.05$ , liquidity does not have a significant effect on stock prices. Based on signaling theory, excessively high liquidity can be a negative signal because it reflects inefficiency in asset utilization. Meanwhile, according to the bird-in-the-hand theory, high liquidity does not guarantee dividend distribution, thereby failing to increase the attractiveness of a stock in the eyes of investors.

**The Effect of Solvency on Stock Prices**

The test results show that solvency (Debt to Asset Ratio/DAR) has a positive and significant effect on stock prices, with a t-statistic  $> 1.96$  and a p-value  $< 0.05$ . This indicates that the effective management of debt can enhance investors' positive perception of the company. These findings are supported by several previous studies, such as Rachman & Wahyudi (2023), Indirwan et al. (2023), and Sururi et al. (2021). In the context of signaling theory, an optimal debt structure provides a positive signal regarding management's confidence in the company's prospects. Meanwhile, based on the bird-in-the-hand theory, high but productive solvency is considered capable of ensuring cash flow stability, thereby increasing the attractiveness of the stock in the eyes of investors.

**The Effect of Firm Size on Stock Prices**

The hypothesis testing results show that firm size, measured using the Ln(Total Assets) indicator, has a path coefficient of 0.351, a t-statistic of 1.977, and a p-value of 0.048. Since the t-statistic > t-table (1.96) and the p-value < 0.05, it can be concluded that firm size has a positive and significant effect on stock prices. The larger the firm size, the higher the stock price. Larger firms are considered more stable, have broader access to funding, and are better able to withstand economic risks. These findings are consistent with Sururi et al. (2021), Astari et al. (2025), and Andriyani & Sari (2020). In signaling theory, firm size serves as a signal of operational strength and positive long-term prospects. According to the bird-in-the-hand theory, larger firms tend to pay dividends more consistently, which increases stock attractiveness in the eyes of investors and drives stock prices upward.

**The Effect of Dividend Policy on Stock Prices**

The hypothesis testing results show that dividend policy, measured using the Dividend Payout Ratio (DPR) indicator, has a path coefficient of 0.021, a t-statistic of 0.309, and a p-value of 0.758. Since the t-statistic < t-table (1.96) and the p-value > 0.05, it can be concluded that dividend policy does not have a significant effect on stock prices. Although the direction of the relationship is positive, the effect is not statistically strong enough. This finding is supported by previous studies such as Ningrum & Mildawati (2020) and Rachman & Wahyudi (2023). In the context of signaling theory, DPR should act as a positive financial signal; however, the signal does not appear to be strong enough to influence market perception. Meanwhile, according to the bird-in-the-hand theory, investors are ideally attracted to cash dividends, but in practice, they seem to be more focused on other factors such as profitability and growth prospects, making dividends a less dominant factor in stock price valuation.

**The Effect of Profitability on Dividend Policy**

Based on the hypothesis testing results, the profitability variable measured by the ROA indicator has a path coefficient of -0.036, a t-statistic of 0.207, and a p-value of 0.836. Since the t-statistic < t-table and the p-value > 0.05, it can be concluded that profitability does not have a significant effect on dividend policy. This may occur because companies with high earnings prefer to reinvest their profits into growth projects rather than distribute them as dividends. In addition, management may consider other factors such as liquidity needs, cash flow stability, or expansion strategies that lead to retained earnings. This finding indicates that dividends are not always used as a means to signal profitability to investors, or that investors may not interpret dividends as the primary indicator of financial performance. According to the bird-in-the-hand theory, investors prefer certain cash dividends over future capital gains. Thus, firms with high levels of profitability should, in theory, be more inclined to distribute dividends in order to attract investors.

**The Effect of Liquidity on Dividend Policy**

Based on the hypothesis testing results, the liquidity variable, measured using the Current Ratio indicator, shows a path coefficient of -0.051, a t-statistic of 0.393, and a p-value of 0.695. Since the t-statistic < t-table and the p-value > 0.05, it can be concluded that liquidity does not have a significant effect on dividend policy.

