Vol. 3 No. 3 Edisi Mei - Juli 2026 E. ISSN. 3032-2472
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DETERMINANTS OF DIVIDEND POLICY AND ITS IMPLICATIONS FOR STOCK RETURNS: AN EMPIRICAL STUDY OF COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE 2019-2024

FAKTOR-FAKTOR PENENTU KEBIJAKAN DIVIDEN DAN IMPLIKASINYA TERHADAP RETUR SAHAM: STUDI EMPIRIS PERUSAHAAN YANG TERDAFTAR DI BURSA EFEK INDONESIA 2019-2024

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DOI: https://doi.org/10.62567/micjo.v3i3.2558

Abstract

This study aims to analyze the determinants of dividend policy and their implications for stock returns among companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2024 period. Specifically, the study examines the effects of Return on Assets (ROA), Current Ratio (CR), Debt-to-Equity Ratio (DER), Sales Growth (SG), and Firm Size (SIZE) on Dividend Payout Ratio (DPR), as well as the impact of DPR on stock returns. The research employs a quantitative approach using secondary data obtained from the annual financial reports of dividend-paying companies listed on the IDX. The sample consists of 822 firm-year observations selected through purposive sampling. Data analysis was conducted using path analysis with multiple regression models, supported by classical assumption tests including normality, heteroscedasticity, multicollinearity, and autocorrelation tests. The results indicate that during the overall period of 2019–2024, ROA, DER, and SG significantly and negatively affect DPR, while CR and SIZE do not have significant effects. Furthermore, CR negatively affects stock returns, whereas SG and DPR have positive and significant effects on stock returns. The findings also reveal that the relationships among financial performance, dividend policy, and stock returns vary across pre-crisis, crisis, and post-crisis periods. Overall, dividend policy plays an important mediating role in influencing stock returns, particularly during and after periods of financial uncertainty. These findings provide valuable insights for investors, corporate managers, and policymakers in formulating dividend and investment decisions under different economic conditions.

Keywords : Dividend Policy, Dividend Payout Ratio, Stock Return, Return on Assets, Current Ratio, Debt-to-Equity Ratio, Sales Growth, Firm Size.

Abstrak

Penelitian ini bertujuan untuk menganalisis faktor penentu kebijakan dividen dan implikasinya terhadap pengembalian saham di antara perusahaan-perusahaan yang terdaftar di Bursa Efek Indonesia (IDX) selama periode 2019–2024. Secara spesifik, penelitian ini mengkaji pengaruh Return on Assets (ROA), Current Ratio (CR), Debt-to-Equity Ratio (DER), Sales Growth (SG), dan Firm Size (SIZE) terhadap Dividend Payout Ratio (DPR), serta dampak DPR terhadap pengembalian saham. Penelitian ini menggunakan pendekatan kuantitatif dengan menggunakan data sekunder yang diperoleh dari

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laporan keuangan tahunan perusahaan-perusahaan yang membayar dividen yang terdaftar di IDX. Sampel terdiri dari 822 observasi perusahaan-tahun yang dipilih melalui purposive sampling. Analisis data dilakukan menggunakan path analysis dengan model regresi berganda, didukung oleh uji asumsi klasik termasuk uji normalitas, heteroskedastisitas, multikolinearitas, dan autokorelasi. Hasil penelitian menunjukkan bahwa selama periode keseluruhan 2019–2024, ROA, DER, dan SG secara signifikan dan negatif memengaruhi DPR, sedangkan CR dan SIZE tidak memiliki pengaruh yang signifikan. Lebih lanjut, CR secara negatif memengaruhi imbal hasil saham, sedangkan SG dan DPR memiliki pengaruh positif dan signifikan terhadap imbal hasil saham. Temuan ini juga mengungkapkan bahwa hubungan antara kinerja keuangan, kebijakan dividen, dan imbal hasil saham bervariasi di seluruh periode pra-krisis, krisis, dan pasca-krisis. Secara keseluruhan, kebijakan dividen memainkan peran mediasi penting dalam memengaruhi imbal hasil saham, khususnya selama dan setelah periode ketidakpastian keuangan. Temuan ini memberikan wawasan berharga bagi investor, manajer perusahaan, dan pembuat kebijakan dalam merumuskan keputusan dividen dan investasi dalam kondisi ekonomi yang berbeda.

