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# THE IMPACT OF DIVIDEND POLICY, FINANCIAL DISTRESS RISK AND CORPORATE GOVERNANCE TOWARD STOCK PRICE

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## Abstract

*Stock investment is emerging in this era. The market on stock investment will be predicted to grow every year. Stock price is defined by offer and bid price. With this term use in Indonesia Stock Exchange, it makes people hard to guess on what will be the opening price tomorrow as asking price and bidding price need to reach an agreement. This research will investigate the impact of Dividend Policy, Financial Distress Risk, and Corporate Governance as the independent variables toward Stock Price. This research is conducted by using quantitative research method using secondary data that were taken from the LQ45 companies which are listed in Indonesian Stock Exchange with the population of 61 companies. The samples are obtained using purposive sampling method. The total sample is 42 companies from the year 2017-2019. The data analysis is using multiple linear regression analysis. Based on the results of research and analysis by using SPSS 25 indicate that: Dividend per share (dividend policy) and corporate governance have significant impact toward stock price while dividend payout ratio (dividend policy) and distress risk does not have significant impact toward stock price. It is concluded that the impact of dividend policy, financial distress risk and corporate governance is only 29.2% as the rest is impacted by other variables.*

*Keywords: Dividend Policy, Financial Distress Risk, Corporate Governance, Stock Price.*

## I. INTRODUCTION

Stock is part of an investment that allows people to start their investment in a small amount. Stock investment is basically when investors will buy company ownership. In Indonesia, people can easily register themselves to purchase a company's stock on Indonesia Stock Exchange. In the 21st century, Stock investment has become more and more popular.

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There are lots of reasons why stock investment becomes highly recommended for people. First, it is much easier than other investments. If people are interested in stock investment, they could just register online on the Indonesia Stock Exchange website. It even does not take a long period to verify the account and people could directly purchase stock. Second, people do not need much amount of money to start investing. If we compare to real estate and gold investment, the stock is much cheaper than both investments. Gold needs to take around 500-900 thousand rupiah to purchase while real estate should need more than a hundred million to start. While in stock investment, there are a lot of price variations that we could get from 50.000 rupiahs to millions of rupiahs. Third, stock investment is easy to purchase and sell. For investors, after they have the investment account, they could directly purchase the stock. On the other hand, when investors are in urgent need of money, investors could directly sell their stock. However, the most important thing that investors should observe is what stock(s) basically will give us a high return.

There are 2 kinds of returns that investors hope for in a stock investment. The first return is the dividend. Dividend return is normally happening when a company gains profit through its operation, but some companies promise an annual return to the investors. The second return is capital appreciation. Capital appreciation means that there is an increase in the stock price which makes our investment in the company liven up. Rationally, there is no specific formula to count the exact stock price. It could be increased more than 20% of the opening day and decreased at the end of the day. For example, the price of Indonesia's stocks at the beginning of March was stable, but after the Covid-19 pandemic arises in Indonesia, it made most of the company's stock price in the Indonesia Stock Exchange decreased drastically after several years. It is always difficult to predict on what the price of the stock in the next few days or the long run. In that case, the stock price will be very interesting to be the dependent variable in this research.

Talking about stock price, it will be related to a dividend decision taken by a company. There are two kinds of dividends that a could give to investors both are cash dividend and stock dividend. Nowadays, it will be hard to find companies that will give stock dividends in return as investors are more likely to prefer cash. Those decisions are under the dividend policy stated in the accounting report. Every company has its policy regarding the dividend some of the companies will give annual dividends while some of them will not give a dividend to the investors. For this research, there are 2 indicators from dividend policy that will be the independent variable, they are dividend per share and dividend payout ratio.

Dividend per share is the amount of money that every investor gets on every share that they have inside the company. As for dividend payout ratio, it is the percentage of total income by the company

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that has been taken out as a dividend. Both the independent variable is expected to boost the shareholder trust.

