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## THE EFFECT OF DIVIDEND POLICY, CAPITAL STRUCTURE, AND EXCHANGE RATE ON STOCK RETURNS IN INDUSTRIAL SECTOR BUSINESS ENTITIES

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### ABSTRACT

#### KEYWORDS

dividend policy, capital structure, exchange rate, stock return

The purpose of this study is to examine how Dividend Income, Capital Structure, and Exchange Rate affect Stock Market Performance. The sample consisted of 12 companies trading on the Indonesia Stock Exchange (IDX) selected using the Purposive Sampling method, resulting in 63 observations for each variable. Data from audited financial statements, tax reports, and stock market prices are published by Bursa Indonesia (IDX). Data analysis was performed using regression analysis techniques. The results of this study show that the Exchange Rate, Dividend Payout Ratio (DPR), and Debt to Equity ratio (DER) all have a significant impact on stock prices. Individually, the Exchange Rate and DER have significant effects, with the Exchange Rate having a negative effect and DER having a positive effect, but the DPR having no significant effect. The coefficient of determination shows that 10.8% of the stock price variation can be explained by the three variables studied, while 89.2% can be explained by other factors not included in the study.

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### INTRODUCTION

The capital market is a trading arena that offers a variety of financial instruments with different time periods. Such instruments include financial derivatives, stocks, bonds, investment trusts, and the like. Capital market from the means of connecting parties who have a money advantage (investors) and those who need help (issuers). The role of the stock exchange is very vital that the country's economy has 2 (two) crucial aspects, namely economically connecting interests among investors, while fundraising provides opportunities for fund owners to obtain profits or returns in accordance with the provisions and functions chosen. Functions have a very important foundation for this research (Amri et al., 2020).

It can be seen from the data of KSEI (Indonesian Central Securities Depository) is an institution that provides supervision and regulation for investors, there is a striking increase in investor accumulation interest reaching one million, SID (Single Investor Identification) reaching 1,160,542, an increase of 55,932 points, representing an increase of 4.82% from the initial level in 2020. Therefore, PT. Indonesia Stock Exchange strives continuously to provide convenience and present reliable and accountable information to the public when conducting transactions in the capital market.

Investors must have solid analytical skills and investment knowledge to achieve maximum returns, not rely solely on intuition. Then an in-depth analysis is needed to assess the stock you want to invest (Dalilah & Hendrawan, 2021). From this analysis, the investor can conclude whether the stock is worth buying (Kusumanisita & Minanti, 2021). Through the budget, the intrinsic value of the equity will be generated, then compared to the market price at closing to decide whether to buy and sell the stock (Lutfiana et al., 2019; Tandelilin, 2017). Investors generally engage in investment measures such as selling, buying, to strengthen securities. Their investment success is greatly influenced by the availability of information and their understanding of the investment domain (Purnamaningrum, 2019). Doing to make investment decisions, is expected to reduce losses that may arise from the implementation of

such investments. Also, it will reduce the risk of price misjudgment or the risk of price mismatch (Afriani & Asma, 2019). Using this method, investors have the right to assess how much money they will invest in low, fair, or high stocks, thereby reducing risk when making successful investments related to that capital. Intrinsic stock value is the value supposed to be reflected in the stock price, reflecting the performance of a company (Tiwari, 2016).

Return is considered as an exception factor can loom the enthusiasm of investors, considered rebuttal as well as courage in the figure of investors facing risks that may arise from the various investments they have made (Tandelilin, 2010). Return refers to investment is increasing as stock prices increase, so conversely, it will decrease if the price of gold has risen can have an upward or downward influence. When it goes up, it signifies profit, while when it goes down, it indicates loss. It reflects the risks associated with returns on equities while investing in the stock market.

In stock return, there are 2 (two) key aspects, namely in terms of macroeconomics or microeconomics. Macroeconomic factors influence several economic variables and overarching economic issues, namely economic activity, rising prices, public sentiment, and the like (Adiyadnya, 2016). Microeconomic factors, often known as basic factors, refer to the internal affairs of a particular institution or business that has been discontinued. These factors include net asset income, the ratio of liabilities to equity (Samsul, 2006).

The business will achieve the desired return, investors should do a careful analysis of the shares that want or have been invested. One technique that can be done in analysis is ratio analysis, aiming to evaluate the financial performance of a company over a certain period by comparing it with other elements in the balance sheet. This financial ratio is generally divided into 4 (four) categories, namely asset management ratio, current ratio, return on equity, and leverage ratio (Brigham & Houston, 2013). In 4 (four) ratios of technical analysis and various factors that affect stock returns, this study utilizes 3 (three) variables such as yield dividends, dividend payout ratio (DPR), and debt to equity ratio (DER). The determinants of these three factors are based on their common use in projecting stock prices or stock returns, and it is assumed that these variables have the potential to affect stock returns.