Kata Kunci : Kebijakan Dividen, Rasio Pembayaran Dividen, Pengembalian Saham, Pengembalian Aset, Rasio Lancar, Rasio Utang terhadap Ekuitas, Pertumbuhan Penjualan, Ukuran Perusahaan.

1. INTRODUCTION

Financial statements play a crucial role in assessing a company's financial condition and performance. For publicly listed companies, financial reports serve as a formal communication tool that provides information regarding financial position, profitability, liquidity, and cash flows to investors and other stakeholders. These reports are widely used in making investment decisions because they reflect the company's ability to generate profits, maintain financial stability, and create value for shareholders. Investors generally evaluate a company's financial performance before purchasing stocks, expecting returns in the form of both capital gains and dividends. Consequently, dividend policy has become one of the most important factors influencing investor decisions in capital markets.

The development of the Indonesian capital market has been accompanied by an increasing number of companies distributing dividends to shareholders. This trend reflects improved corporate performance and a growing commitment to providing returns to investors. However, the number of dividend-paying companies has fluctuated considerably during the 2019–2024 period due to changes in economic conditions, market dynamics, and global uncertainty. The COVID-19 pandemic significantly disrupted economic activities in 2020 and 2021, causing many companies to experience financial pressure and adjust their dividend policies. Following the gradual recovery of the economy, the number of firms distributing dividends increased again, indicating stronger financial stability and improved investor confidence. These fluctuations suggest that dividend policy is closely related not only to corporate financial performance but also to broader economic conditions.

Dividend policy is often viewed as a signal of a company's financial strength and future prospects. According to Signaling Theory, companies that consistently distribute dividends send positive signals to investors regarding their profitability, financial stability, and confidence in future earnings. As a result, dividend announcements frequently influence stock prices and investor behavior. Nevertheless, the relationship between dividend policy and stock performance is not always straightforward. In some situations, stock prices decline after the ex-dividend date, creating a phenomenon commonly referred to as a dividend trap. In this condition, investors are attracted by high dividend yields but experience losses because the decline in stock prices exceeds the dividend income received. Such situations demonstrate that dividend policies may generate different market responses depending on investor expectations and prevailing economic circumstances.

Stock returns represent the actual gains received by investors from stock investments and are commonly used as a key indicator of investment performance. In capital markets, stock returns are

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often evaluated relative to market benchmarks such as the Indonesia Composite Index (IHSG). The performance of stock returns is influenced by numerous factors, including corporate fundamentals, investor sentiment, economic conditions, and global events. During the COVID-19 pandemic, stock returns experienced substantial volatility across different sectors due to disruptions in business operations, declining consumer demand, and uncertainty regarding future economic prospects. Some sectors, such as infrastructure and consumer non-cyclicals, demonstrated relatively stable performance because of their essential nature and stable demand. In contrast, sectors such as consumer cyclicals and industrials experienced greater volatility and larger declines in stock returns due to reduced economic activity and mobility restrictions. These differences indicate that stock return behavior varies significantly across sectors and economic phases.

The varying performance of stock returns across industries and economic conditions suggests that investors carefully consider corporate financial fundamentals when making investment decisions. One of the most important indicators is profitability, commonly measured by Return on Assets (ROA). ROA reflects a company's ability to generate earnings from its total assets and indicates managerial efficiency in utilizing resources. Companies with higher profitability are generally perceived more favorably by investors because they demonstrate stronger operational performance and greater potential to generate future returns. However, during periods of economic crisis, the relationship between profitability and stock returns may become weaker as investors focus more on risk management and liquidity preservation than on earnings performance alone.

Another important determinant of stock returns is liquidity, which is commonly measured by the Current Ratio (CR). Liquidity reflects a company's ability to meet short-term financial obligations and maintain operational stability. During periods of economic uncertainty, such as the COVID-19 pandemic, liquidity became increasingly important because firms faced declining revenues, cash flow constraints, and heightened financial risks. Investors often view companies with strong liquidity positions as more resilient and capable of surviving economic downturns. Nevertheless, empirical studies have produced mixed findings regarding the influence of liquidity on stock returns, suggesting that its effect may vary depending on economic conditions and industry characteristics.

In addition to profitability and liquidity, financial leverage also plays a significant role in shaping investor perceptions. Debt-to-Equity Ratio (DER) is commonly used to measure the extent to which a company relies on debt financing relative to shareholders' equity. Higher leverage may increase financial risk because firms must fulfill debt obligations regardless of economic conditions. During the pandemic, companies with substantial debt burdens often faced greater challenges due to declining revenues and increased uncertainty. Consequently, investors may perceive highly leveraged firms as riskier investments, leading to lower stock returns. However, empirical evidence regarding the relationship between leverage and stock returns remains inconclusive, indicating the need for further investigation.

