

Profitability, Solvency, Dividend Policy and Their Influence on Industrial Sector Stock Prices (IDXINDUST) IDX-IC

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Abstract

This research is quantitative with the aim of knowing profitability, solvency, dividend policy and its effect on stock prices in the Industrial sector (IDXINDUST) IDX-IC. In the Industrial sector (IDXINDUST) IDX-IC experienced fluctuations in the value of profitability, solvency, dividend policy and stock prices. The sampling technique used slovin with an error margin of 5%. Based on the calculation of the slovin technique, it is known that a sample of 47 out of 54 companies registered in the Industrial Sector (IDXINDUST) IDX-IC. The hypothesis test in this study used the T test. The data in this study included panel data so as to find out the panel data regression and the T test used EvIEWS 10. Profitability in this research was measured by Net Profit Margin (NPM). Solvency in this research is measured by Debt to Asset Ratio (DAR). Dividend policy in this research is measured by the Dividend Payout Ratio (DPR). Based on the results of this study, it can be seen that (1) Profitability has a positive effect on stock prices (2) Solvency has no effect on stock prices (3) Dividend policy has a positive effect on stock prices.

Keywords

profitability; solvency; dividend policy; stock price



I. Introduction

Shares are a form of securities that are proof of ownership. Investors have rights to dividends or other distributions received by shareholders from the company and even have rights to company assets that can be received after the rights of other securities holders are fulfilled during liquidation.(Marsela & Yantri, 2021). In addition, the stock price also shows the company's financial performance (Andira & Yahya, 2018). The company's performance declined as evidenced by the low stock price of a company.

The company's declining performance occurred in the IDX-IC industrial sector as evidenced by the decline in stock prices. The stock price obtained from the stock summary data of the Indonesia Stock Exchange shows the condition of the stock price of the IDX-IC industrial sector experiencing fluctuations from 2016-2020. The average share price of the IDX-IC Industry sector in 2018 has a value of 2274.328. The average share price of the IDX-IC Industry sector in 2019 has a value of 1984,999. The average stock price of the IDX-IC Industry sector in 2020 has a value of 1663,934. The average position of the IDX-IC Industry sector stock price in 2019-2020 is lower than the JCI in 2019-2020. The JCI in 2019 has a value of 6299.539 and in 2020 it has a value of 5979.073. The average share price of the IDX-IC Industry sector in 2019 was 68.49% lower than the JCI in 2019.

The movement of stock price fluctuations is influenced by the level of profitability, solvency and dividend policy. The value of profitability, solvency and dividend policy can be used as a signal for investors. Investors pay attention to profitability before buying shares(Idris, 2021). A total of 29 (85.29%) of the 34 companies experienced a decline in profitability in 2019-2020. The IDX-IC Industrial Sector in 2019 had an average profitability

of 8.16%. The average profitability of the IDX-IC Industry sector in 2017 has a value of 2.99% and in 2018 it has a value of -49.8%. The decline in average profitability in 2017-2018 is a negative signal for investors which resulted in a decline in the average 2019 stock price of the IDX-IC Industry sector. The average share price of the IDX-IC Industry sector in 2018 has a value of 2274.328 and in 2019 it has a value of 1984.999. The decline in the average share price of the IDX-IC Industry sector in 2019 was -12.72% compared to 2018. The increase in average profitability in 2018-2019 is not a positive signal followed by an increase in 2020 stock prices. The average stock price of the IDX-IC Industry sector in 2020 has a value of 1663,934. The average stock price in 2020 was -16.17% lower than in 2019 in the IDX-IC Industry sector. An increase in profitability should be a positive signal for investors so that stock prices will increase.

