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The Effect of Profitability on Stock Prices with Dividend Policy as an Intervening Variable in Banking Subsector Companies Listed on the Indonesia Stock Exchange for the 2022-2024 Period

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Keywords:
Profitability; return on assets (ROA); dividend policy; dividend payout ratio (DPR); stock price; banking.

Abstract
This study aims to analyze the effect of profitability on stock prices with dividend policy as an intervening variable in conventional commercial banks listed on the Indonesia Stock Exchange for the 2022–2024 period. Profitability is proxied using Return on Assets (ROA), dividend policy is measured by the Dividend Payout Ratio (DPR), and stock prices are represented by the annual closing price. This study used an associative quantitative approach with purposive sampling and obtained 45 observational data points. The analysis method used was path analysis with the assistance of SPSS, accompanied by the classical assumption test and the Sobel test to examine the mediating effect. The results show that profitability has a significant effect on stock prices, profitability has a significant effect on dividend policy, and dividend policy has a significant effect on stock prices. In addition, the results of the Sobel test confirm that dividend policy is able to mediate the effect of profitability on stock prices. These findings strengthen Signaling Theory and Dividend Signaling Theory, demonstrating that profit information and dividend policy serve as important signals for investors in making investment decisions, as reflected in stock price movements. This research provides implications for banking management to maintain profitability stability and establish optimal dividend policies to enhance company value in the capital market.

INTRODUCTION

The capital market plays an important role in the national economy as a means of long-term funding for companies and as a vehicle for public investment (Beisengaliyev & Shynar Isabekovna, 2025; Elhabib, 2024; Fatkhurrozi, 2024; Hicham et al., 2024; Olawale, 2024). The value of a company, as reflected through its stock price, is the primary indicator that investors consider in assessing company performance and prospects, given that stock prices reflect market expectations of a company's future performance (Putra & Dewi, 2024). Stock price fluctuations are inseparable from the financial information that companies disclose to the public, beyond the influence of external factors such as global macroeconomic conditions and market sentiment, which are not the focus of this study.

On the Indonesia Stock Exchange (IDX), the banking sector is one of the sectors with large market capitalization and high sensitivity to changes in macroeconomic conditions. During the 2022–2024 period, the banking sector experienced significant performance dynamics as a result of the post-pandemic economic recovery, monetary policy normalization, and changes in Bank Indonesia's benchmark interest rate. These conditions are reflected in

fluctuations in the banking sector stock index, variations in profitability levels measured through Return on Assets (ROA) and Return on Equity (ROE), and differences in dividend distribution policies between banks, which ultimately influence investors' attitudes in making investment decisions (Prasetyo & Ramadhan, 2023).

Although the financial performance of banks generally shows improvement, increased profits are not always followed by consistent stock price increases. Some commercial banks recorded positive profit growth, yet market responses to their shares were relatively varied. This finding is consistent with previous research showing that a company's profit is not necessarily responded to positively by the market if it is not accompanied by financial policies capable of convincing investors (Hidayat et al., 2022).

In the Indonesian banking system, commercial banks consist of conventional commercial banks and Islamic commercial banks. Conventional commercial banks conduct interest-based business activities and have financial policy characteristics that are greatly influenced by profitability, capital structure, and regulations of the Financial Services Authority (Otoritas Jasa Keuangan, OJK), particularly with regard to the principles of prudence and capital adequacy. These characteristics cause conventional commercial banks to have special considerations in setting dividend policies, making the market response to the profit performance and dividend policies of conventional commercial banks particularly sensitive (Sari & Nugroho, 2021).

Stock prices reflect company value and investors' expectations of the company's ability to generate profits in the future (Fama & French, 2019; Aydın & Cavdar, 2024). In conventional commercial banks, stock prices serve as an important indicator for investors in assessing bank stability and prospects (Nomlala, 2022). In this study, stock prices are defined as the annual closing price of shares, reflecting market valuation at the end of the trading period (Hakiki et al., 2024). Empirical research shows that banking stock prices are influenced by company financial performance (Wuryani et al., 2022), particularly profitability (Putra & Dewi, 2024; Barua & Uddin, 2021).