Besides dividend policy, one of the most important things that investors will consider is financial distress risk. Every company has its own risk, that needs to be faced. Investors also have their preference on what is the maximum risk that they will take to invest in a company as there is a statement of “low risk, low return. High risk, high return”. Instead of the statement that investors always used, there is no doubt that investors hope for low risk and high return which is

why researchers will use financial distress risk as an independent variable as most investors will calculate the risk first before do an investment. For the indicator, the researcher will use the Altman Z-score as the method to calculate the financial distress risk. Altman Z-score is already popular among investors with a success rate of 80-90% (Stockopedia, 2011).

The last independent variable is corporate governance. Corporate governance means that how a company is regulated and controlled on the entire operations. In Corporate governance, Boards of Directors will play a crucial role as they will decide every main decision for the companies. Some of the decisions are choosing the auditor of the company and electing the chief executive officer (CEO).

Independent variables mentioned above could be a great indicator in supporting the change of stock price year by year. From the explanation above, the writer is highly inspired on analyzing dividend policy, financial distress risk and corporate governance on their impact with the change of the stock price on LQ45 companies listed in Indonesia Stock Exchange with the title “The Impact of Dividend Policy, Financial Distress Risk and Corporate Governance Toward Stock Price on Non-Banking LQ45 Companies Listed in Indonesia Stock Exchange”.

## II. LITERATURE REVIEW

### Signaling Theory

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According to Connelly, Signaling Theory is useful for describing behavior when two parties (individuals or organizations) have access to different information (Connelly, Certo, & Ireland, Signaling Theory: A Review and Assessment, 2011). Signaling Theory was found by Michale Spence in 1973. The terms of Signaling Theory are very common in people's daily life. People are using the Signaling Theory or Signal in their routine, for example, when people intend to purchase a phone, they will get into a store and look for the most suitable phone as they search. The moment that people start to walk into the store, the store's employee will start to approach buyers as a thought that they are looking for a new phone. After that moment, buyers will start to stare at a specific phone and the employee starts to receive the ideas of the buyers. The delivery and receiver of the connection are what we called a signal which will be a brief explanation of the Signaling theory of this research.

Signaling Theory is used by not only economics practitioners, but also almost every study such as biology, physics, psychology and others study that researcher could not mention one by one. In the term of finance, Signaling Theory refers to the application of insider information to control the trading position (Corporate Finance Institute, 2019). Insider information is a source of current situations of the company that can only be obtained by internal of the company. They are the entire employees of the company. As an insider informant, it can benefit them in realizing the potential of the company.

The term Signaling Theory is highly related to the researcher's title. With stock price as the dependent variable, all the connections between the independent variable and stock price will link them to Signaling Theory. Connections between companies and investors usually relate to the financial statement. In Indonesia Stock Exchange, companies will annually update their financial statement to show the investors their management and future potential. That is called the signal between both company and investors.

In the independent variables, starting from dividend per share and dividend payout ratio, the company will announce whether they will pay dividends or not at all. That is the example of signaling through dividend policy. All the independent variables are all connected through the annual report including corporate governance and financial distress risk which is why signaling theory is very suitable for this research title.

### **Agency Theory**

Agency theory discusses the problems that surface in the firms due to separation of owners and managers and emphasizes on the reduction of this problem (Panda & Leepsa, 2017). The theory is well-known for a conflicting interest between the company's management and the company's stockholders with the manager acts as the agent for shareholders who act as principals (Chen, 2020) . In the agency theory, the relationship between agent and principals is connected by

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contract. Normally, a contract will give both sides advantage in this term principals will receive profit while an agent will receive salary and bonus.

The term of Agency Theory has existed as an order to replace the Classical Theory which is a traditional theory that focuses on the organization as its important subject and set employees aside. With the support of Agency Theory, the human resource might be boosted up and hopefully, the profit will also increase accordingly. The role of the agent will give the shareholders more comfortable in making the decision which is why companies prefer this theory in the current era.

Related to the research title, Agency Theory will give insight on how both management and shareholders can give an impact on the stock price. Great agents will increase in stock price while agents with poor performance will decrease the company's stock price.