Solvency is another part besides profitability that affects stock prices. Low solvency makes investor confidence increase so that the stock price increases (Evanjeline & Suwitho, 2021). There are 13 (38.24%) of the 34 companies in the IDX-IC Industry sector experiencing an increase in solvency in 2019-2020. The solvency of the IDX-IC Industry sector in 2016-2017 has increased. The average solvency in 2016 has a value of 51.24% and in 2017 it has a value of 53.3%. An increase in solvency reflects the company's risk so that it can be a negative signal for investors which makes stock prices decline. The increase in the average solvency in 2016-2017 is not a negative signal for investors because it is not followed by a decrease in the average share price in 2018. The average share price in 2018 has a value of 2274,328 and in 2017 it has a value of 2195.476. The average share price in 2018 was 3.59% higher than 2017 in the IDX-IC Industry sector. In addition to profitability and solvency, there is a dividend policy that can affect stock prices. High dividend distribution will attract investors so that stock prices will increase (Sulthon & Triyonowati, 2020). A total of 34 companies in the IDX-IC Industrial sector experienced a decrease in dividend distribution per share in 2018-2020. The average dividend per share in 2018 has a value of 54.29 and in 2019 it has a value of 44.65. The decline in the average dividend per share of the IDX-IC Industry sector in 2018-2019 is a negative signal for investors, resulting in a decline in stock prices in 2020. The average stock price in 2019 has a value of 1984,999 and in 2020 it has a value of 1663,934. The average stock price in 2020 was -16.17% lower than in 2019 in the IDX-IC Industry sector.

The company's financial performance affects the rise and fall of stock prices. The company's financial performance can be seen from the financial statements that contain financial ratios. Financial ratios consist of profitability ratios, solvency ratios, liquidity ratios and market value ratios. Financial ratios can be used as a measuring tool for investors to determine the company's financial performance. Investors make financial ratios a consideration for investing so that it will affect stock price movements. If the financial performance is good then investors will have an interest in buying shares so that the stock price will rise. Investors who know their financial performance is declining will be less interested in buying shares so that the company's stock price decreases.

Another factor that influences stock price movements is dividend policy. Investor confidence and interest will grow along with stable dividend distribution (Wisudani & Priyadi, 2021). Investors' interest in buying shares occurs because of the company's actions to pay dividends to investors so that the share price increases (Ardiansyah et al, 2020).

The effect of financial ratios and dividend policy on stock prices can be seen by looking at previous research. Research conducted by Nurul Handayani, Harmono and Diana Zuhroh in 2021 shows that profitability has an effect on stock prices (Handayani et al, 2021). However, research conducted by Intan Putri Efitasari and Suwitho in 2021 shows that profitability has no effect on stock prices. (Efitasari & Suwitho, 2020). The effect of solvency

on stock prices is proven by research conducted by Eka Sholeha Thea and Hari Sulistyo in 2021(Thea & Sulistyo, 2021). However, research conducted by Ade Onny Siagian, Hadion Wijoyo and Yoyok Cahyono in 2021 shows that solvency has no effect on stock prices.(Siagian et al, 2021). Aditya Tri Ardiansyah, Ayus Ahmad Yusuf and Lia Dwi Martika in 2021 conducted research and showed that dividend policy has an influence on stock prices(Ardiansyah et al, 2020). However, research conducted by Imam Fadli, Agussalim M and Sri Yuli Ayu Putri in 2021 shows that dividend policy has no effect on stock prices.(Fadli et al, 2021).

Based on the dissimilarity of the results of previous studies and the problem of stock price fluctuations in the IDX-IC Industry sector in 2016-2020, a research was conducted. This research has three problem formulations. First, whether profitability has an effect on stock prices. Second, whether solvency has an effect on stock prices. Third, whether dividend policy has an effect on stock prices. This research consists of three objectives. First, to determine and analyze the effect of profitability on stock prices. Second, to determine and analyze the effect of solvency on stock prices. Third, to determine and analyze the effect of dividend policy on stock prices.

II. Review of Literature

2.1 Signaling Theory and Agency Theory

The signaling theory model discovered by Spence in 1973 is an attempt so that when investing in productive assets the company reaches its maximum value in the midst of information asymmetry between managers and investors.(Hidayat et al 2020). The existence of uncertainty makes investors need signals(Princess & Maksum, 2020). When compared between managers and investors, managers have knowledge so that they master information about company income. The difference in information held between managers and investors is called information asymmetry. Information asymmetry occurs because of the different interests of the manager. Differences in interests between managers and investors lead to agency conditions. In agency theory, the investor-manager relationship is described as a contractual form between the agent and the principal. The agent is played by the manager while the principal is played by investors or shareholders(Sari, 2020). Agency theory was first discovered by Jansen and Meckling in 1976 in New York(Ugwu et al, 2020). Agency theory aims to prevent the high cost of information asymmetry.