Sales Growth (SG) and Firm Size (SIZE) are also important indicators of corporate performance and future growth potential. Sales growth reflects a company's ability to expand its market presence and increase revenue over time, while firm size represents operational scale, resource availability, and financial strength. Larger firms generally possess greater financial flexibility, stronger market positions, and better access to external financing. As a result, they are often more capable of maintaining stable dividend payments and withstanding economic shocks. These characteristics may enhance investor confidence and positively influence stock returns.

Dividend policy, commonly measured by the Dividend Payout Ratio (DPR), serves as an important link between corporate financial performance and stock returns. DPR indicates the proportion of earnings distributed to shareholders and reflects management's decisions regarding the allocation of profits between dividend payments and retained earnings. Companies with stable and attractive dividend policies are often viewed more positively by investors because dividends provide direct financial benefits and signal confidence in future performance. However, managers must balance shareholder expectations with the need to retain earnings for future investments and business

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growth. Therefore, dividend policy is influenced by profitability, liquidity, leverage, sales growth, and firm size, making it a critical intermediary variable in understanding stock return dynamics.

The period from 2019 to 2024 provides a unique context for examining these relationships because it encompasses three distinct economic phases: the pre-pandemic period (2019), the COVID-19 pandemic period (2020–2021), and the post-pandemic recovery period (2022–2024). Each phase presents different levels of economic stability, uncertainty, and investor behavior, potentially affecting corporate financial decisions and market reactions. Examining dividend-paying companies across these periods allows for a comprehensive analysis of how financial fundamentals influence dividend policy and how dividend policy subsequently affects stock returns under varying economic conditions.

Based on these considerations, this study investigates the determinants of dividend policy and their implications for stock returns among companies listed on the Indonesia Stock Exchange during the 2019–2024 period. Specifically, the study analyzes the effects of Return on Assets (ROA), Current Ratio (CR), Debt-to-Equity Ratio (DER), Sales Growth (SG), and Firm Size (SIZE) on Dividend Payout Ratio (DPR), as well as the impact of DPR on stock returns. The findings are expected to contribute to the literature on dividend policy and investment behavior while providing practical insights for investors, corporate managers, and policymakers in understanding the role of dividend decisions across different economic environments.

2. RESEARCH METHOD

This study employs a quantitative research approach using secondary data collected from the annual financial statements and stock market data of companies listed on the Indonesia Stock Exchange (IDX) during the period 2019–2024. The population consists of all companies listed on the IDX, while the sample was selected using a purposive sampling technique based on predetermined criteria, namely companies that consistently published complete financial statements and distributed dividends during the observation period. The final sample comprised 822 firm-year observations.

The study uses stock return as the dependent variable, Dividend Payout Ratio (DPR) as the intervening variable, and Return on Assets (ROA), Current Ratio (CR), Debt-to-Equity Ratio (DER), Sales Growth (SG), and Firm Size (SIZE) as independent variables. Data were analyzed using path analysis through multiple regression models to examine both the direct effects of financial performance variables on dividend policy and the indirect effects of dividend policy on stock returns. Prior to hypothesis testing, classical assumption tests consisting of normality, heteroscedasticity, multicollinearity, and autocorrelation tests were conducted to ensure the validity and reliability of the regression model. Hypothesis testing was performed using t-tests to evaluate partial effects, F-tests to assess simultaneous effects, and the coefficient of determination (Adjusted R^2) to measure the explanatory power of the model. Statistical analysis was conducted using EViews software with a significance level of 5 percent ($\alpha = 0.05$).