Profitability is the ability of a company to generate profits from its assets and capital, which in conventional commercial banks is generally measured through ROA and ROE. A high level of profitability indicates operational efficiency and management's ability to manage risk. Based on Signaling Theory, profit information reflected in ROA and ROE is perceived as a positive signal by investors and can influence investment decisions in the capital market. Previous research has shown that profitability has a significant effect on banking stock prices (Putra & Dewi, 2024). However, the relationship between profitability and stock prices is not always direct, as investors also consider how profits are allocated by company management.

Dividend policy is a management decision related to the distribution of profits to shareholders or the retention of profits for the company's internal interests. In this study, dividend policy is proxied by the Dividend Payout Ratio (DPR), which shows the proportion of profits distributed to shareholders. In conventional commercial banks, dividend policy serves as an important signal for investors, as it is directly related to the certainty of returns. Based on Dividend Signaling Theory, the distribution of dividends is regarded as a signal of management's confidence in the stability of company profits. Previous research has shown that dividend policy affects stock prices (Prasetyo & Ramadhan, 2023), and that profitability has a significant effect on dividend policy in banks listed on the IDX (Sari & Nugroho, 2021). In

addition, studies positioning dividend policy as an intervening variable demonstrate that it is able to explain the indirect influence of profitability on stock prices more comprehensively (Hidayat et al., 2022).

Although various studies have examined the relationship between profitability, dividend policy, and stock prices, most use observation periods prior to 2022, focus on the non-banking sector, or do not specifically test conventional commercial banks with dividend policy as an intervening variable. There thus remain limitations in the empirical literature examining the mechanism through which profitability influences stock prices via dividend policy in conventional commercial banks in Indonesia during the 2022–2024 period.

The novelty of this research lies in three aspects. First, this study specifically focuses on conventional commercial banks during the post-pandemic 2022–2024 period, which has not been extensively studied. Second, dividend policy is positioned as an intervening variable, enabling the testing of both direct and indirect effects of profitability on stock prices. Third, this study applies path analysis with the Sobel test to formally examine mediation, providing more robust statistical evidence than previous studies that examined only direct effects.

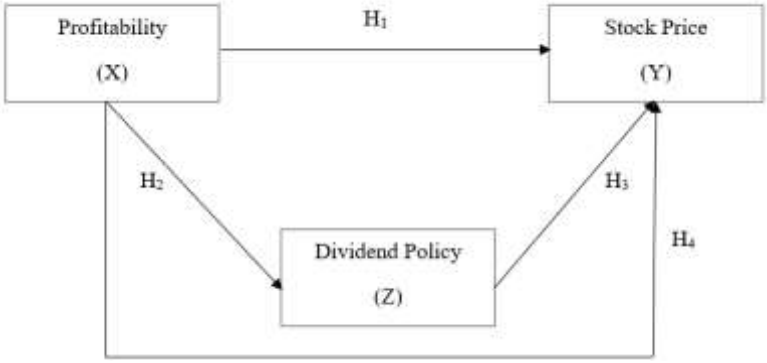
Based on this description, the novelty of this study lies in the empirical testing of the role of dividend policy as an intervening variable in the relationship between profitability and stock prices in conventional commercial banks listed on the Indonesia Stock Exchange, using the post-pandemic observation period of 2022–2024. This research carries both academic and practical urgency, as it is expected to enrich the study of corporate finance and the development of Signaling Theory in the context of conventional banking, and to provide implications for conventional commercial bank management, investors, and capital market regulators.

This study aims to analyze the effect of profitability on stock prices and dividend policy, as well as the effect of dividend policy on stock prices, in conventional commercial banks listed on the Indonesia Stock Exchange for the 2022–2024 period. In addition, this study seeks to determine the role of dividend policy in mediating the influence of profitability on stock prices. Theoretically, this research is expected to enrich the study of corporate financial theory — particularly Signaling Theory and Dividend Signaling Theory — through empirical evidence on the relationship between profitability, dividend policy, and stock prices in the banking sector. Practically, the results are expected to serve as a reference for bank management in formulating optimal dividend policies and to assist investors in making investment decisions regarding banking stocks. Furthermore, this research is expected to provide policy benefits for regulators such as the Indonesia Stock Exchange and the Financial Services Authority in evaluating policies related to financial performance transparency and dividend distribution, thereby supporting capital market stability and efficiency in the banking sector.