### **Dividend Policy**

According to Himanshi Jeswani, dividend policy is the policy which concerns the quantum of profits to be distributed by way of dividend (Jeswani, n.d.). As mentioned in the background of research, every company has its dividend policy, On the aspect of paying out a dividend, there is a stereotype that companies that paid dividends mean that they are in a good performance, but if people look at a few articles there are companies that always pay for their dividend to investors in every circumstance they face. On the other hand, companies that never paid dividend does not mean that companies are not performing well. For example, Amazon that led by Jeff Bezos the richest man in the world never paid a dividend to its investors, does it mean that the company is in a bad performance? Of course not, the company believes that by not paying out the dividend, the company can expand more on the company and boost the stock price.

Regarding the effect of dividend policy on stock price, there are two debatable statements that against each other. They are dividend irrelevance theory and dividend relevance theory. Dividend Irrelevance Theory was first proposed by Miller and Modigliani. Both researchers believe that investment policy is the one that affects the share price while dividend policy is not. There are some assumptions under this theory. First, is a perfect capital market. Second, no taxes applied. Third, constant investment policy. And last, certain future profits. All the assumptions are impossible to be applied in the reality with certain cost that companies need to pay on announcing their outstanding stocks, taxes always be applied and future could not be predicted with macroeconomics and microeconomics impact.

On the opposing side, two models support relevance theory which is Walter's Model and Gordon's Model. Under Walter's Model, it is also few assumptions that need to be followed such as no external financing, constant rate of return, cost of capital, earning per share and dividend per

share, earnings are whether completely distributed or retained and a perpetual life of the firm. Almost the same with Walter's Model, Gordon's Model gave extra assumptions with growth rate remains constant and cost of capital is greater than the growth rate. It is still not possible for all the samples that the researcher took from companies to apply those assumptions because the economy is always unstable.

With the debatable whether dividend policy affects the stock price, the researcher will use 2 independent variables from dividend policy which are dividend per share and dividend payout ratio.

### **Dividend per Share**

Dividend per share is the amount of return to investors on every share they owned. DPS usually becomes a reference for investors before do an investment. The more the rate of DPS will show a good sign for investors. The formula of DPS is stated below:

$$DPS = \frac{\text{Dividends}}{\text{Number of Outstanding Shares}}$$

Dividends in the formula mean that the amount of money that a company will pay to the investors. The company can probably pay dividends twice a year and it is back on the dividend policy that the company applied. In this research, the researcher will take the total dividend a year paid by the company. The Number of Outstanding Shares is the total common stock distributed by the company.

### **Dividend Payout Ratio**

The dividend payout ratio is the percentage amount of money that company dares to distribute to investors. The formula of DPR is stated below:

$$DPR = \frac{\text{Dividends}}{\text{Earning After Taxes}} \times 100\%$$

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Dividends in this term are the same as the amount that is used in calculating DPS while the Earning After Taxes means the profit for the year on the company.

### **Financial Distress Risk**

Financial distress is a situation when a company is struggling to generate enough profits to meet its financial obligations. (Bulaki, 2019) According to Oxford Learner's Dictionary, financial distress means great mental pain which in business it relates to the bankruptcy of a company. Financial distress risk is usually called as financial distress. Financial distress happens before a company suffers bankruptcy. Few indicators cause financial distress and will be explained more in the next paragraph.

Cash flow is part of the indicators that could cause financial distress. Every company's management can always determine at what amount the cans and cash equivalent should be maintained for the best company's operation. If a company maintains cash excessively, it could cause less effectiveness in the operations while if the amount is too low the financial distress ratio will increase. The next indicator will be fixed expense, a company with a high-profit margin will provide less risk for their operation while the margin is high it is rather high amounts of COGS or fixed expenses. Usually, the company should observe their fixed expenses as it is getting higher management probably should re-evaluate and find a solution. The fixed expense that the company should observe is interest expense. The last indicator that the researcher will mention is days of receivable turnover. For a good quality company, receivable turnover should be near 1 to maintain the effectiveness of the company. With a lack of cash receipt from credit sales, the company could suffer unseen expenses which are called as bad debt expenses. Those indicators are very important for a company to review the effectiveness of the company.