2.2 Stock Price

The stock price shows the value of money that must be spent to get shares. The share price reflects the prosperity of shareholders(Listiyowati, 2020). The interest of investors in making purchases of shares can affect changes in stock prices(Nurhayati, 2020). Stocks that are in excess demand will have an inflated price. Stocks that experience excess supply will experience a decrease in price(Kurniawati et al, 2021).

2.3 Financial Performance

Investors pay great attention to financial performance before buying shares(Aspriyadi, 2020). Good financial performance is highly favored by investors. The company's financial performance can be seen through financial ratios(Wardiyah, 2017). Financial performance analysis information is used by companies to use resources optimally as a step to overcome environmental changes and to improve company operations so that they can win the competition among competing companies.

2.4 Financial Ratio

Financial ratios reflect financial performance. Financial ratios are tools used to measure company performance (Wardiyah, 2017 p. 136). The company's financial performance can be known using financial ratios because the financial ratios contain the company's capital, liquidity, solvency and profitability.

a. Profitability Ratio (Profitability Ratio)

The company's capacity to achieve profit can be seen from the level or magnitude of the profitability ratio (Listiyowati, 2020). The amount of return received from an investment can be measured by the company using the profitability ratio.

b. Solvency Ratio

Companies that have a large amount of debt can be seen from the solvency ratio. Companies that have high debt will face risks in running their business. Solvency is evidence of whether the company uses a lot of funding that comes from debt. The high solvency ratio reflects that the company has issued few shares for funding sources. There are companies that have high debt due to the form of a risky business sector and business maturity.

2.5 Dividend Policy

The company's action to distribute profits in the form of dividends or save profits for the company's use is called dividend policy (Wisudani & Priyadi, 2021). Investors view that dividend policy is a reflection of the company's future (Pangestuti & Hamidi, 2016).

2.6 Profitability and Stock Price

Companies with good performance can be seen from the level of company profitability. Nurul Handayani, Harmono and Diana Zuhroh in 2021 conducted a study on the effect of profitability with the Net Profit Margin measuring instrument (Handayani et al, 2021). Nurul Handayani, Harmono and Diana Zuhroh in 2021 show that stock prices are influenced by Net Profit Margin. The measure of profitability in this study is the net profit margin.

H1: Profitability has an effect on stock prices

2.7 Solvency and Stock Price

High solvency reduces investors' interest in doing so, resulting in lower stock prices. Cendylia Dika Permatasari and Astri Fitria in 2020 conducted a study on the effect of solvency using a debt to asset ratio measuring instrument on stock prices (Permatasari & Fitria 2020). The results of research conducted by Cendylia Dika Permatasari and Astri Fitria in 2020 showed that solvency using a debt-to-asset measuring instrument had an effect on stock prices. The solvency measuring instrument in this study is the debt to asset ratio (Permatasari, & Fitria 2020).

H2: Solvency has an effect on stock prices

2.8 Dividend Policy and Stock Price

For investors, the distribution of dividends reflects how the company's prospects in the future. Intan Putri Efitasari in 2020 conducted a study on the effect of dividend policy with a dividend payout ratio (DPR) measuring instrument on stock prices (Efitasari & Suwitho, 2020). Intan Putri Efitasari in 2020 has conducted research that shows stock prices are influenced by the dividend payout ratio (DPR). This study uses the dividend payout ratio (DPR) as a measure of dividend policy.

