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# Determinants of Sharia Company Share Prices listed on the Jakarta Islamic Index

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## ABSTRACT

This research aims to determine the influence of dividend policy, debt policy, liquidity and company size on share prices. The research uses quantitative analysis sourced from secondary data. The sample selection used was a purposive sampling method and 8 companies were obtained from shares of companies listed on the Jakarta Islamic Index (JII). The analysis technique used is multiple linear regression analysis test. This research found that dividend policy and company size have an effect on share prices, while debt policy and liquidity variables have no effect on stock prices. However, all independent variables simultaneously influence stock prices.

**Keywords:** Dividend Policy; Debt Policy; Firm Size; Stock Prices

**JEL Classification:** B26; C23

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## INTRODUCTION

A company's financial data indicate its performance, which is shown in its financial reports. Businesses need to have good financial reporting because it encourages potential investors to buy company stock by sending a positive signal (Brigham & Houston, 2010). The high demand for these shares will cause the share price to climb as more investors express interest in purchasing them.

Share price is a measure of managerial quality of a corporation. If a company's share price (Ahmad et al., 2018). A company's share price rising steadily will lead potential or current investors to believe that the business has handled

itself well. An enterprise derives substantial advantages from the confidence of its investors or prospective investors, as a greater number of individuals who have faith in the business are inclined to buy shares. The amount of demand for these shares will determine how much the share price increases. If high share prices are maintained, investors and future investors will have more faith in the company, which will increase its worth.

Businesses that are part of the Jakarta Islamic Index (JII) have seen ups and downs; in 2020, there was a notable fall. This is affected by the fact that PT Perusahaan Gas Negara Tbk

(PGAS) and PT Timah Tbk (TINS), two businesses included on the Jakarta Islamic Index (JII), would not be paying dividends in 2020. For the 2020 fiscal year, PT Perusahaan Gas Negara Tbk (PGAS), also referred to as PGN, has chosen not to pay dividends. At PT Perusahaan Gas Negara Tbk's Annual General Meeting of Shareholders (AGMS), this was decided (Kosasih, 2021).

There are two types of factors that affect share prices: market-related economic factors and company-specific events including dividend policy changes, unexpected profits, acquisitions, and divestitures (Fitri & Purnamasari, 2018). Therefore, the dividend policy, debt policy, and firm size—three internal factors that can affect share prices—will be the main emphasis of this study. Given this context, research is needed to determine how dividend and debt policies affect share prices, with firm size acting as an intervening variable, for companies listed on the Jakarta Islamic Index (JII) between 2017 and 2022.

## LITERATURE REVIEW

The share price is the price that is set by market forces on the stock exchange; that is, it is based on factors like bargaining power and the strength of supply and demand. The price of shares tends to increase as more individuals seek to purchase them (Widoatmodjo, 2012). On the other hand, if more people wish to sell their shares, the price of those shares will decrease.

The decisions made about whether to distribute profits to shareholders or keep them for internal reinvestment in the business are referred to as dividend policy (Kamaludin & Indriani, 2021). The Dividend Payout Ratio and Dividend Yield are two popular types of indicators used to assess dividend policy (Hamanda et al., 2021). The ratio of profits to dividends that are accessible to common shareholders is known as the dividend

payout ratio. In contrast, dividend yield is a ratio that compares the cost of common shares to dividends paid out.

A company's debt policy is a crucial decision. When a company's debt policy is a component of its financing strategy, it helps the business secure funding resources that it may utilize to fund its operating expenses (Rusdiyanto et al., 2020). Leverage ratios, namely the Total Debt To Equity Ratio (DER) and the Total Debt To Asset Ratio (DAR), are frequently used to establish debt policy. The ability of own stock to satisfy firm obligations is demonstrated by the overall debt to capital ratio, which compares liabilities and capital in company finance. In the meantime, the ratio of total debt to assets determines the percentage of all assets that are financed by debt. This ratio calculates the difference between the total amount of known assets and current and long-term liabilities.

Company size is a measure that describes the size of a company. Company size is a characteristic of a company in relation to the company structure (Brigham & Houston, 2010). Firm Size is used to determine the resources owned by the company, apart from that it is also used to determine the company's financial condition in a certain period. Company size is assumed to determine the size, dimensions or capacity of a company. A company can be said to be big or small if you know the size of the company which can be seen from the total asset value, net sales and market capitalization. Large companies tend to get more attention from the wider community which will later attract investors to invest their capital, thus large companies have a tendency to maintain the stability and condition of the company (Bukhori & Raharja, 2012).

