

**ANALYSIS OF THE INFLUENCE OF FINANCIAL PERFORMANCE  
AND MACROECONOMICS ON DIVIDEND POLICIES  
AND IMPLICATIONS ON STOCK PRICES  
PUBLIC COMPANY IN JAKARTA ISLAMIC INDEX**

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**ABSTRACT**

One of the economic sub sectors in Indonesia that also has a role in building the national economy is the investment sector in the capital market. In Indonesia, there are several existing securities, with the function of serving investment-related needs. Knowing the stock index is important for investors, because it is a consideration before investing. Such as the existence of the Jakarta Islamic Index (JII) as the party in charge of assessing the average sharia stock index. The potential for shares or large investments for the state will certainly have a macro effect in Indonesia. Therefore, this study will reveal the relationship between financial performance and existing macro policies on stock prices in the object of research. Some of the data obtained such as the number of samples as many as 111 data from a total of 150 data that were collected. The data is taken from 30 companies listed on the Jakarta Islamic Index. The results of the study show that there is an influence between good financial performance on other variables such as dividend policy on stock prices. Macroeconomic conditions do not affect stock prices, the existence of dividend policy is closely related to stock prices. So that financial performance indirectly affects stock prices, and becomes a factor that is considered by an investor in making investments.

Keywords: Financial Performance, Macroeconomic, Dividend Policy, Stock Price

**INTRODUCTION**

As a form of government concern for people who need funds, apart from the banking industry which distributes funds, there are other economic sectors that provide opportunities for the public to obtain additional funds. The economic sector in question is the capital market, and the existence of the Jakarta Islamic Index as a reinforcement for investment development in Indonesia. JII was launched as a stock index based on sharia principles by the Indonesian Stock Exchange. One of the main functions of JII is to assess the level of performance of a company in terms of Islamic stock investment. The existence of sharia principles that are applied is expected to be able to make investors more confident in the stock investment industry.

Besides capital gains, by investing in the stock, investors also want to get dividend. According to Weston and Copeland (2010) dividends can be used to assess the stock pricing. The stock pricing models that commonly use dare Dividend Discounted Model (DDM), Dividends and Required Rate of Return Model, and Price Earnings Ratio Model (Jones, 2002). The dividend decision is a portion of profit sharing for shareholders, so that its management is focused on maintaining or distributing it.

As stated by Weston and Copeland (2010) dividend policy is the determinant of the share that should be paid to the stockholders and the share must be retained in the company. The cash share of the dividend decreases the cash position of the company. The subsequent impact is that the market participants will think negatively towards the company. Campbell and Benarek (1995) say that the dividend cash share for the stockholder declines the stock prices in ex-dividend date. Elys and Stummer (2014) argue that the determination of the amount of dividends is adjusted with taxes first, then net income will be distributed according to the agreed period. Eades (1994) states that the initial result of his study cannot be interpreted as supporting the taxation as an explanatory variable in observing ex-dividend date. While Michaely and Murgia (2013) studied the attitude of dividend in Milan Stock Exchange (MSX), taking sample the investors, which is divided into two groups of stocks trading with different tax rates on income dividend company. This study concludes that there is a significant portion of ex-dividend date trading which is tax motivated. However, this study cannot fully explain the decreasing factor of stock price at ex-dividend date. Jagannathan and Frank (1998) explain discretely that the effect of ex-dividend date strength in Hong Kong is not caused by the different taxation on dividend and capital gains. The simultaneity of dividend policy and capital structure can be analysed through the company's characteristic. The company characteristics influence the simultaneity of dividend policy and capital structure differently. Noronha and Morgan (1996) assert that dividend policy and capital structure are influenced by the company's characteristics in terms of the growth rate and the block holder diversity.

A PDB-related study conducted by Rapach (2001) shows that PDB highly influences stock prices. In addition, a study by Martinez (1999) on stock price shows PDB factor in stock price. The results of both researches demonstrate that PDB significantly contributes in stock pricing at stock exchange. Another factor supporting this research is the phenomenon of the previous studies that take only the financial performance or macroeconomics and its influence on stock pricing. In addition, the results of this study explain the direct or indirect influence of macroeconomics and financial performance on stock profit sharing decisions.

The purpose of this study was to determine the relationship between a company's financial performance, including the distribution of share profits or commonly called dividends, to Indonesia's macroeconomic conditions. In addition, it also wants to describe the relationship between stock management policies and the stock price itself.

