

# Dividend payout ratio influence To wards stock price (Survey of The Firm LQ 45 Listed in Indonesian Stock Exchange)

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## 2 Dividend payout ratio influence To wards stock price (Survey of The Firm LQ 45 Listed in Indonesian Stock Exchange)

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In this study, researchers conducted a study regarding Dividend Payout Ratio (DPR) influence towards stock price of LQ45 public limited companies in Bursa Efek Indonesia or Indonesian Stock Exchange. The purpose of this study was to determine and analyze dividend payout ratio towards a stock price on LQ45 public limited companies listed on Stock Exchange 2014. The method used in this study is descriptive analysis. Data used is secondary data of 35 public limited companies obtained from LQ45 2014 list, based on IDX LQ45 2015 data. Normality test and Heteroscedasticity test is performed before analyzing the data by utilizing SPSS version 16. Data analysis results exhibit dividend payout ratio significantly affect the stock price of  $r = 43.3$  per cent or determine coefficient of 18.3 per cent with t count of 0.009 and t tables of 0.05. It could be concluded that stock price is affected by dividend payout ratio.

**Keywords:** Dividend Payout Ratio, Stock Price, LQ 45, and Indonesian Stock Exchange

### 1. INTRODUCTION

Economic realm is currently experiencing rapid growth, this course will have an impact on Indonesian economy which encourages it to grow. This is demonstrated by industrial companies, services and trade began to experience rapid growth and undergone many changes. On the other side, the growth will ultimately have an impact on capital market development.

The stock market is an activity concerned with public offering and securities, public companies related to issued stock as well as institutions and professions related to stock exchange.

Capital Markets has a strategic role as a source of financing for businesses, including business development for small and medium enterprises. On the other side, Capital Market also takes a role as an investment vehicle for community, including small and medium investors.

Investors making investment decisions require financial report issued by each company. The analysis is done through a technical and fundamental analysis, but in practice often the technical analysis is the most dominantly utilized in making an investment decision. For example, most of the investors make the decision based on the analysis of dividend payout ratio. By looking dividend payout ratio investors can predict a company's future development.

The amount of dividend paid by the company to investors highly dependent on the policy of each company. Therefore, it is required to pay attention dividend policy which is important for companies and their variable share. One of which is the interest of the company's shareholder to determine the value of shared dividend. Based on described background, authors performed a study on Effect of Dividend payout ratio towards stock price, with research objective of conducting

study LQ45 dividend payments to shareholders in 2014.

Based on the phenomena that is the formulation of the problem of this research is how to the effect of the dividend payout ratio influence the stock price on the LQ45 companies listed on the stock exchange Indonesia.

### 4 RESEARCH METHOD

The method used in this research is descriptive analysis. Descriptive method is a method used to describe or analyze the results of the study but not used to make broader conclusions". In this study, the authors can declare the classification of independent variables and dependent variable.

Independent variable is a variable that affects or is the cause of the change or the emergence of the dependent variable. The dependent variable is Dividend Payout Ratio. The formula developed is as follows Figure 1:

The dependent variable is a variable that is affected or come, which is affected by the independent variable. Dependent variable used in this study is the stock price at the closing of January, February and March.

#### Data Analysis Technique

##### Statistical Analysis

To test used analysis, the authors performed a correlational testing to determine whether there are the influence and the extent of their influence on the dividend payout ratio towards stock price.

#### 2). Koefisien Determinasi ( $R^2$ )

To see how far the Traffic model in explaining variations in the dependent variable. The correlation coefficient between zero and one. The  $R^2$  means the ability of the independent variables and the dependent variables explain very limited. A value close to one of the independent variables provides almost all the information needed to predict the dependent variables. In general, the coefficient of determination to cross the data

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(Cross Section) is relatively low due to the large variation between each observation, while for the data period (Time Series) usually has a high coefficient determination.