RESEARCH METHOD

Research Design

This study uses an associative quantitative approach, which is research that aims to analyze the relationship and influence between variables, both directly and indirectly. This approach is used to test the influence of profitability (X) on stock price (Y) with dividend policy (Z) as an intervening variable, as stated by Sugiyono (2019) that associative research aims to determine the cause-and-effect relationship between variables.



[Figure 1. Research Design]

Population and Sample

The population in this study is all conventional commercial banks listed on the Indonesia Stock Exchange (IDX) during the 2022–2024 period. The research sample was determined using purposive sampling techniques, with the consideration that not the entire population met the research criteria. The sample selection criteria are as follows:

1. Conventional commercial banks listed on the IDX consecutively during the 2022–2024 period.
2. Conventional commercial banks listed on the IDX consecutively during the 2022–2024 period.
3. Banks that publish complete annual financial statements during the study period.
4. Banks that distribute cash dividends during the study period.
5. Banks that have closing price data available.

Based on these criteria, a number of banking companies were obtained as research samples. The determination of the sample count follows the approach of Hair et al. (2019) which states that regression-based mediation research requires an adequate sample size to test the causal relationship.

Data Types and Sources

The type of data used in this study is quantitative data, in the form of numerical data derived from financial statements and stock market data.

Data Source

Secondary Data, which is data obtained from:

1. Annual financial statements of conventional commercial banks published on the official website of the IDX (www.idx.co.id).
2. Closing price data obtained from IDX websites and/or official platforms such as (Yahoo Finance and IDX Statistics 2025).
3. Publications and supporting literature relevant to the research.

Data collection techniques

The data collection technique in this study is carried out by the documentation method, namely collecting and recording data contained in the annual financial statements and stock trading reports of banking companies.

The data collected includes:

1. Net profit, total assets, and equity (to calculate profitability).
2. Cash dividends and net profit (to calculate dividend policy).

3. Year-end closing share price.

Data Analysis Techniques

Data analysis was carried out using the statistical method of Path Analysis which was carried out using SPSS software. The stages of analysis include:

1. Descriptive Statistical Test: Presents averages, standard deviations, and data distributions.
2. Classical Assumption Test: Perform normality, multicollinearity, and heteroscedasticity tests.
3. Model Path: Seeing the magnitude of the influence of each research variable.
4. Hypothesis Test: Assess t-statistics and p-values for significant testing between variables.

Research Location and Time

The research was conducted online through searching and downloading secondary data from the Indonesia Stock Exchange (IDX) through the official website of the www.idx.co.id and the Financial Services Authority (OJK) through the official website of www.ojk.go.id. The research time lasts from November 2025 - February 2026

RESULTS AND DISCUSSION

Descriptive Analysis

Descriptive statistical analysis is used to describe the characteristics of research data such as minimum, maximum, average, and standard deviation values for the variables DER, CR, EPS, and Stock Price.

Table 1 Descriptive Analysis

Descriptive Statistics					
	N	Minimum	Maximum	Red	Hours of deviation
LONG	45	.00	.04	.0185	.00997
DPR	45	.06	8.34	.6802	1.31285
Stock	45	2.37	4.00	3.3852	.48014

Table 1 above shows the average value of the Stock Price variable of 3.38 with a standard deviation of 0.48. The highest value of the stock price variable is 4 while the lowest value is 2.37.

The average value of the ROA variable was 0.01 with a standard deviation of 0.009. The highest value of the ROA variable is 0.04 while the lowest value is 0.

The average value of the DPR variable is 0.68 with a standard deviation of 1.31. The highest value of the DPR variable is 8.34 while the lowest value is 0.06.

Classic Assumption Test

Before conducting a hypothesis test, a classical assumption test is carried out first to ensure that the regression equation model obtained is accurate, consistent, and unbiased. The classical assumption test consists of a heteroscedasticity test, a normality test and a multicollinearity test.

a. **Normality Test**

The test is performed to find out if the regression residual is normally distributed. The test uses Kolmogorov-Smirnov. The data is declared normal if the significance value > 0.05.