## **LITERATURE REVIEW**

### **1. Company Performance**

Performance can be explained through the Decree of the Minister of Finance of the Republic of Indonesia number: 740/KMK.00/1989 28 June 2989, which states that the core of the performance is a reflection of the company's achievements as evidenced by good or bad results over a certain period. Therefore, to assess the company's performance, it is necessary to analyze the cumulative financial and economic effects of the decision, as well as consideration of the cumulative size. To measure the health level of a company, it will involve various existing financial ratios.

Assessment of the overall financial management or can be referred to as financial performance is seen through financial ratios. Ahmad (2015) argues that it is necessary to measure financial ratios to reach the good category in assessing good financial performance. Usually using a comparison of financial data from the previous period, to find out the development of financial performance.

## **2. Dividend Policy**

The treatment of profits from investments in two ways, can be distributed to shareholders or kept is the definition of dividend policy. If a company decides to share the majority of its earnings as dividend, the retained earnings will be decreased and subsequently reduces the internal financing which is the cheapest costing. By continuing to save profits from investment results will increase internal funding sources. This is commonly called retained earnings, which is one of the sources of funds for a company. There are two contradictory conditions, that for growth a high source of funds is required but the obligation to pay dividends must also be fulfilled. According to Ramli (2016: 78) there are two views related to dividend policy, the first states that the quality of a company is not seen from the dividends given. Then the second opinion states that dividends can increase company development.

Cash dividend is the hottest topic amongst the stockholders and the management of a company, even it becomes a controversy among them. The existing controversy is amongst the views that the dividend policy has no influence to company value, which is proposed by Miller and Modigliani (MM) known as irrelevancy dividend. Another view says that the high dividend increases the company value, known as relevancy dividend. The last view says that the low dividend increases the company value.

## **3. Macroeconomics**

### **a. Gross Domestic Product (GDP)**

National income has a close relationship with GDP, showing the ability to produce goods and services for a country in a certain period. Another term, namely GNP, which has almost the same meaning as GDP in general. However, it should be emphasized that GDP does not take into account the factors of production, both domestic and foreign. Meanwhile, GNP still pays attention to various sources of production factors obtained.

### **b. Inflation Rate**

Inflation is an economy activity measurement, which is frequently used to describe national economics condition. Inflation is generally also defined as the tendency of continuous increasing prices (Boediono, 2005). Besides, inflation can also be defined as the decreasing of money purchasing power. The increasing price of one or two goods cannot be regarded as inflation, except the increasing stimulates most of other goods prices. In addition, the seasonal increasing prices, for instance around Holidays, cannot be consider as inflation. Long term inflation influences the structure production cost and creates a raise on production cost. Moreover, the high inflation rate weakens Rupiah depreciation on foreign currency, especially the US dollar.

**c. Interest Rate**

According to Aziz (2018) the interest rate is the result of providing goods or services to other people that is valid for a certain period. In relation to investment, the interest rate will be considered by potential investors because it is related to the capital they have.

**d. The Exchange Rate**

This policy is an agreement on currency exchange rates that apply between countries or regions. Willy and Amartiez (2015) state that the exchange rate is an agreement related to the comparison of currency values between countries, or several countries. Of course, the exchange rate is something that must be considered because it is related to the survival of a country.

**e. The money supply**

Uncontrolled money circulation will also cause a problem for a country. Through Bank Indonesia, all policies for the sustainability of the country's economy are made. This includes controlling the money circulating in the community, so as not to cause chaos in the Indonesian economic cycle. The big responsibility of course lies with Bank Indonesia, addressing various macroeconomic problems and providing solutions that do not harm the community.

**HYPOTHESIS**

1. The financial performance significantly affects the dividend policy
2. Macroeconomics significantly affects the dividend policy
3. Financial performance significantly affects the stock prices.
4. Macroeconomic significantly affects the stock price.
5. Dividend policy significantly affects the stock prices.
6. Financial performance significantly affects the stock prices through the dividend policy
7. Macroeconomics significantly affects the stock prices through the dividend policy.

**RESEARCH METHODS**

This research aims at explaining relationships between the research variables. Therefore, this research is an explanatory research. Cooper and Emory (2006) state explanatory research is a research that aims at explaining causal relationships between variables in the hypothesis testing.