H3: Dividend policy affects stock prices

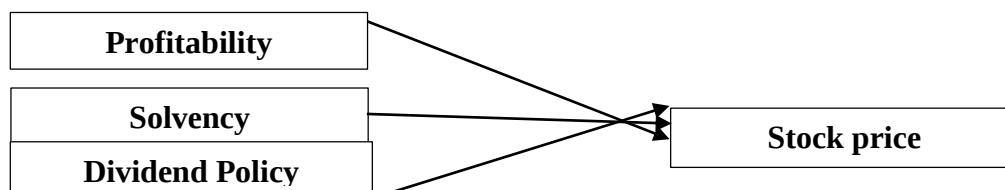
2.9 Previous Research Results

Table 1. Previous Research Matrix
Research Related to Stock Prices

No.	Author Name and Year of Research	Research Title	Samples and Test Equipment	Variable	Results/ Conclusion
1.	Mutia Ayu Herlin, Suhendro and Anita Wijayanti (2021)	“The Effect of Profitability Ratios on Stock Prices (On Building Construction Service Companies Listed on the IDX in 2013-2019)”	• 19 Building Construction Service Companies on the IDX in 2013-2019 • Multiple linear regression	Profitability	Take effect
2.	Nadiah Ayu Salsabilia and Titis Miranti (2021)	"Factors of the Influence of Financial Ratios on Share Prices of Jakarta Islamic Index (JII) Companies"	• 11 Companies Jakarta Islamic Index (JII) • Regression Model	profitability	No effect
				Solvency	Take effect
				Activity Ratio	Take effect
				Market Value Ratio	Take effect
3.	RR Belinda Evanjeline and Suwitho (2021)	“Effect of Profitability, Solvency and Liquidity of Food and Beverages Companies”	• 11 Food and Beverage companies on BEI 2015-2019 • Multiple linear regression	Profitability	Take effect
				Solvency	No effect
				Liquidity	Take effect
4.	Jevellyn Masril and Martha (2020)	“Analysis of the Effect of Solvability Ratio, Profitability and Market Ratio on Shares of Pharmaceutical Sub Sector Companies Listed on Stock Exchange (IDX) Period 2014-2018”	• 12 Pharmaceutical companies IDX • Linear Regression	Profitability	Take effect
				Solvency	Take effect
				Market Ratio	Take effect
5.	Sri Purwaningsih (2020)	“The Effect of Profitability, Sales Growth and Dividend Policy on Stock Prices”	• 35 Manufacturing Sector Companies IDX • Multiple Regression	Profitability	Take effect
				Sales Growth	Take effect
				Dividend Policy	Take effect
6.	Oktavia Aqma Roza and Dyan Lestari (2020)	“Determining Factors in Automotive Sector Stock Prices: The Role of Dividend Policy, Profitability, Company Size and Growth Opportunity”	• 8 Automotive Companies on BEI • Panel Regression	Dividend Policy	No effect
				Profitability	Take effect
				Company Size	
				Sales Growth	Take effect

2.10 Research Model

The independent variables in this research consist of profitability, solvency and dividend policy. The dependent variable in this research is the stock price.



Hypothesis

Based on theoretical studies, the hypotheses in this study include:

H1: Profitability has an effect on stock prices

H2: Solvency has an effect on stock prices

H3: Dividend policy affects stock prices

III. Research Method

3.1 Operational Definition of Research

Operational definition is a step taken during research to distinguish research objects according to the characteristics or variables of an object used for research (Zulganef, 2018 p. 85). Stock price is the dependent variable in this study. Profitability, solvency and dividend policy are independent variables in this study.

3.2 Variable Measurement

a. *Dependent Variable (Y)*

The dependent variable in this study is the average closing stock price for one week after the publication of the financial statements. After the publication of the financial statements, it will affect the reaction of investors so that it has an impact on stock prices (Pernamasari et al, 2020). The calculation of one week's average closing stock price in this study was obtained from summary data on the Indonesia Stock Exchange.

b. *Independent Variable*

1. Profitability (X1)

Research conducted by Nurul Handayani, Harmono and Diana Zuhroh in 2021 conducted research on the effect of profitability with the Net Profit Margin measuring instrument on stock prices (Handayani et al, 2021). Net profit margin can be calculated by:

$$\text{Net Profit Margin} = \frac{\text{Net Profit}}{\text{Sale}}$$

2. Solvency (X2)

Cendylia Dika Permatasari and Astri Fitria in 2020 conducted a study on the effect of solvency using a debt to asset ratio measuring instrument on stock prices (Permatasari & Fitrina, 2020). Debt to asset ratio shows the comparison between total debt and debt to asset ratio can be calculated by:

$$\text{Debt to Asset Ratio} = \frac{\text{Total Liability}}{\text{Total Assets}}$$