Company size (firm size) in this study is measured using total assets, this is because total assets are more stable and representative in

explaining company size. Total assets indicate the ability to fund profitable investments and the ability to expand the market so that the company will have good prospects in the future (Tunggal & Ngatno, 2018).

### Previous Study

An expanding debt policy will result in lower stock prices, according to the findings of research by Akhmadi titled *The Mediating Role Of Debt And Dividend Policy On The Effect Profitability Toward Stock Prices*. These findings are consistent with the signaling hypothesis, which states that a company's risk and likelihood of failure increase with its debt ratio. This will lower share prices and undermine investor confidence at the same time (Akhmadi et al., 2021).

Mia Melyanti Oktari & Uun Sunarsih revealed that size of the company is a measure that is assessed by the size of a company which can be calculated using the number of assets, number of sales, as well as tax burden and so on. The higher the number of assets of a company, the more it becomes a consideration for investors To commit their money into that business. So the larger the company size, the higher the share price on the capital market (Oktari & Sunarsih, 2020).

Suci Atiningsih researched the influence of firm size on dividend policy, showing positive results, that every increase in Increased dividend payments are possible for larger companies, provided that other factors stay the same (Atiningsih & Izzaty, 2021). Meanwhile, the influence of firm size on debt policy studied by Jamaludin in his research "Factors That Influence Debt Policy and Firm Value Listed on the IDX" shows that company size has no significant effect on debt policy (Iskak & Connie, 2020).

The results of research conducted by Ainun Jamil reveal that firm size influences dividend policy, large companies have more opportunities

to enter the capital market and with this opportunity the company is able to pay dividends to shareholders. A large firm size shows that the company is able to utilize and manage its assets. Meanwhile, small companies prefer to use their profits as retained earnings so they tend to distribute fewer dividends (Meidikna et al., 2020). In addition, the impact of debt and dividend policies on share prices might be mitigated by the size of the company. According to Suci Atiningsih and Khairina Nur Izzaty's research, every increase in company size can raise dividend payments, assuming other variables stay constant. The study is titled *The Effect Firm Size On Company Value With Profitability As Intervening Variable And Dividend Policy As Moderating Variable* (Atiningsih & Izzaty, 2021). It is also possible to deduce that company size or huge company size will also generate significant dividend payments. Dividend policy will rise in tandem with company size; conversely, it will fall in tandem with company size decrease. Firm size and dividend payments are positively correlated because large businesses with extensive market access may afford to distribute sizable dividends to shareholders.

According to Ria Nurdani & Ika Yustina Rahmawati A company's debt will be impacted by its size since larger businesses will need higher labor, administrative, and general costs, as well as higher maintenance costs for machinery, buildings, cars, and other equipment.

Nurdani & Rahmawati (2020), the results of his research in the journal about *The Effect of Dividend Policy, Profitability, Firm Sizes, Asset Structure, Sales Growth and Free Cash Flow on Debt Policy* showed that company size has a positive and significant influence on debt policy.

In Meriem Della Sadrina & Henny Setyo Lestari's research, they concluded that dividend policy has no effect on share prices, which means

that if dividend policy increases it will not increase share prices. (Sadrina & Lestari, 2020). Meanwhile, in Ika Lisnawati's research, dividend policy affects share prices. So the more a company's dividend policy increases, the higher the share price (Lisnawati et al., 2020).

In Rusdiyanto's research, debt policy has no effect on a company's share price (Rusdiyanto et al., 2020). This is different from research by Tegu Earwati & Hilda Noer Awaliyah which results that debt policy has an effect on stock prices, meaning that every 1% increase in debt policy will reduce stock prices (Erawati & Alawiyah, 2021). The results of this research indicate that debt policy (DER) cannot be used as a consideration in investment decisions, because the high DER ratio has no influence on changes in share prices. This is because companies tend to prefer the use of internal capital rather than external capital.

According to Meriem Della Sadrina & Henny Setyo Lestari, size of the company has no effect on increasing share prices (Sadrina & Lestari, 2020). According to study by Uun Sunarsih & Mia Melyanti Oktari, a company's share price is influenced by its size. Thus, it may be concluded that a company's share price will rise in proportion to its size (Oktari & Sunarsih, 2020). The result is that prospective investors react favorably in relation to the idea that the business is big. One key metric for assessing a company's financial health is its firm size.

Research by Mia Wahyu Nuraini states that dividend policy has no effect on company size. The size of the dividends distributed to shareholders is not influenced by the value of the company's total assets. Increasing company size does not necessarily increase a company's ability to pay dividends. Vice versa, a decrease in company size, in this case total assets, does not always have an impact on a decrease in the company's ability to pay dividends (Nuraini, 2021). Meanwhile,

William and Thio Lie Sha stated that The dividend policy has an impact on the size of the company. A company's size will expand by 1% in response to a 1% increase in its dividend policy (William & Sha, 2021).