Based on the nature of data gathering, this research uses secondary data. Nazir (2014) asserts that a research design is an investigation to gain facts about phenomena in society to find out factual and systematic explanation. From the typology point of view, this research is a fundamental research. Cooper and Emory (2006) state that a fundamental research tries to create knowledge based on an existing phenomenon to be analysed and solved.

### 1. Population and Sample

Several sets of samples that have been determined to have the same characteristics can also be referred to as a population. While the sample itself is part of the population elements selected for inclusion in the study (Malhotra, 2012).

This study also uses samples and populations that have been determined by researchers. The population used in this study amounted to 30, namely companies listed in the Jakarta Islamic Index (JII). In addition, 111 data were collected from a total of 150 data collected.

### 2. Definition of Operational Research

Use is an important thing in research to discuss the issues to be raised. Like this study, which also uses several variables, including financial performance as the X1 variable, then macroeconomics as the X2 variable, then dividend policy as the Y1 variable, and finally stock prices as the Y2 variable. The four variables are used to prove the existence of a relationship between each other, according to what will be examined in the discussion.

### 3. Types and Data Sources

The source of the data is obtained indirectly or can be called secondary data, which will dig up data from the Indonesian stock exchange remis website in order to find out the condition of the shares of companies in JII. In addition, the existence of financial reports will help researchers as additional data to support this research.

### 4. Data Analysis Technique

The data were analyzed using the Structural Equation Model (SEM) with a hypothesis testing process using the SPSS and AMOS 18 applications.

## RESULTS AND DISCUSSION

### Results

#### 1. Descriptive Statistics

Descriptive variables for each variable can be presented in the following table.

Table1  
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Financial Perromance					
CR	111	1,34	9,77	6,12	1,68
ROI	111	2,04	10,22	6,69	2,13
ROE	111	2,20	12,02	8,13	2,39
NPM	111	2,09	9,87	7,30	2,06
DER	111	9,21	24,16	18,92	3,19
Makroeconomic					
PDB	111	4,64	8,60	6,86	0,80
INF	111	3,69	6,15	4,60	0,77
SB	111	4,58	9,50	7,14	1,14
JUB	111	0,44	5,60	2,76	1,35
CUR	111	5,13	12,85	9,89	1,60
Dividend Policy					

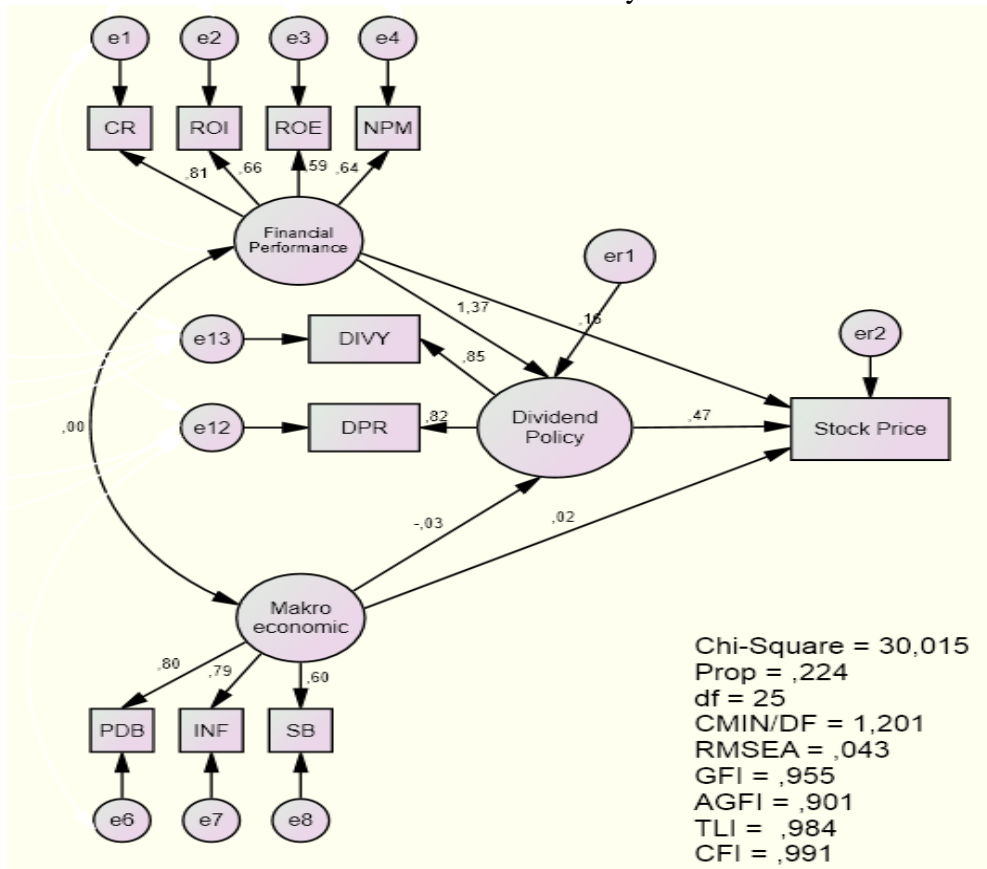
DIVCA	111	0,01	968,10	238,13	306,05
DIVY	111	0,16	7,55	4,34	2,19
DPR	111	0,00	7,70	4,38	2,28
Stock Price	111	92,00	44258,00	8207,38	9096,52