The analysis of financial distress risk is very important for both shareholders and future investors. Both subjects receive different benefits on analyzing the financial distress risk. Specifically for the shareholders, it engages them to evaluate, criticize and make decisions on current management. With the increase of the risk consistently, it is important for them to re-consider on current boards to take control of the company. The role of shareholders in maintaining and reducing the financial distress risk is very crucial for the company's future. Through the general meeting of shareholders, shareholders can arrange the best strategy for the company to encourage management on its duty.

While on the other side, future investors who are ready with their assets and start to make investment decisions will be assisted with the calculation of the risk. Higher risk will give investors less interest in the company while the lower the rate will put a high possibility for investors to trust

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the company.

With the explanation above the relations on financial distress risk will probably give an impact on the change in stock price. Altman Z-Score Method was first developed in 1968 by Edward Altman, an NYU Stern Finance Professor. Through the period, the further research of Altman Z-Score by himself did not end in 1968 while the sample that he took during his research always increased. From 1969 to 1999 the number increased from 89 companies to 120 companies. In 2012, Altman finally found out the method of Altman Z-Score. The formula of Altman Z-Score is stated below:

$$\text{Z-Score} = 1,2 T1 + 1,4T2 + 3,3T3 + 0,6T4 + 1,0T5$$

Where:

T1 is the calculation of liquid assets to the company's size. To count working capital, it will take current assets minus the current liabilities. The higher the working capital means that the company is confident in its liabilities. T2 measures the profitability of the company that could reflect on the company's age and earning power. Higher retain earnings to total assets provides lower risk because if the company did not use retained earnings it will start to add the capital or increase the debt. T3 measures the efficiency of the company's operations. The formula should ignore taxes and interest to observe assets effectiveness in resulting in the EBIT. T4 measures the usage of leverage on the company. Liability usually give a bad impact on company operations. The larger amount of liability could provide a higher risk to the company. On the other hand, a company that uses equity on doing financing is preferable as the risk is lower while the profit for the shareholder will be lower. T5 measures the asset turnover. The higher the asset turnover will provide lower risk as this formula also observe the efficiency of the assets in boosting the net sales.

After calculating all those variables above and times with the coefficient of the Altman Z- Score, the results could be placed between 3 categories:

- a. If the result is more than 2.99 ( $2.99 < \text{Z-score}$ ) the company will be categorized as healthy. Investors will less afraid if they invest in this type of company.
- b. If the result is between 1.81 to 2.99 ( $1.81 < \text{Z-score} < 2.99$ ) the company will be categorized as stable. Investors will mostly consider this company as an alternative.
- c. If the result is less than 1.81 ( $\text{Z-score} < 1.81$ ) the company will be categorized as unhealthy. Investors will mostly avoid this type of company because of the high potential for bankruptcy.

### **Corporate Governance**

Corporate governance is the combination of rules, processes, or laws by which businesses are operated, regulated, or controlled. (Rouse, 2019) Inside of every company, it

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has its definition of corporate governance especially in the terms of good corporate governance.

In good corporate governance, it will understand more about the mutual relationship between shareholders and stakeholders. In the definition, shareholders are part of the stakeholders while stakeholders do not always part of shareholders. Both of those subjects relate with each other but most of the time their goals in the company are different. Shareholders tend to focus on the value of the company like profit while stakeholders are more focused on salaries with the provision of, they should understand on what shareholders want. This study is interesting as it gives people a bigger picture of good reflection inside of the company.