### 3). Hypothesis Examination

Hypothesis is a temporary solution to the research problem, therefore the formulation of research problems are usually arranged in the form of a question sentence. Testing hypotheses to be done with the author with the following conditions.<sup>13</sup>

#### Operational Hypothesis

H<sub>0</sub>:  $\rho = 0$  dividend payout ratio does not affect Stock Price.

H<sub>a</sub>:  $\rho \neq 0$  dividend payout ratio does not affect Stock Price.

Trust level used in this study was 95% with a 5% significance level ( $\alpha = 0.05$ ). It is often used in social science which exhibits real two variables correlation.

#### Decision Theorem

Utilized decision theorem is as follows:

Accept H<sub>0</sub> if  $-t_{\frac{1}{2}\alpha} \leq t_{test} \leq t_{\frac{1}{2}\alpha}$  and, reject H<sub>0</sub> if  $-t_{\frac{1}{2}\alpha} > t_{test}$  or  $t_{test} > t_{\frac{1}{2}\alpha}$

## 3. RESULT AND DISCUSSION

The formulation of the issues raised previously is how to the effect of the dividend payout ratio influence the stock price on the LQ45 companies listed on the Indonesian stock exchange. Furthermore, researchers perform data collection on companies LQ45 Exchanges Indonesia effect.. According to a report published IDX LQ 45 months in February 2015 note that the data dividends and stock price average closing end of each month for three months from January to March 2015 show as follows.<sup>10</sup>

Researcher perform data processing using statistics software SPSS version 16, the results are shown in (Table 1). Based on the results of data analysis, which includes data of 35 listed companies that issued the dividend in 2014 and the closing stock price in January, February and March 2014, the coefficient of 43.3 per cent or 18.7 per cent determination coefficient exhibit tabel 3 that dividend payout ratio affects stock price in LQ45 for 35 companies. it means, dividend payout ratio would be an interesting aspect for investors. By looking at the interest in dividend payout, investors will be encouraged to purchase stock. Therefore it the companies required reconsideration regarding policy in sharing the dividend to investors. Regardless the investors, dividend remained to be an encouragement to buy shares by taking into account investment return value. There are other factors that influence the stock price as much as 81.3 per cent or epsilon coefficient of 90.17 per cent. This phenomenon is made possible by the influence of fundamental and technical analysis such as market conditions, community economic condition, etc. Research result exhibits proven hypothesis which proposed dividend payout ratio influence stock price. This is shown by test results where  $t_{count}$  was smaller than  $t_{table}$  of 0.05 higher than 0.009 indicated significant influence.

This is in accordance with the results of research that stock price momentum is a function of the dividend payout ratio, growth stock momentum tends to be much stronger than value stock momentum and no-dividend stock momentum beats dividend stock momentum. In fact, when the dividend payout ratio is considered, momentum profit can be improved by up to 7 percent.<sup>7</sup>

The results show that dividend-paying status, increase in dividend size, and persistence in dividend payment are 13 indicators or signals of higher earnings quality.<sup>5</sup>

Dividend policy is sensitive to numerous factors including firm characteristics, market characteristics, and substitute forms of dividends. Universal or one-size-fits-all theories or

explanations for why companies pay dividends are too simplistic.<sup>9</sup>

## 4. CONCLUSION

Based on research result conducted by the author in the LQ45 public limited companies listed on the Stock Exchange on the subject of Dividend Payout Ratio towards stock price, the writer drew the following conclusion i.e: Dividend Payout Ratio and stock price from 35 public limited companies are varied. Dividend Payout Ratio positive effect on stock prices significantly, meaning that the dividend payout consideration as a basis for investment. If the dividend payout increases, the stock price is likely to increase, otherwise if the dividend payout tends to fall then stock prices will fall.

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**Table 1:** Data Analysis Result

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.433 <sup>a</sup>	.187	.163	13741.60586	.187	7.614	1	33	.009

a. Predictors: (Constant), Dividen Pay Out Ratio

$$\text{Dividend Pay out Ratio} = \frac{\text{annual dividend paid per share}^{11}}{\text{earning pershare}}$$

**Fig.1.** Formula of Dividen Pay out Ratio

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