Part of the study explains the impact or effect of the exchange of value to stocks back (Kirui et al., 2014; Ouma & Peter, 2014; Prihantini, 2009a; Suriyani & Sudiartha, 2018). The findings show that the exchange value has a devastating impact and a significant impact on stock returns. These findings seem to contradict the results of the study of Emenike & Odili Okwuchukwu (2014) and (Hayat & Ahmed, 2014). The exchange value has a meaningful good influence on the stock return (Sudarsono & Sudiyatno, 2016).

Dividends are a portion of the company's profit providing financial services to clients in accordance with the company's mission. Fitri (2017) said the DPR had no impact on stock returns. However, this is different from the findings of Carlo (2014), (Fitriana, 2016), and Karim (2015) who state that the DPR has a significant good influence on stock returns. However, the point of view from Sari (2017) suggests that it has a detrimental impact on the stock return.

Assumes that the company's capital structure serves as a gauge between the capital obtained from lenders and shareholders. The funding ratio, measured by the debt-to-equity ratio, reduces the company's ability to balance aspects that must be financed from equity and aimed at paying down debt. As a result of this, it can be concluded that the gradually deteriorating the DER, the better the performance of corporate pay obligations, as the DER increases both as of the business paying obligations using a particular mode. This confirms the market demand for the company's shares. The statement is made by Sudarsono & Sudiyatno (2016), Dzuhri (2013), and Dwialesi & Damayanti (2016) that DER has an insignificant good impact on stock returns. However, Acheampong & Albert (2014), Prihantini (2009),

Puspitasari (2012), and Fitri (2017) suggest that DER has a significant adverse impact on the stock return.

The purpose of this study is to examine how dividend income, capital structure, and exchange rate affect stock market performance. The research is expected to give more insight into the topic discussed and become a reference for future, similar research.

## RESEARCH METHOD

The type of research applied is a quantitative method with a causal associative method approach. Research applied to stocks that joined the IDX. The population for this study includes all industrial sector companies listed on the Indonesia Stock Exchange. The sampling method used is the purposive sampling method. The criteria used in this study target companies listed on the IDX that publish complete annual reports, companies that distribute dividends every year, have exchange rates in the financial statements. From these criteria, there is a population of 63 industrial subsector companies with a research period of 3 years. Thus, 12 company samples were obtained. The variables applied are independent variables, namely exchange rate, dividend yield, debt ratio and dependent variables are the financial returns of companies listed on the IDX.

### Exchange rate

$$\text{Central Exchange Rate} = \frac{\text{selling rate} + \text{buying rate}}{2}$$

### Dividend Payout Ratio (DPR)

$$\text{DPR} = \frac{\text{Cash dividend}}{\text{Net Profit}} \times 100\%$$

### Debt to Equity Ratio (DER)

$$\text{Debt to Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Total Capital}} \times 100\%$$

### Stock Return

Stock returns

$$= \frac{(\text{current year closing stock price} - \text{prior year closing stock price}) + \text{Dividend}}{\text{previous year's closing stock price}} \times 100\%$$

The analysis technique used is a multiple linear regression analysis technique using SPSS Version 29 published by Imam Ghozali, with testing the Hypothesis Test, Goodness of Fit Test. Multiple linear regression analysis refers to regression involving one bound variable and two or more independent variables. The data obtained are secondary data taken from [www.idx.co.id](http://www.idx.co.id) site, with observation years from 2020 to 2022.

## RESULTS AND DISCUSSION

Based on data processing with SPSS Version 29, the exchange rate ranges from Rp. 136,473664 up to Rp. 21,440, with a mean value of Rp. 14,241,62280533 and a standard

deviation of Rp. 4,908.98. The payout ratio ranged from 0.153% to 5.50%, with an average of 1.322% and a standard deviation of 1.576%. The debt ratio ranges from 0.212% to 1.98%, with a mean of 0.95% and a standard deviation of 0.75%. While the stock return ranges from 0.008 to 3,600.670, with a mean of 300.397 and a standard deviation of 1,039.316. Details of the calculation results can be seen in the table below:

	N	Minimum	Maximum	Mean	Std. Deviation
Exchange rate	12	136.473664	21404.000000	14241.62280533	4908.988847080
DPR	12	.1533767	5.5020578	1.322736085	1.5766683270
THE	12	.2120634	1.9890273	.951986670	.7506565595
Return Saham	12	.008752	3600.670000	300.39754700	1039.316373140
Valid N (listwise)	12				

*Source: Processing Results (SPSS Output 29)*

### Normality Test

The results showed that the significance value was 0.001, which is smaller than 0.05, indicating that the data was not normally distributed. Regression analysis, hypothesis testing can be performed even if the data results are not usually distributed.