In signaling theory, the level of liquidity can be considered a positive signal for investors, as it reflects a company's ability to meet obligations and maintain operational stability. However, when highly liquid firms do not distribute dividends or do not base their dividend policies on liquidity, this signal becomes weak or ambiguous for investors. Therefore, companies with high

liquidity should, in theory, be more capable and inclined to distribute dividends as a form of assured return to investors. Nevertheless, the findings of this study indicate that liquidity does not significantly affect dividend policy.

#### **The Effect of Solvency on Dividend Policy**

Based on the hypothesis testing results, the solvency variable, measured using the Debt to Asset Ratio indicator, shows a path coefficient of -0.226, a t-statistic of 1.438, and a p-value of 0.150. Since the t-statistic < t-table and the p-value > 0.05, it can be concluded that solvency has a positive but insignificant effect on dividend policy. This may be due to the need to maintain investor and creditor confidence through stable dividends. Within the framework of signaling theory, a company's capital structure, including solvency, can provide signals to investors regarding risk levels and managerial policies. Firms with high levels of debt are generally perceived as having greater financial risk. Thus, both investors and management may place more emphasis on other factors, such as profitability and actual cash flows, rather than debt ratios, when determining dividend policy. According to the bird-in-the-hand theory, investors prefer current dividends over uncertain future gains. In the context of solvency, firms with high debt levels should be more cautious in distributing dividends so as not to compromise their financial obligations.

#### **The Effect of Firm Size on Dividend Policy**

Based on the hypothesis testing results, the firm size variable, measured using the Ln indicator, shows a coefficient of 0.093, a t-statistic of 0.463, and a p-value of 0.644. Since the t-statistic < t-table and the p-value > 0.05, it can be concluded that firm size does not have a significant effect on dividend policy. This finding is consistent with studies conducted by Setiawati & Simanungkalit, Aryani & Fitria, Sadiyah & Hermawan, Sururi et al., and Mergiatma.

According to signaling theory, companies use dividend policy as a means of conveying information to investors about the firm's prospects and financial condition. In this context, large firms should be able to provide a positive signal through stable dividend distributions, as they have greater capacity and resources. The bird-in-the-hand theory states that investors prefer certain dividends received at present over uncertain future capital gains. Based on this theory, larger firms—perceived as more established and with more stable cash flows—should be more likely to distribute dividends in order to meet investors' preference for assured returns.

## **CONCLUSION**

Based on the data analysis and discussion presented in the previous chapter, several conclusions can be drawn as follows: Profitability affects stock prices. This indicates that the greater the profits generated by the company, the higher the investors' interest in buying shares due to promising long-term profit prospects. Liquidity does not affect stock prices. This suggests that investors do not consider liquidity as the main reference in investment decisions, since excessively high liquidity may actually reflect inefficient use of current assets. Solvency affects stock prices. This means that a company's ability to manage debt is perceived as a leverage strategy that can increase firm value and attract investors. In line with signaling theory, an optimally managed capital structure provides a positive signal about the company's prospects, thus stock prices tend to rise. Firm size affects stock prices. This shows that the larger the firm, the higher its stock price. Companies with greater total assets are generally considered more

stable, have broader access to funding sources, and are better able to withstand economic risks and competition. Dividend policy does not affect stock prices. This indicates that investors do not view dividends as the main factor in investment decisions, but rather place more emphasis on retained earnings that can be used for company expansion. Profitability does not affect dividend policy. This means that the amount of profit earned by the company does not always determine management's decision to distribute dividends. This finding suggests that other factors beyond profitability are more strongly considered in setting dividend policy. Liquidity does not affect dividend policy.

This shows that a company's ability to meet short-term obligations is not the primary basis for dividend distribution decisions. Companies tend to prioritize funds for operational needs and long-term investments rather than distributing them as dividends; thus, liquidity does not determine dividend policy. Solvency does not affect dividend policy. This indicates that dividend distribution decisions are more strongly determined by profits rather than debt levels. Firm size does not affect dividend policy. This suggests that the size of a company's assets is not the main determinant in dividend decisions, as management places greater emphasis on profits and growth strategies. Dividend policy does not mediate the effect of profitability, liquidity, solvency, and firm size on stock prices

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