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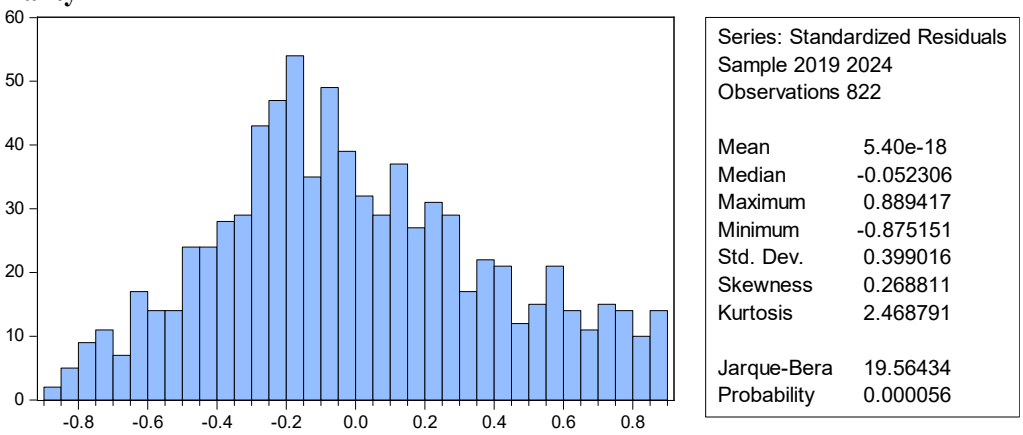
3. RESULT AND DISCCUSSION

1) Normality



Gambar 1 Normality Test

2) Heteroscedasticity Test

Tabel 1 Heteroscedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.985353	Prob. F(6,815)	0.4339
Obs*R-squared	5.919954	Prob. Chi-Square(6)	0.4322
Scaled explained SS	162.2686	Prob. Chi-Square(6)	0.0000

3) Multicollinearity Test

Tabel 2 Multicollinearity Test

	ROA	CR	DER	SIZE	SG	DPR
ROA	1	-0.02922	-0.28785	-0.10458	0.29153	-0.01478
CR	-0.02922	1	-0.14436	0.00259	-0.40251	-0.00530
DER	-0.28785	-0.14436	1	0.49196	0.02026	-0.03000
SIZE	-0.10458	0.00259	0.49196	1	-0.01619	-0.05557
SG	0.29153	-0.40251	0.02026	-0.01619	1	-0.03016
DPR	-0.01478	-0.00530	-0.03000	-0.05557	-0.03016	1

In this multicollinearity test, it will occur if the correlation of each independent variable is > 0.90, while if the correlation value of each independent variable is < 0.90, it means that the regression model does not have a multicollinearity problem.

4) Autocorrelation Test

Tabel 3 Autocorrelation Test

R-squared	0.383133	Mean dependent var	0.020369
Adjusted R-squared	0.254127	S.D. dependent var	0.508885
S.E. of regression	0.438760	Akaike info criterion	0.030382
Sum squared resid	130.7144	Schwarz criterion	0.850064
Log likelihood	130.5131	Hannan-Quinn criter.	0.344863
F-statistic	2.969889	Durbin-Watson stat	2.210568
Prob(F-statistic)	0.000000		

The autocorrelation test in this study was seen in Durbin-Watson at 2.210568, which means that the Durbin-Watson value is between -3 and +3, so there is no correlation between the residuals.

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5) Uji t

Table 4 Results of Regression Test of the Effect of ROA, CR, DER, SG, SIZE on Dividend Policy and its Implications for Stock Returns

Substruktur 1					Substruktur 2				
Dependend Variabel		Coefficient B	t	Sig.	Dependend Variabel		Coefficient B	t	Sig.
Periode 2019-2024					Periode 2019-2024				
1	2	3	4		1	2	3	4	5
DPR	(Constant)	0.71	0.73	0.461	RETURN	(Constant)	-2.076	-0.58	0.557
	ROA	-0.81	-2.86	0.004		ROA	-0.209	-1.81	0.070
	CR	-0.002	-0.63	.524		CR	-0.008	-3.22	0.001
	DER	-0.06	-3.26	.001		DER	-0.018	-0.81	0.414
	SG	-0.26	-7.45	0.000		SG	0.097	2.27	0.023
	SIZE	0.004	0.15	0.876		SIZE	0.073	0.61	0.536
						DPR	0.002	2.04	0.040
	Adjst. R^2	0. 75				Adjst. R^2	0.25		
	F	19.23				F	2.96		
	Sign.	0.000				Sign.	0.000		
	n	822				n	822		
	α	0.05				α	0.05		
Periode Sebelum Krisis Finansial 2019					Periode Sebelum Krisis Finansial 2019				
1	2	3	4	5	1	2	3	4	5
DPR	(Constant)	-0.689	-0.930	0.354	RETURN	(Constant)	0.354	0.990	0.326
	ROA	0.686	1.020	0.310		ROA	-0.443	-1.250	0.215