Source: Secondary data processed.

## 2. Goodness of fit

Based on the literature review and the objectives of the research, the following whole structural model is developed:

Figure 1  
The result of SEM analysis



The figure shows that all recommended values suit the model. The elaboration is in the table below:

Table 2  
Goodness of Fit test modification structural model

Goodness of Fit Index	Cut-off Value	The result of the Model	Notes
Chi-Square(df=25)	$\leq 37,65$	30,015	Good
Probability Chi-Square	$\geq 0,05$	0,224	Good
CMIN/DF	2,00	1,201	Good
RMSEA	0,08	0,043	Good
GFI	0,90	0,955	Good
AGFI	0,90	0,901	Good
TLI	0,95	0,984	Good
CFI	0,95	0,991	Good

Source: Secondary data processed.

The criteria based on the measurement of the suitability of the data have been met so that the model can be accepted.

### 3. Hypothesis Testing

Research will be said to have a relationship between variables, if it has a p-value less than 0.05, which is assumed to have an influence on the factors that are the subject of this study Table3

T-test (CR) Effect of Financial and Macroeconomic Performance on Dividend Policy and Stock Prices

Variable			Standardized Regression Weight	Estimate	S.E	C.R	P	Result
Dividend policy	←	Financial performance	1.370	1.852	0.301	6.159	0.000*	H <sub>1</sub> -accepted
Stock price	←	Financial performance	0.164	1090.254	509.204	2.141	0.032**	H <sub>2</sub> -accepted
Dividend policy	←	Macro economy	-0.027	-0.079	0.269	-0.293	0.770	H <sub>3</sub> -rejected
Stock price	←	Macro economy	0.023	324.442	1124.221	0.289	0.773	H <sub>4</sub> - rejected
Stock price	←	Dividend policy	0.469	2300.635	526.970	4.366	0.000*	H <sub>5</sub> -accepted

\* significant at  $\alpha = 5\%$

\*\* significant at  $\alpha = 1\%$

### 4. Indirect influence

The influence of financial performance to stock prices through dividend policy and macroeconomics to stock prices through dividend policy is clearly in the table below.

Table 4  
T-test (CR) the influence of financial performance and macroeconomics to stock prices through dividend policy

Variables	Direct influence	Indirect influence	Total Influence	The result
Financial performance ---> dividend policy -->the stock prices	0.164	$1.370 \times 0.469 = 0.643$	0.807	H <sub>6</sub> -accepted
Macroeconomics --> dividend policy --> stock prices	0.023	$-0.027 \times 0.469 = -0.013$	0.010	H <sub>7</sub> -accepted

Source: Data processed.



## **Discussion**

### **1. The influence of financial performance to dividend policy**

There is a close relationship between a company's financial management and the profit sharing policy of the stock. In accordance with research conducted by Hazzard (2014), that a good company can manage its operational conditions well, including financial conditions. In addition, high profits are also an indication of good company performance, it can be seen from the financial statements that have been made by the company. This financial report can be used as a benchmark for potential investors to assess their stock returns if they want to invest. Of course, when the prediction results will be profitable, it will attract people to invest.