To achieve good corporate governance, there are some examples that companies can follow. It starts from the quality of the board of directors. The company needs to build and search for qualified boards as representatives of the shareholders. A qualified board of directors should be independent in representing the shareholders besides, shareholders also should review the performance of their representative and criticize the BOD if necessary. Moving to the management, boards of commissioners and all employees should do their work with accountability. Management should understand their position for realizing the efficiency of their job. Superiors should also mentor and motivate them to make a better workplace while subordinates should respect their superiors on their objectives. For the first two examples, directors and management should encourage each other to evaluate the performance of the company. Without any evaluation, there will be a lack of understanding in the company situation which can harm both interests. Finally, understanding the risk of management is very important. Directors should provide strategic leadership to direct the company in developing work parameters for the management. While management should be sensitive to the company operations. (MCinnes Cooper, 2014)

The better the corporate governance, it is believed can provide a worthy workplace and both shareholders and management can achieve their interests. Through this independent variable, it believes that good corporate governance can raise the worth of the company. The indicator that will be used for corporate governance is managerial ownership. Managerial ownership in this case is not including all the employee in the company while this research is only recognizing managerial as the highest position in the company which are the boards. They are the board of directors and commissioners. The formula is stated below:

$$MO = \frac{BOD \text{ and } BOC \text{ Total Shares}}{\text{Total Shares}}$$

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## Stock Price

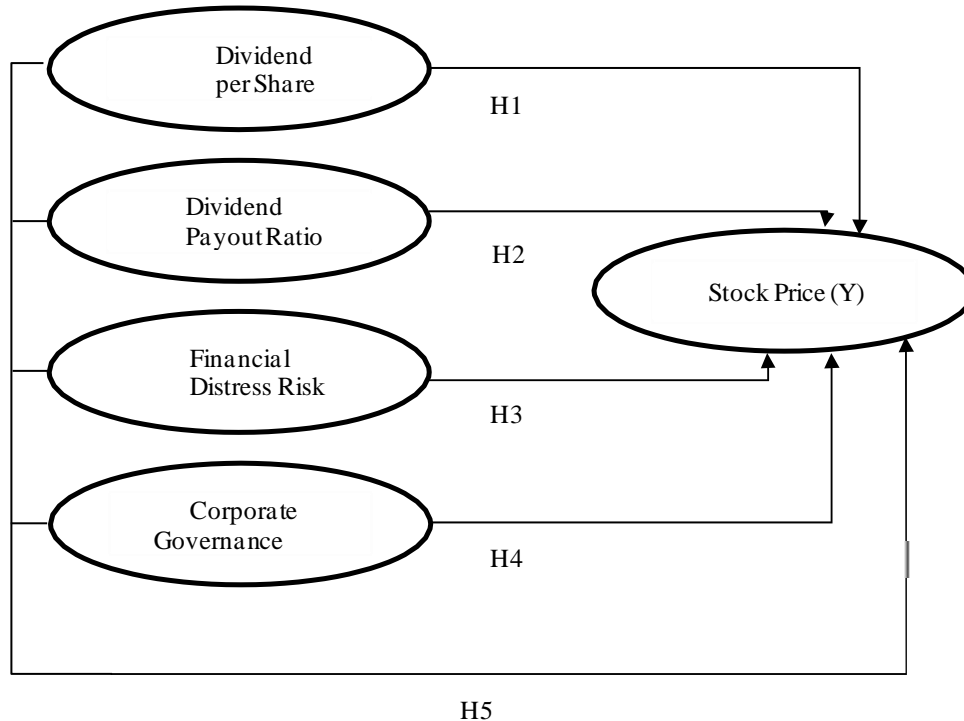
Stock price refers to the current price of company shares that available on the market. (Corporate Finance Institute, n.d.) It considers as the amount of money that investors should pay in return for company ownership. The stock price is unique because the number can increase and decrease every day except when the market is closed. The movement of the stock price is hard to predict because it depends on what is the bid and offer. But several aspects could predict the movement of the stock price.

The profitability of the company becomes one of the closest reasons for the company stock price. The profit of a company would be one of the measurements for the current company's current condition. If the company keeps losing its profit for several years, the stock price will decrease as well. In the same term as profitability, company announcements such as the result of the general meeting of shareholders could directly impact the stock price in few seconds. The moment investors get the information, investors will decide on should they buy more shares, sell their shares, or maintain their shares which will result in a change in the stock price. Last, the announcement of dividend. As mentioned in the background, the dividend will give a positive impact on investors as they get a return on their investment. Normally, the higher the dividend will increase in stock price.