According to Lihard Stevanuss Lumapow, debt policy has no effect on company size, meaning that debt policy cannot reduce the size of the company (Stevanus Lumapow, 2018). Company size does not affect debt policy because company size does not guarantee the company maintains consistent value in the future, encouraging companies to use internal funding sources to avoid possible risks. This is different from research by Ria Nurdania & Ika Yustina Rahmawati which states that there is an influence of debt policy on company size (Nurdani & Rahmawati, 2020). The results show that the larger a company is, the more costs the company will need to carry out its operational activities

Research conducted by Ika Lisnawati with the title "The influence of dividend policy, debt policy on share prices and company value as intervening variables (study of manufacturing companies listed on the Indonesian Stock Exchange for the 2013-2015 period)". The results show that dividend policy influences share prices because there are factors that influence share prices, namely external factors and internal factors. Regarding dividend policy, research from Mia Wahyu Nuraini shows that firm size has no influence on dividend policy. The size of the dividends distributed to shareholders is not influenced by the total value of the company's assets (Mia et al., 2022).

### Research Framework

This research examines the influence of Dividend Policy, Debt Policy, Liquidity and Firm Size on Stock Prices:

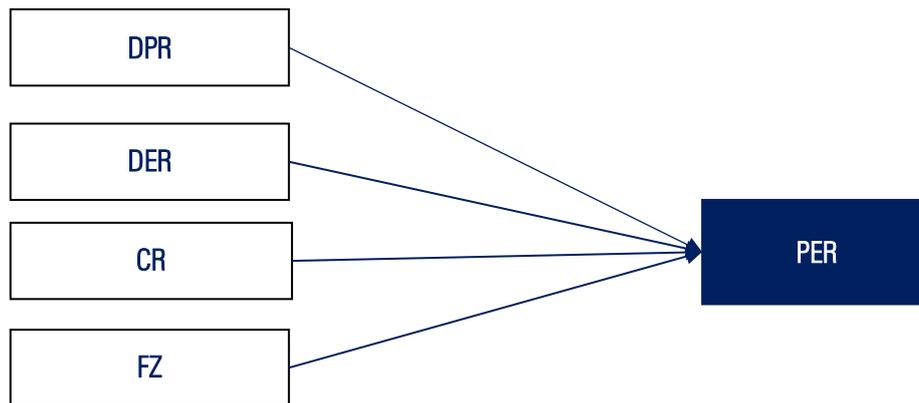


Figure 2  
Research Framework (2024)

## METHODOLOGY

This research uses a quantitative approach. Quantitative research is value and context free, has many cases and subjects studied, so it can be displayed in the form of statistical data (Muhajirin & Panorama, 2018). This research focuses on analyzing the influence of dividend policy and debt policy on share prices with company size as an intervening variable obtained in the financial reports of companies listed on the Jakarta Islamic Index (JII) for the period 2017 to 2022.

The sampling method used in this research is purposive sampling or judgmental sampling. The sampling criteria for this research are companies listed on the Jakarta Islamic Index (JII) which report dividend policy, debt policy, share price and company size during the period. research (2017-2022). The sample list of companies registered on the Jakarta Islamic Index (JII) that meet the research proportional sampling criteria is 8 companies, namely as follows:

Table 1  
Daftar Sampel Perusahaan Yang Terdaftar Di Jakarta Islamic Index (JII)

No.	Stock code	Issuer Name
1.	ACES	Ace Hardware Indonesia Tbk
2.	ANTM	Aneka Tambang Tbk.
3	AKRA	AKR Corporindi Tbk.
4.	PTBA	Bukit Asam Tbk
5.	SMGR	Semen Indonesia (Persero) Tbk
6.	TLKM	Telekomunikasi Indonesia (Persero) Tbk
7.	UNTR	United Tractors Tbk.
8.	UNVR	Unilever Indonesia Tbk

Source: data processed from various sources 2023

Secondary data was the data source employed in this study's analysis. The Jakarta Islamic Index (JII) companies' financial reports, which are available on their websites, provided secondary data for this study. For the years 2017–2022, cross section and time series data were gathered. In order to gather the necessary data for this study, the documentation approach was used to gather research data. Through the use of firm size as a mediating factor, the data analysis technique seeks to investigate the effects of debt and dividend policies on share prices.