### **2. The influence of financial performance to the stock price**

In connection with an investment, the stock price is the main factor that influences investor interest. On the other hand, a company must be able to manage good financial conditions so that it can be categorized as a healthy company. With good financial conditions, when playing on the stock market they will have no trouble gaining market share. This is in accordance with research by Nasrudin (2019), investors tend to look at a company's profit portfolio before investing. The basis for investors in deciding to invest through existing financial statements.

### **3. The influence of macroeconomics to the dividend policy**

Through the previous test, it can be explained that there is no influence between macroeconomic policy and dividend policy. These results are not in accordance with the research conducted by Afrizal (2016) which states that the overall GDP of a country's total sales in its economic activities. When GDP shows a high percentage, it can be assumed that sales in each company are increasing, the profits earned will be in line with this. Therefore, with high profits, the company's earnings will be greater and the dividend policy or shareholder profit sharing will also be large.

### **4. The influence of macroeconomics to the stock price**

The financial condition of a country should affect every sector of the economy, including the stock investment sector. The fluctuating condition of stock prices can of course also be caused by various economic problems that occur in a country. However, every macroeconomic problem in Indonesia, such as inflation rates, interest rates, and others has no correlation with stock prices. The macroeconomic scope covers all activities of companies in Indonesia, whose existence will be very important for the community. The decision to invest will be seen from the condition of each company, and assess which object has the greater profit. So this research is not in line with the results presented by Masruri (2018) in a study which stated that high interest rates will certainly affect stock prices. The condition of the stock price will be low, because the potential profit earned will also be lower. Then other studies are also not appropriate, such as that of Hanafi (2018) which states that a supply and demand will affect economic conditions. When shares are sold at a low price, there will be many interested people.

## **5. The influence of dividend policy to the stock price**

Based on the previous tests, it can be assumed that there are factors that affect stock prices from the internal side of the company. One of them is the dividend policy, in distributing the profits from stock investment to shareholders. These results are in line with Abdullah's (2015) research that there is a positive relationship on the agreement between shareholders and securities companies. So that stock returns will be influenced by the company's own policies. Dividend policy in the form of profit sharing to investors will increase the interest of other investors. So that the stock price will fluctuate in a market that has a lot of demand. Therefore, in the management cycle of a company, dividend management must be considered properly.

## **6. The influence of financial report to the stock price through dividend policy**

The good financial condition of the company will be considered by investors before making an investment. The company's financial management related to the stock investment industry, such as dividend policy. This policy is also important for the company, because it is related to the company's success in managing investor funds. So if the financial performance is said to be good, it means that all management in it has been successful. Including dividend policies relating to shares, and investment rights.

## **7. The influence of macroeconomics to the stock price through dividend policy**

Actually, when the level of sales in a country is high, it will affect the company's sales results. This will automatically affect the level of profit sharing achieved. In a healthy economy, stock prices will be stable and within reasonable limits. But when in bad economic conditions, of course the stock price will change according to the conditions that occur. In a shaken economic situation, every company will manage the risks that are likely to be faced. so that it is not only dividends, but other financial policies that are more important.

# **CONCLUSIONS AND RECOMMENDATIONS**

## **Conclusions**

In connection with an investment, the stock price is the main factor that influences investor interest. With good financial conditions, when playing on the stock market they will have no trouble gaining market share. When GDP shows a high percentage, it can be assumed that sales in each company are increasing, the profits earned will be in line with this. Therefore, with high profits, the company's earnings will be greater and the dividend policy or shareholder profit sharing will also be large. The financial condition of a country should affect every sector of the economy, including the stock investment sector. The fluctuating condition of stock prices can of course also be caused by various economic problems that occur in a country. The condition of the stock price will be low, because the potential profit earned will also be lower. Dividend policy in the form of profit sharing to investors will increase the interest of other investors. So that the stock price will fluctuate in a market that has a lot of demand. The company's financial management related to the

stock investment industry, such as dividend policy. This policy is also important for the company, because it is related to the company's success in managing investor funds. Actually, when the level of sales in a country is high, it will affect the company's sales results. This will automatically affect the level of profit sharing achieved. In a healthy economy, stock prices will be stable and within reasonable limits.

### **Recommendations**

An investor must be able to manage his funds to be placed in potential securities. The company's poor financial condition will affect the level of our shares in these securities. Then it is necessary to analyze the company's financial performance, and be wise in investing in stocks.