Table 2 Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		45
Normal Parameters[a,b]	Mean	.0000000
	Hours of deviation	.23475055
Most Extreme Differences	Absolute	.056
	Positive	.039
	Negative	-.056
Test Statistic		.056
Asymp. Sig. (2-tailed)[c]		.200d
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

In table 2, the normality test above shows a significance value of 0.200 greater than 0.05. Therefore, the decision to accept H0 was obtained with the conclusion that the residual data is normally distributed.

b. **Multicollinearity Test**

This test aims to find out if there is a relationship between independent variables. The indicators of the absence of multicollinearity are the Tolerance value > 0.10 and the VIF value < 10.

Table 3 Multicollinearity Test

Coefficientsa			
		Collinearity Statistics	
Model		Tolerance	LIVE
1	(Constant)		
	LENGTH	.833	1.200
	DPR	.833	1.200
a. Dependent Variable: Saham			

In table 3 above, the VIF value of all independent variables is less than 10, therefore it is concluded that there is no multicollinearity between independent variables.

c. **Heteroscedasticity Test**

The test uses the Glejser method, which is regressing the residual absolute value to an independent variable. If the significance value > 0.05, then the model is declared heteroscedasticity-free.

Table 4 Heteroscedasticity Test

Coefficientsa						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Say.
1	(Constant)	.262	.052		5.070	<,001
	LENGTH	-2.884	2.252	-.208	-1.281	.207
	DPR	-.031	.017	-.298	-1.839	.073
a. Dependent Variable: RESABS						

In table 4 of the heteroscedasticity test above, the significance value of all variables was obtained greater than 0.05, therefore the decision to accept H0 was obtained with the conclusion that there was no heteroscedasticity in the residual data.

d. **Autocorrelation Test**

Autocorrelation was tested using Durbin-Watson statistics. The model is declared autocorrelated free when the Durbin-Watson value is around 2.

Table 5 Autocorrelation Test

Model Summaryb					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.872a	.761	.750	.24027	1.843
a. Predictors: (Constant), DPR , ROA					
b. Dependent Variable: Saham					

In table 5 of the heteroscedasticity test above, it shows that the durbin watson value of 1.843 is between dU and 4-dU, therefore it is concluded that there is no autocorrelation in the residual data.

Path Analysis

According to Ghozali (2018) path analysis is a technique used to test the influence of intervening variables. Path analysis aims to assess the causal relationship between variables. The following is an overview of the path analysis in the research can be seen as follows:

Table 6 Model Path

Model	Variabel	B	Std. Error
1	Konstanta	1,675	0,384
	LENGTH	-53,824	18,337
2	Konstanta	2,648	0,091
	LENGTH	40,724	3,982
	DPR	-0,023	0,030

In the linear regression model above, it shows that an increase of one unit of the ROA variable is able to decrease the DPR variable by 53.824.

In the linear regression model above, it is shown that an increase of one unit of the ROA variable can increase the Stock Price variable by 40.724 and an increase of one unit of the DPR variable can decrease the Stock Price variable by 0.023.

Uji Hypothesis

1. Test F

The F test is used to determine the accuracy of the sample's regression function in predicting the actual value measured from its Goodness of Fit. According to Ghozali (2018), the Goodness of fit test aims to test the null hypothesis that says that the empirical data matches or matches the model (because there is no difference between the model and the data so the model can be said to be suitable). The criteria for this test are as follows:

a. If the value of the sig > 0.05, then it is interpreted that all independent variables have no effect on the dependent variables or it can be said that the regression model is not feasible.
b. If the value of sig < 0.05, then it means that all independent variables have an effect on the dependent variable or it can be said that the regression model is feasible.

Table 7 Test F

Model	Say.	Remarks
Model 1	0,000	Significant effect
Model 2	0,000	Significant effect

In table 7, the results of the f test above show a significance value of 0.000 that is less than 0.05. Thus, a decision to accept H0 was obtained with the conclusion that there was a significant influence simultaneously on independent variables on the variables of the DPR and the Stock Price.

2. T Test

The t-test is used to explain how much an independent variable individually influences in describing the variation of dependent variables. The significance levels of the t-test determined in this study were 10%, 5%, and 1%. The level of significance is tested on each independent variable against the dependent variable. If the significance of the value is less than 10%, then it can be stated that the independent variable has a significant effect on the dependent variable.