The researcher uses stock price as the dependent variable with the hope that the result of this research will give insight for investors to consider those independent variables before making an investment decision. The stock price that the researcher use is the natural logarithm of closing stock price at the end of the year.

$$\text{Stock Price} = \ln(\text{Closing Stock Price})$$

### Research Model



### III. RESEARCH METHODS

The research design that will be used on this topic is the quantitative research design. Quantitative research design is used to determine the relationship of variables and based on numerical evidence. The data analysis used in this research is Descriptive and Casual research. Descriptive research is a type of research that could be done by research today such as, current situations and lasting phenomena. While casual research is a type of research that looks for cause and effect among the variables.

**Table 1. Research Sample**

No.	Criteria	Total Sample
1.	Companies listed on the LQ45 Index listed in Indonesia Stock Exchange from the year 2017-2019.	61
2.	Companies that are listed in Indonesia Stock Exchange as Banking Sector in 2017 to 2019.	(7)
3.	Companies that did not pay any dividend to the shareholders from 2017 to 2019.	(8)
4	Companies that conducted stock split or reverse stock split between 2017 to 2020.	(4)

	<b>Number of companies chosen as sample</b>	42
	<b>Total Number of data sampled</b>	126

### Data Collection Method

In this research, the researcher will use secondary data from the companies as evidence. Those data are taken from the annual report on Indonesia Stock Exchange that is published every year. An annual report is chosen as the secondary data as it fulfills the researcher's needs starting from the financial statement and the result of the general meeting of shareholders.

### Data Analysis Method

#### a. Descriptive Statistics

Descriptive statistics is a means of summarizing and describing data in a meaningful and useful way. (Indeed, 2020) The summarize of the data will give the researcher insight into how the researcher will execute the data later. Descriptive Statistics in this research will consist of maximum, minimum, mean and standard deviation. The data will be generated from the annual report and related sources.

#### b. Classical Assumption Test

- Normality Test

Researcher will use Kolmogorov-Smirnov Test. Kolmogorov-Smirnov test will use probabilities for its reference. If probabilities  $> 0.05$  it shows the data is normally distributed while if probabilities  $< 0.05$  it shows the data is not normally distributed.

- Multicollinearity Test

For the multicollinearity test, if VIF is larger than 10 and tolerance value is lower than 0,1 will determine that variables are having multicollinearity.

- Heteroscedasticity Test Researcher will use the Park Test model by analyzing the significant value. If the significant value is larger than 0,05 then there is no heteroscedasticity.

- Autocorrelation Test

In this research, researcher will use Durbin Watson Test. If the Durbin Watson value is between  $d_U$  and  $4-d_U$ , it means that there is no autocorrelation in the research.

#### c. Multiple Linear Regression

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According to Kenton, Multiple Linear Regression is a statistical technique that uses several explanatory variables to predict the outcome of a response variable. The equation for this research is:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

d. Hypothesis Testing

- Simultaneous Hypothesis Testing

If F-count > F-table, it shows that independent variables have a significant influence on the dependent variable. If F-count < F-table, it shows that independent variables do not have a significant influence on the dependent variable.

- Partial Hypothesis Testing

If Tcount > Ttable or -Tcount < -Ttable and significant value < 0.05, H1 will be accepted and has a significant influence on the dependent variable. If Tcount < Ttable or -Tcount > -Ttable and significant value > 0.05, will be accepted and does not have a significant influence on the dependent variable.

- Coefficient of Determination

Coefficient of Determination is part of hypothesis testing that calculates how every independent variable impacts the dependent variable. The result of this testing is between 0 to 1 and if change it to percentage, it is between 0% to 100%.