3. Dividend Policy (X3)

Intan Putri Efitasari in 2020 conducted a study on the effect of dividend policy with a dividend payout ratio (DPR) measuring instrument on stock prices (Efitasari & Suwitho, 2020). In this study, dividend policy is calculated by means of the dividend payout ratio. Dividend payout ratio can be calculated by:

$$\text{Dividend Payout Ratio (DPR)} = \frac{\text{Dividen Per Share}}{\text{Earning Per Share}}$$

3.3 Population

A total of 54 companies belonging to the IDX-IC industrial sector were used as the population in this study.

3.4 Sample

The number of samples obtained from the results of calculations using slovin. Based on the solvin formula, the sample can be calculated by:

$$n = \frac{54}{1 + 54 \times 0,05^2} = 47$$

The sample in this study was calculated using slovin obtained 47 companies.

3.5 Data Collection Technique

Secondary data is the type of data used in this study. The 2016-2020 financial statements and 2016-2020 stock prices of industrial sector companies are secondary data used in this study. Financial reports are sourced from the Indonesia Stock Exchange and the company's website. The stock price is obtained from the summary of the shares of the Indonesia Stock Exchange.

3.6 Data Analysis Technique

Eviews 10 software with panel data type is a data analysis technique in this study. The data analysis that will be carried out is descriptive data analysis and panel data regression. Hypothesis testing using the T test panel data regression model and the coefficient of determination in this study.

Table 2. Descriptive Statistics

Information	Profitability	Solvency	Dividend Policy	Stock price
mean	0.986847	0.718806	0.930558	0.140323
median	0.949295	0.719803	0.867916	0.003865
Maximum	2.818834	0.952338	4.581507	1,000,000
Minimum	0.567445	0.490653	0.414932	0.000041
Std. Dev.	0.660820	0.144432	0.161384	0.042089

Source: Processed Secondary Data

A total of 32 (68.09%) of the 47 companies have an average profitability value from 2016-2020 below the average. DYAN is the company with the highest profitability value of 2.818834 in 2016-2020. INTA is a company with the lowest profitability value of 0.567445 in 2016-2020. The value of the standard deviation of profitability has a value below the average profitability. Thus, it shows that the profitability data is homogeneous.

As many as 25 (53.19%) of the 47 companies have an average solvency value below the average in 2016-2020. INTA has the highest average solvency value from 2016-2020. 952338. INDX has the lowest average solvency value from 2016-2020. The value of the standard deviation of solvency has a value below the average solvency. Thus it shows that the solvency data is homogeneous.

A total of 28 (59.57%) of 47 IDX-IC industrial sector companies have an average dividend policy value below the average in 2016-2020. MLPL is a company that has the

highest average dividend policy from 2016-2020. HEXA is a company that has the lowest average dividend policy from 2016-2020. The value of the standard deviation of the dividend policy is below the average value of the dividend policy. Thus, dividend policy data is a company that has the highest average share price from 2016-2020. SPTO and UNTR have the lowest average share prices from 2016-2020. The standard deviation of stock prices from 2016-2020 is 0.042089. The value of the standard deviation of the stock price is smaller than the average stock price. Thus the stock price data is homogeneous.

IV. Results and Discussion

4.1 Results

a. Classic Assumption Test

1. Heteroscedasticity Test

Table 3. Heteroscedasticity Test Results

Variable	Coefficient	Std. Error	t-Statistics	Prob.
C	0.206871	0.030753	6.726915	0.0000
Profitability	0.003260	0.007634	0.427050	0.6698
Solvency	-0.159887	0.041877	-0.818041	0.1833
Dividend Policy	0.003803	0.004444	0.855636	0.3933

Source: Processed Secondary Data

Prob value. > 0.05 proves that the regression does not occur heteroscedasticity.