Table 8 T Test

Model	Variabel	T	Sig
1	Konstanta	4,361	0,001
	LENGTH	-2,935	0,005
2	Konstanta	28,953	0,001
	LENGTH	10,226	0,001
	DPR	-2,075	0,046

In table 8 the t-test above shows some of the following results.

a. The value of t-calculated of the ROA variable against the DPR of 2.935 is greater than the t table (2.01) and the significance value (sig) is 0.005 smaller than the α (0.05), so that a decision to reject H0 was obtained with the conclusion that the ROA variable has a significant influence in improving the DPR variable.
b. The value of t-calculated of the ROA variable on the Stock Price of 10.226 is greater than the t table (2.01) and the significance value (sig) of 0.001 is smaller than α (0.05), so that a decision to reject H0 was obtained with the conclusion that the ROA variable has a significant influence on the increase in the Stock Price variable.
c. The t-value of the DPR variable on the Stock Price of 2.075 is greater than the t table (2.01) and the significance value (sig) is 0.046 smaller than α (0.05), so that a decision to reject H0 is obtained with the conclusion that the DPR variable has a significant influence on increasing the Stock Price variable.

Coefficient of Determination

According to Ghozali (2018), the determination coefficient (R2) is used to evaluate the capacity of the model in explaining the variation of dependent (bound) variables.

Table 9 Coefficient of Determination

Model	Adjusted R-Square	Remarks
Model 1	0,148	14,8%
Model 2	0,750	75%

In table 8 the determination coefficient above shows the adjusted R Square model 1 value of 0.148, therefore it is concluded that the ROA variable is able to influence the DPR variable by 14.8% while the remaining 65.2% of the ROA variable is influenced by other variables that are not covered in this study.

The adjusted value of R Square model 2 is 0.750, Therefore, it can be concluded that the ROA and DPR variables are able to influence the Stock Price variable by 75% while the remaining 25% of the Stock Price variable is influenced by other variables that are not included in this study.

1. Sobel Test

According to Ghozali (2021), the Sobel test is used to determine whether or not the intervening effect produced by coefficient multiplication is significant. This test assesses the magnitude of the indirect influence of the independent variable (X) on the dependent variable (Y) through the use of the mediation variable (Z). The formula used in this test is:

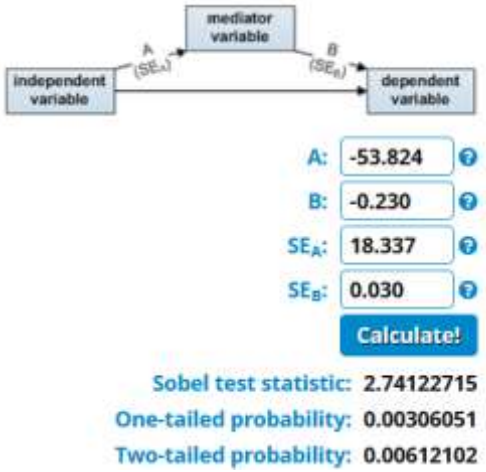


Figure 2 Sobel Test 1

Based on the image above, the value of one tailed probability of 0.006 is smaller than 0.05. Therefore, the decision to reject H0 was obtained with the conclusion that the DPR variable has a significant influence to mediate the ROA variable on the Stock Price.

CONCLUSION

Based on the results of the analysis and discussion that has been carried out, it can be concluded that profitability affects the stock price, where the higher the company's ability to generate profits, the more investor confidence increases, which has an impact on the increase in the stock price. Profitability also affects dividend policy because companies with high profits tend to have greater ability to distribute dividends to shareholders. In addition, the dividend policy has been proven to have an effect on the stock price because the distribution of dividends gives a positive signal to investors regarding the company's condition and prospects. This research also shows that dividend policy is able to mediate the influence of profitability on stock prices, so that the influence of profitability does not only occur directly but also through dividend distribution. Based on these results, the company is advised to continue to increase profitability and establish an optimal dividend policy to maintain stock price stability and attract investors. Investors are also advised to pay attention to profitability and dividend

policies before making investment decisions. Meanwhile, the next researcher is expected to add other variables such as capital structure, company size, business risk, and macroeconomic factors so that the research results become more comprehensive and can expand the object and period of the research.

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