#### Step I

#### Equation model

$$Y1 = \alpha + \beta1X1 - \beta2X2 + \beta3X3 + \beta4X4 + e$$

Description:

Y1	= share price
$\alpha$	= constant
$\beta$	= regression coefficient of each variable
X1	= dividend policy
X2	= debt policy
X3	= Liquidity
X4	= Firm Size
e	= error

#### Step II

Using the eviews application to approach estimation models in panel data research.

#### Step III

Analyzing structural models with descriptive data analysis, classical assumption testing and hypothesis testing.

## RESULT AND DISCUSSION

**Table 2**  
**Result Estimation**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.127265	1.824232	1.166116	0.2510
DPR	-0.018848	0.156910	-0.120117	<b>0.0050</b>
DER	0.246007	0.188887	1.302400	<b>0.2008</b>
CR	0.000524	0.002827	0.185239	<b>0.8541</b>
FZ	-7.871479	7.507647	-1.048462	<b>0.0312</b>
Root MSE	0.164319	R-squared		0.080660
Mean dependent var	0.078834	Adjusted R-squared		0.091728
S.D. dependent var	0.173453	S.E. of regression		0.175070
Sum squared resid	1.134028	F-statistic		0.811563
Durbin-Watson stat	2.550182	Prob(F-statistic)		<b>0.058890</b>

#### Uji Koefisien Determinasi (R square)

The variables DPR, DER, CR, FZ are able to explain the PER variable by 0.09 or 9% while the remaining 91% is explained by other variables.

#### The influence of dividend policy on share prices in companies listed on the Jakarta Islamic Index (JII) for the 2017-2022 period

From the results of the t test on the effect of dividend policy on stock prices, a t-statistic value of -0.12 was obtained and the significant value was  $0.005 < 0.05$ , meaning that the dividend policy

variable had an effect on increasing stock prices. This is in contrast to the research results of Meriem Della Sadrina & Henny Setyo Lestari which stated that dividend policy has no effect on share prices, meaning that if dividend policy increases it will increase share prices.

An increase in the value of dividends can cause an increase in the company's share price. Because the company chooses to retain profits generated that year, it can reduce investor demand for buying shares, which results in a decline in share prices. The higher a company's dividend can increase the share price of a company.

#### **The influence of debt policy on share prices in companies listed on the Jakarta Islamic Index (JII) for the 2017-2022 period**

From the results of the t test on the influence of debt policy on stock prices, a t-statistic value of 1.30 was obtained with a significant value of  $0.20 > 0.05$ , meaning that the debt policy variable had no effect on increasing stock prices. This is in line with Rusdiyanto's research, which states that debt policy has no effect on a company's share price.

The lack of influence of the debt to equity ratio on share prices can be caused by the view of investors who believe that the debt to equity ratio cannot indicate whether the company is in good or bad condition. If the company is able to manage its debt well, the company has good prospects. The results of this study support the results of previous research showing that the debt to equity ratio has no effect on stock prices (Mariana, 2017).

#### **The effect of liquidity on share prices in companies listed on the Jakarta Islamic Index (JII) for the 2017-2022 period**

From the results of the t test on the influence of liquidity on stock prices, a t-statistic value of 0.18 was obtained with a significant value of  $0.85 > 0.05$ , meaning that the liquidity variable had no effect on increasing stock prices. The Current Ratio's lack of influence on share prices can be caused by the view of investors who believe that the current ratio cannot directly indicate whether a company is in good or bad condition. Moreover, the current ratio does not reflect the company's long-term performance. Meanwhile, real investors will be more interested in productive aspects that can have an impact on their assets in the long term

#### **The influence of company size on share prices in companies listed on the Jakarta Islamic Index (JII) for the 2017-2022 period**

From the results of the t test on the influence of company size on share prices, a t-statistic value of -1.04 was obtained with a significant value of  $0.03 > 0.05$ , meaning that the company size variable had an effect on increasing share prices. This rejects the research results from Meriem Della Sadrina & Henny Setyo Lestari.

The test's findings also demonstrate that a company's size affects share prices. This implies that an investment's benchmark is the company's size. When making investments or choosing which shares to buy, investors consider the size of the company. Investors frequently evaluate shares according to the performance of the company, including its capacity to meet its debts and avert bankruptcy.

## **CONCLUSION AND RECOMMENDATION**

### **Conclusion**

This research finds that dividend policy and company size have an effect on stock prices, while debt policy and liquidity variables have no effect on stock prices. However, all independent

variables simultaneously influence stock prices. Based on the findings of this research, we recommend that investors pay attention to variables that can be important points in decision making. Share prices will greatly determine the

success of investors and companies. There needs to be cooperation and concrete efforts in advancing companies that not only increase the value of the company but can advance a sustainable economy.

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