2. Multicollinearity Test

Table 4. Multicollinearity Test Results

	Profitability	Solvency	Dividend Policy
Profitability	1.0000000	0.088008	0.021290
Solvency	0.088008	1.0000000	-0.037880
Dividend Policy	0.021290	-0.037880	1.0000000

Source: Processed Secondary Data

Based on the multicollinearity test that has been carried out, it shows that the correlation value is not more than 0.90 between the variables of profitability, solvency and dividend policy. Thus, there is no multicollinearity between profitability, solvency and dividend policy.

b. Hypothesis testing

1. Chow Test

Table 5. Chow Test Results

Effects Test	Statistics	df	Prob.
Cross-section F	5.275779	(46, 185)	0.0000
Cross-section Chi-square	196.937758	46	0.0000

Source: Processed Secondary Data

The results of the Chow test showed that the Chi-square cross-section prob value was 0.0000. Based on the results of the Chow test, the model includes a fixed effect.

2. Hausman Test

Table 6. Hausman test results

Test Summary	Chi-Sq. Statistics	Chi-Sq. df	Prob.
Random cross-section	8.920129	3	0.0304

Source: Processed Secondary Data

Prob value. From the random cross-section, which is smaller than 0.05, it shows that the model used is a fixed effect.

3. Panel Data Regression

Table 7. Panel Data Regression Model

Variable	Coefficient	Std. Error	t-Statistics	Prob.
C	0.063635	0.108476	0.586627	0.5582
Profitability	0.000199	0.026923	2.957388	0.0041
Solvency	0.097673	0.147677	0.661395	0.5092
Dividend Policy	0.006753	0.015703	3.430026	0.0077
R-squared	0.596520			
Adjusted R-squared	0.489653			
Prob (F-statistic)	0.000000			

Source: Processed Secondary Data

The panel data regression model can be arranged into an equation by:

$$Y = 0,0653635 + 0,000199X_1 + 0,097673X_2 + 0,006753X_3 + \varepsilon$$

Information:

Y = Share Price

X1 = Profitability

X2 = Solvency

X3 = Dividend Policy

The profitability constant value of 0.000193 indicates that an increase in profitability by one unit will make the stock price increase by 0.000193 or 0.0193%. The solvency constant value of 0.097673 indicates that an increase in solvency of one unit will make the stock price increase by 0.097673 or 9.7573%. The value of the dividend policy constant of 0.006753 indicates that an increase in dividend policy of one unit will make the stock price increase by 0.006753 or 0.6753%.

c. T test

1. Profitability Variable

Based on the results of regression analysis using fixed effects, the prob value can be seen. of 0.0041 < 0.05 so it can be said that profitability affects stock prices. From the results of the regression on the Profitability variable, it can be seen that the value of $t_{hitung} = 2,957388$. By using a real level value of 0.05, it is obtained $t_{tabel} = t_{(\frac{0.05}{2}, 235-1)} = t_{(0.025; 234)} = 1.97015$. If t_{hitung} with t_{tabel} then value $t_{hitung} > t_{tabel}$ so that profitability affects stock prices.

2. Solvency Variable

Based on the results of regression analysis using the fixed effect model, it was found that the prob value. of $0.5092 > 0.05$ so that solvency has no effect on stock prices. From the results of the regression analysis obtained $t_{hitung} = 0.661395$. By using a real level value of 0.05, it is obtained $t_{tabel} = t_{\left(\frac{0.05}{2}, 235-1\right)} = t_{(0.025; 234)} = 1.97015$. If t_{hitung} and t_{tabel} then value $t_{hitung} < t_{tabel}$ so solvency has no effect on stock prices.

3. Dividend Policy Variables

Based on the results of regression analysis using the fixed effect model, it was found that the prob value. of $0.0007 < 0.05$ so it can be said that dividend policy has an effect on stock prices. From the results of the regression analysis obtained $t_{hitung} = 3.430026$. By using a real level value of 0.05, it is obtained $t_{tabel} = t_{\left(\frac{0.05}{2}, 235-1\right)} = t_{(0.025; 234)} = 1.97015$. If t_{hitung} with t_{tabel} then value $t_{hitung} > t_{tabel}$ so that dividend policy affects stock prices.

4. Coefficient of Determination

Profitability, Solvency and Dividend Policy variables can explain the variation of stock price variables by 59.66%. and the rest is explained by factors outside the variables in this study.