## IV. FINDINGS AND RESULTS

### Descriptive Statistics

During the test of all 126 samples, the heteroscedasticity test did not pass. As the result, some of the samples need to be taken out. From 126 samples, 85 samples were taken to be

tested again. Since then, all the tests are passed. The table below shows the result of descriptive statistics from every variable:

**Table 2. Descriptive Statistics**

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Dividend per share	85	0,00	336,00	65,3649	81,08590
Dividend payout ratio	85	0,00	1,02	0,3012	0,23475
Altman Z-Score	85	0,45	6,97	2,6464	1,62480
Managerial ownership	85	0,00	0,0009	0,0002	0,00027
Closing Stock Price	85	4,22	9,59	7,6194	1,22288
Valid N (listwise)	85				

Source: Data Processing with SPSS 25 (2021)

a. Classical Assumption Test

- Normality Test

**Table 3. Normality Test**

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		85
Normal Parameters <sup>a,b</sup>	Mean	0,0000000
	Std. Deviation	0,88842925
Most Extreme Differences	Absolute	0,091
	Positive	0,060
	Negative	-0,091
Test Statistic		0,091
Asymp. Sig. (2-tailed)		,076 <sup>c</sup>
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

Source: Data Processing with SPSS 25 (2021)

The table above presents that the significance value is 0.076. According to the Kolmogorov-Smirnov test, the significance value should pass above 0.05. If the significance value is below 0.05, it means that the data is not normally distributed.

- Multicollinearity Test

**Table 4. Multicollinearity Test**

Coefficients			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Dividend per share	0,710	1,408
	Dividend payout ratio	0,453	2,209
1	Altman Z-Score	0,580	1,725
	Managerial ownership	0,936	1,068

a. Dependent Variable: Closing Stock Price

Source: Data Processing with SPSS 25 (2021)

The table above shows that there is no multicollinearity among the data tested. As the tolerance value are all above 0,1 and the VIF are below 10.

- Heteroscedasticity Test

**Table 5. Heteroscedasticity Test**

Coefficients		
Model		Sig.
1	(Constant)	0,233
	Dividend per share	0,981
	Dividend payout ratio	0,508
	Altman Z-Score	0,219
	Managerial ownership	0,630

a. Dependent Variable: LN\_RES

Source: Data Processing with SPSS 25 (2021)

The criteria for passing the Heteroscedasticity Test is on the significance level that should pass 0.05. From the table, all the independent variables passed 0.05 with 0.981 (dividend per share), 0.508 (dividend payout ratio), 0.219 (Altman Z- Score) and 0.630 (managerial ownership).

- Autocorrelation Test

**Table 6. Autocorrelation Test**

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,571	,326	,292	,81829	1,731

a. Predictors: (Constant), LAG\_X4, LAG\_X1, LAG\_X3, LAG\_X2  
b. Dependent Variable: LAG\_Y

Source: Data Processing with SPSS 25 (2021)

Using the Cochrane-Orcutt Test, the Durbin-Watson Value shows that the data is in inconclusive area which means the Run Test is needed.

**Table 7. Run Test**

Runs Test	
	Unstandardized Residual
Test Value <sup>a</sup>	0,05441
Cases < Test Value	42
Cases >= Test Value	42
Total Cases	84
Number of Runs	37
Z	-1,317
Asymp. Sig. (2-tailed)	0,188
a. Median	

Source: Data Processing with SPSS 25 (2021)

As the run test is more than 0.05, it means that there is no autocorrelation in the data.

b. Multiple Linear Regression

**Table 8. Multiple Linear Regression**

Coefficient s		
Model	t	Sig.
1 (Constant)	28,189	0,000
LAG_X1	5,388	0,000
LAG_X2	-1,860	0,067
LAG_X3	0,866	0,389
LAG_X4	-2,044	0,044
a. Dependent Variable: LAG_Y		

Source: Data Processing with SPSS 25 (2021)

For the Multiple Linear Regression Analysis result, the equation will be changed as follow:  $Y = 4.331 + 0.009X_1 - 1.208X_2 + 0.076X_3 - 764.508X_4 + e$

The equation above shows that if the dividend per share increases by 1 point, the closing stock price will increase by 0.009. This is also the same result with Altman Z-Score (financial distress risk). If Altman Z-Score increases by 1 point, the closing Stock Price will increase by 0.076. Different results for both dividend payout ratio (dividend policy) and Managerial ownership (corporate governance), if one of those variables increases by 1 point, the closing stock price will decrease according to the coefficient which is 1.208 for dividend payout ratio and 764.508 for managerial ownership.