Statistical tests show that the Kolmogorov-Smirnov coefficient (statistical test) is 0.332 with a significance level of 0.001. As a result, it can be concluded that independent variables such as stock price, dividend payout ratio, and debt-to-equity ratio, as well as dependent variables such as stock returns, reduce the likelihood of normalization. Thus, the null hypothesis (H<sub>0</sub>) is accepted. This indicates that the residual values that have been standardized are spread normally.

### Multicollinearity Test

VIF (Variance Inflation Factor) from all these studies the independent variable is at the bottom, and the tolerance value is less than one. This shows that there is no significant correlation between the two variables. It can be concluded that the variables Exchange Rate, DPR, DER have a significant influence on multicollinearity.

### Heteroscedasticity Test

Based on the results presented above, it can be concluded that heteroscedasticity does not occur in regression models. Based on the significance (Sig) of the relationship between the exchange variable and absolute residual, which is 0.565 (>0.05), the ratio of the variable dividend payment to absolute surplus is 0.054 (>0.05), and the variable ratio of debt-equity ratio to absolute surplus is 0.008 (>0.05).

### Autocorrelation Test

Based on the results of autocorrelation, DW (d) values were obtained at 1.652, dl at 0.6577, and du at 1.8640. Autocorrelation yields a DW (d) value of 1.652, dl of 0.6577, and du of 1.8640. Finally, the value of 4-dl, and 4-du is 2.136.4-dl is 3.3423, and 4-du is 2.136. From these results we can conclude that this regression is autocorrelated.

### Hypothesis Test

#### Double Regression

The results of the regression analysis obtained coefficients X<sub>1</sub> and X<sub>2</sub> of -0.018 and -198.938, X<sub>3</sub> of 580.790, respectively. In addition, the Constant got about 265,453. Therefore, the regression is an updated regression whose model is as follows:

$$Y = 265,453 - (0,018 c1) - (198,938 c2) + 580,790 c3 + e$$

### Concurrent Test (F Test)

Based on Fcalculate has a value of 0.644 the probability is 0.006. Since the probability value  $< 0.05$  then the alternative hypothesis (Ha) is accepted and the null hypothesis (Ho) is rejected. We conclude that there is a significant effect together between exchange rate X1, dividend payout ratio X2, and debt X3, on stock returns (Y).

### Partial Test (T Test)

The probability value  $> 0.05$  (0.822), then the alternative hypothesis (Ha) is accepted and the null hypothesis (Ho) is rejected. Based on these results, it can be concluded that there is no significant difference between the Exchange Rate and return on investment, this shows a negative relationship.

The result of selecting the dividend payout rate variable (X2), yields a value of 0.808 with a probability value greater than 0.05 (0.443), so that the alternative hypothesis (Ha) is rejected and the null hypothesis (Ho) is accepted. The results showed that there was no significant relationship between Dividend Payout Ratio and Return On Total Assets and there was also a negative relationship. Based on the results of the variable test, a variable test result is determined.

### Coefficient of Determination Test (R2)

The coefficient of determination of 10.8% shows that the variation in return on equity of companies listed on the IDX between 2020 and 2022 can be explained by changes in the dividend payout ratio (X1), debt to equity ratio (X2), and exchange rate (X3), that the variation in return on equity of companies listed on the IDX between 2020 and 2022 can be explained by changes in the dividend payout ratio (X1), debt-to-equity ratio (X2), and exchange rate (X3). Furthermore, about 89.2% of variables are influenced by factors outside the scope of research variables that are most likely related to macroeconomic factors influenced by factors outside the scope of research, which have a high probability of being related to macroeconomic factors. The reasons for the selection of these two variables are because they are often used to predict which picks increase financial returns and are expected to have a significant impact on financial performance. These two variables are often used to predict or increase financial returns and are expected to have a significant impact on financial performance.

## CONCLUSION

The study found that partially the Exchange Rate and Dividend Payout Ratio positively affect stock returns in industrial companies listed on the IDX for the 2020-2022 period. The dividend policy contributed around 10.8% to the variation in stock returns. The capital structure and exchange rates also had a significant effect on stock returns. The results support the null hypothesis (H0) and the dividend policy's impact.

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