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	CR	-0.001	-0.040	0.972		CR	0.007	0.770	0.443
	DER	-0.083	-1.810	0.072		DER	-0.005	-0.350	0.729
	SG	0.043	1.540	0.126		SG	0.044	0.730	0.467
	SIZE	0.225	1.590	0.113		SIZE	-0.016	-1.250	0.212
						DPR	0.035	0.810	0.419
	Adjst. R^2	0.02				Adjst. R^2	0.03		
	F	1.17				F	0.91		
	Sign.	0.003				Sign.	0.04		
	n	137				n	137		
	α	0.05				α	0.05		
Periode Saat Krisis Finansial (2020-2022)					Periode Saat Krisis Finansial (2020-2022)				
1	2	3	4	5	1	2	3	4	5
DPR	(Constant)	43.48	9.72	0.000	RETURN	(Constant)	13.43	7.85	0.000
	ROA	-0.33	-1.11	0.268		ROA	-0.15	-1.21	0.228
	CR	0.03	1.61	0.108		CR	-0.03	-3.74	0.000
	DER	-0.32	-6.35	0.000		DER	-0.01	-0.59	0.553
	SG	-1.43	-9.46	0.000		SG	0.07	3.67	0.000
	SIZE	0.47	5.68	0.000		SIZE	-0.45	-7.70	0.000
						DPR	0.00	2.13	0.034
	Adjst. R^2	0.78				Adjst. R^2	0.60		
	F	11.87				F	5.40		
	Sign.	0.000				Sign.	0.000		
	n	411				n	411		
	α	0.05				α	0.05		

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Periode Setelah Krisis Finansial (2023-2024)					Periode Setelah Krisis Finansial (2023-2024)				
1	2	3	4	5	1	2	3	4	5
DPR	(Constant)	49.68	20.11	0.000	RETURN	(Constant)	-3.461	-1.90	0.06
	ROA	2.22	5.07	0.000		ROA	0.122	0.55	0.58
	CR	0.00	-0.02	0.986		CR	-0.024	-11.19	0.00
	DER	0.09	1.75	0.083		DER	-0.025	-1.22	0.22
	SG	-1.66	-19.83	0.000		SG	-0.263	-21.79	0.00
	SIZE	-0.51	-13.56	0.000		SIZE	0.119	1.94	0.05
						DPR	0.075	4.73	0.00
	Adjst. R^2	0.99				Adjst. R^2	0.99		
	F	147.45				F	671.56		
	Sign.	0.000				Sign.	0.000		
	n	274				n	274		
	α	0.05				α	0.05		

The t-test results indicate that the determinants of dividend policy and stock returns vary across different economic periods. During the overall period of 2019–2024, Return on Assets (ROA), Debt to Equity Ratio (DER), and Sales Growth (SG) had a significant negative effect on Dividend Payout Ratio (DPR), while Current Ratio (CR) and Firm Size (SIZE) had no significant effect. Regarding stock returns, CR had a significant negative effect, SG had a significant positive effect, and DPR had a significant positive effect, whereas ROA, DER, and SIZE were not significant.

Before the financial crisis in 2019, none of the independent variables significantly affected DPR or stock returns. This suggests that company financial performance indicators did not play a major role in determining dividend policy or stock returns during the pre-crisis period.

During the financial crisis period (2020–2022), DER and SG had a significant negative effect on DPR, while SIZE had a significant positive effect. For stock returns, CR and SIZE had significant negative effects, SG had a significant positive effect, and DPR positively affected stock returns. ROA and DER did not significantly influence stock returns during this period.

In the post-financial crisis period (2023–2024), ROA had a significant positive effect on DPR, while SG and SIZE had significant negative effects. CR and DER were not significant. For stock returns, CR and SG had significant negative effects, SIZE had a significant positive effect, and DPR continued to have a significant positive effect. ROA and DER remained insignificant. Overall, the findings indicate that dividend policy serves as an important mechanism in influencing stock returns, particularly during and after periods of financial crisis.

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6) F-Test

The F-test results indicate that, across all observation periods, the regression models are statistically significant and suitable for analysis. During the 2019–2024 period, Substructure 1 (F = 19.23; p = 0.000) and Substructure 2 (F = 2.96; p = 0.000) showed that the independent variables jointly affected the Dividend Payout Ratio (DPR) and Stock Returns, respectively.