c. Result of Hypothesis Testing

- Simultaneous Hypothesis Testing

**Table 9. Simultaneous Hypothesis Testing**

ANOVA			
Model		F	Sig.
1	Regression	9,560	,000 <sup>b</sup>
	Residual		
	Total		

Source: Data Processing with SPSS 25 (2021)

The F-count in the table is 9.560 while in F-table, the F value is 2.5 (4 independent variables and 85 samples). As the F-count > F-table it means that dividend per share, dividend payout ratio, financial distress risk and corporate governance have a significant impact on Stock Price.

- Partial Hypothesis Testing

**Table 10. Partial Hypothesis Testing**

Coefficients			
Model		t	Sig.
1	(Constant)	28,189	0,000
	LAG_X1	5,388	0,000
	LAG_X2	-1,860	0,067
	LAG_X3	0,866	0,389
	LAG_X4	-2,044	0,044

a. Dependent Variable: LAG\_Y

Source: Data Processing with SPSS 25 (2021)

The Table above emphasizes the t-count value starting from 5.338 by dividend per share. -1.860 by dividend payout ratio, 0.866 by Altman Z-Score and -2.044 by managerial ownership. For the t-table value, it is about 1.99. As a result, the dividend per share as part of the dividend policy has a significant positive impact on the stock price. Although the first independent variable by dividend policy has a significant impact, dividend payout ratio as the second independent variable does not have a significant impact on stock price but has a negative relationship towards it. Furthermore, the Altman Z-score as part of distress risk also does not have a significant impact on stock price but has a positive relationship towards stock price. Last, managerial ownership as part of corporate governance has a significant negative impact on the stock price.

- Coefficient of Determination

**Table 11. Coefficient of Determination**

Model Summary		
Model	Adjusted R Square	Std. Error of the Estimate
1	,292	,81829

Source: Data Processing with SPSS 25 (2021)

The table above shows us the result of Coefficient of Determination test under the Adjusted R Square which equal to 0.292. The result means that the impact of the independent variables on the dependent variable is 29.2% which is very low with 70.8% was impacted by other factors.

## V. DISCUSSION

This research focuses on analyzing the impact of dividend policy, financial distress risk and corporate governance toward stock price on non-banking LQ45 Companies listed on the Indonesia Stock Exchange for the year 2017 to 2019. After going through all the research, the researcher concludes that from 4 independent variables only 2 that have a significant impact on stock price are dividend per share and managerial ownership.

For the simultaneous hypothesis testing, dividend per share, dividend payout ratio, financial distress risk and corporate governance have significant toward stock price with the F-count value is 9.560 and the F-table value is 2.5. Although the independent variables in each specific case do not fully impact the Stock Price, it is still possible for all the independent variables to combine will have a significant impact on Stock Price. However, if looking at the Coefficient of Determination test, the impact of all independent variables is only around 0.292 or 29.2% which is very low. In conclusion, the fifth hypothesis is accepted.

## VI. CONCLUSION

In this research, 5 conclusions could be taken:

1. The first hypothesis is accepted. Dividend per share has a significant impact towards stock price.
2. The second hypothesis is rejected. Dividend payout ratio does not have a significant impact towards stock price.
3. The third hypothesis is rejected. Distress risk does not have a significant impact towards stock price.
4. The fourth hypothesis is accepted. Corporate Governance has a significant impact towards

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stock price.

5. The fifth hypothesis is accepted. Dividend per share, dividend payout ratio, distress risk, and corporate governance have a significant impact toward stock price.

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This research could be made as basic of thinking. Future researchers should add more samples to gain more specific answers for the research. The reason adding more samples will be great for future researchers is because there could be a huge gap between the lowest value and the highest value. If more samples are coming, the samples could expectedly close the gap. Furthermore, future researchers are suggested to specify the sector that they will do the research on as every sector has its uniqueness.

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