4.2 Discussion

a. Profitability Affects Stock Prices

The results showed that profitability has a positive influence on stock prices. This shows that when the value of profitability increases, the stock price will increase. The decline in stock prices can be evidenced by a decrease in the value of the company's profitability. The results of this study are in line with research conducted by RR Belinda Evanjeline and Suwitho in 2021(Evanjeline & Suwitho, 2021). Profitability is a measuring tool to determine the company's capacity to achieve profit. Profitability is part of the aspects that investors use before making an investment as consideration. Stock prices that are positively influenced by profitability prove that profitability can be used as a sign for investors. Increased profitability is a positive signal for investors. Investors see the company's ability to achieve profit seen from the profitability of the company. Declining profitability is a negative signal for investors. Decreased profitability can be an indication that the company is experiencing a decline in profit to revenue. If profitability continues to decline, the company may have an unfavorable future. This causes investor confidence to decline. Investors who experience a decrease in confidence in the company result in a decrease in investor interest in buying shares, resulting in a decrease in stock prices.

b. Solvency against Stock Prices

The results showed that solvency had no effect on stock prices. This shows that changes in solvency value will not affect changes in stock prices. Solvency does not affect the rise and fall of stock prices. The results of this study are supported by research conducted by Ade Onny Siagian, Hadion Wijoyo and Yoyo Cahyono in 2021.(Siagian et al, 2021). Solvency does not affect stock prices, indicating that high solvency is not necessarily a negative signal for investors(Evanjeline & Suwitho 2021). Solvency can be seen from the ratio of debt to assets. How much assets are financed by debt. When assets are used properly

it will increase income. Solvency that increases when followed by good use of assets so that income increases is a positive signal received by investors. Increased solvency will be a negative signal when it is not followed by an increase in profit. The existence of a negative signal can discourage investors from investing. The declining stock price is evidence that there is a decrease in interest from investors to buy shares. When the use of increased debt is followed by increased profits, investors will see that the company is able to manage its debt well so that investor confidence will grow.

c. Dividend Policy on Stock Prices

The results of this study indicate that dividend policy has a positive influence on stock prices. This shows that the increase in the average value of the dividend policy will have an impact on the increase in stock prices. The decrease in the average value of the dividend policy will have an impact on the decline in stock prices. The results of this study were supported by Aditya Tri Ardiansyah, Ayus Ahmad Yusuf and Lia Dwi Martika in 2020(Ardiansyah et al, 2020). Dividend distribution is a positive signal for investors. Dividend distribution reflects the company's future(Ardiansyah et al, 2020). The increased dividend distribution will shape investors' view that when investing, the company can provide the profits expected by investors. Stock prices increase due to the actions of investors who buy shares. A negative signal occurs because of a declining dividend distribution. Decreasing dividend distribution can indicate that the company's profit has decreased. Profits that continue to decline will reduce investor confidence. When the dividend distribution continues to decline, it will form a negative signal in the minds of investors so that investors do not invest so that it has a negative impact that makes stock prices fall.

V. Conclusion

Based on the results of the study, it can be concluded that:

1. Increased profitability is a positive signal for investors. Profitability can be taken into consideration by investors before investing. Stock prices can increase because investors see increased profitability. Industrial sector company (IDXINDUST) IDX-IC can increase its share price by increasing its profitability value.
2. High or low solvency does not affect the attitude of investors before investing. High solvency is not always a negative signal for investors. Debt that can be used to manage costs can be a positive signal so that stock prices will increase.
3. The dividend distribution made by the company is captured by investors as a positive signal for the company so that it has a positive effect that makes the stock price increase. To be able to increase stock prices in Industrial sector companies (IDXINDUST) IDX-IC can be done by increasing the distribution of dividends through a dividend policy.

Suggestion

Theoretical Suggestions

The results of this study are expected to be developed by adding several variables other than profitability, solvency and dividend policy that can affect stock prices.

Practical Advice

a. Investors

The results of this study are expected to be used by investors to be considered in making investments based on profitability, solvency and dividend policy.

b. Management

The results of this study can be used by management in increasing stock prices in terms of profitability, solvency and dividend policy. Management can increase profitability and develop dividend policy in order to provide a positive signal for investors so that investors will be interested in investing.

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