In the pre-financial crisis period (2019), both Substructure 1 (F = 1.17; p = 0.003) and Substructure 2 (F = 0.91; p = 0.040) were significant, indicating that the independent variables simultaneously influenced DPR and Stock Returns. During the financial crisis period (2020–2022), the models remained significant, with F-values of 11.87 (p = 0.000) for Substructure 1 and 5.40 (p = 0.000) for Substructure 2.

In the post-financial crisis period (2023–2024), the strongest results were observed, with F-values of 147.45 (p = 0.000) for Substructure 1 and 671.56 (p = 0.000) for Substructure 2. These findings confirm that the independent variables collectively have a significant effect on both DPR and Stock Returns, indicating that all research models are appropriate for hypothesis testing.

Discussion

The classical assumption tests indicate that the regression model meets the requirements for further analysis. The normality test shows that the residuals are normally distributed. The Breusch–Pagan–Godfrey heteroscedasticity test produced probability values greater than 0.05, indicating the absence of heteroscedasticity problems. In addition, the multicollinearity test reveals that all correlation coefficients among the independent variables are below 0.90, suggesting that no serious multicollinearity exists in the model. The autocorrelation test also shows a Durbin–Watson value of 2.210568, which falls within the acceptable range, confirming that there is no autocorrelation among the residuals.

The regression results for the overall period of 2019–2024 demonstrate that ROA, DER, and SG significantly and negatively affect the Dividend Payout Ratio (DPR), while CR and SIZE have no significant influence. Regarding stock returns, CR negatively affects returns, whereas SG and DPR positively influence stock returns. These findings suggest that dividend policy plays an important role in enhancing stock returns, while profitability, leverage, and growth opportunities influence firms' dividend distribution decisions.

During the pre-financial crisis period (2019), none of the independent variables significantly affected either DPR or stock returns. This indicates that company-specific financial characteristics were not the primary determinants of dividend policy and stock performance during relatively stable economic conditions. However, during the financial crisis period (2020–2022), significant changes emerged. DER and SG negatively affected DPR, while SIZE positively influenced DPR. For stock returns, CR and SIZE had negative effects, SG had a positive effect, and DPR positively influenced stock returns, reflecting the increased importance of financial management decisions during periods of economic uncertainty.

In the post-financial crisis period (2023–2024), profitability became more important, as ROA positively affected DPR. Meanwhile, SG and SIZE negatively influenced DPR, indicating a shift in corporate dividend strategies after the crisis. For stock returns, CR and SG had significant negative effects, whereas SIZE and DPR positively affected returns. The F-test results further confirm that all regression models are statistically significant and suitable for hypothesis testing. Overall, the findings highlight that the relationships among financial performance, dividend policy, and stock returns vary across economic conditions, with dividend policy consistently serving as an important factor influencing stock returns, particularly during and after financial crises.

4. CONCLUSION

This study examined the determinants of dividend policy and their implications for stock returns among companies listed on the Indonesia Stock Exchange during the 2019–2024 period. The results of the classical assumption tests confirmed that the regression model satisfied the requirements of

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normality, homoscedasticity, non-multicollinearity, and non-autocorrelation, indicating that the model was appropriate for further analysis.

The findings reveal that the determinants of dividend policy and stock returns vary across different economic conditions. For the overall period of 2019–2024, Return on Assets (ROA), Debt-to-Equity Ratio (DER), and Sales Growth (SG) significantly and negatively affected the Dividend Payout Ratio (DPR), while Current Ratio (CR) and Firm Size (SIZE) showed no significant effect. In terms of stock returns, CR negatively affected returns, whereas SG and DPR had positive and significant effects.

During the pre-financial crisis period (2019), none of the independent variables significantly influenced dividend policy or stock returns. However, during the financial crisis period (2020–2022), DER and SG negatively affected DPR, while SIZE positively influenced DPR. Moreover, CR and SIZE negatively affected stock returns, SG positively affected stock returns, and DPR remained a significant positive determinant of stock returns. In the post-financial crisis period (2023–2024), ROA positively influenced DPR, while SG and SIZE negatively affected DPR. For stock returns, CR and SG had negative effects, whereas SIZE and DPR had positive effects.

Overall, the study concludes that dividend policy serves as an important mechanism linking corporate financial performance and stock returns. The positive and significant influence of DPR on stock returns during and after the financial crisis highlights the importance of dividend decisions in shaping investor confidence and market performance. These findings provide valuable insights for investors, corporate managers, and policymakers in understanding the role of dividend policy under different economic environments.

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