

ORIGINAL ARTICLE

**The Effect of Return on Asset (ROA), Current Ratio (CR) and Debt to Equity Ratio (DER) on Stock Prices With Dividend Policy as an Intervening Variable**

Diki Prianda<sup>1</sup>, Eka Nurmala Sari<sup>1\*</sup>, Muis Fauzi Rambe<sup>1</sup>

**ABSTRACT**

This study aims to determine, test and analyze the effect of ROA, CR, DER on stock prices with dividend policy as an intervening variable in basic and chemical industrial manufacturing companies for the period 2015–2019. This research is an associative quantitative research using documentation techniques. The population of this study amounted to 75 company. Research sample of 11 companies by using purposive sampling techniques and using SmartPLS as methode data analysis. The results showed that ROA, DER had a negative and insignificant relationship to stock prices. CR has a negative and significant relationship to stock prices. ROA, CR have a positive and insignificant relationship with dividend policy. DER has a positive and significant relationship to dividend policy. Dividend policy has a negative and significant relationship to stock prices. Dividend policy is not able to mediate the effect of ROA, CR, DER on stock prices.

**Keywords:** Return on assets, current ratio, debt to equity ratio, dividend policy, stock price.

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Univeritas Muhammadiyah Sumatera Utara  
Jl. Denai No.217, Medan, North Sumatra, Indonesia  
\*Corresponding Author: [ekanurmala@umsu.ac.id](mailto:ekanurmala@umsu.ac.id)

## **INTRODUCTION**

Seeing the development and progress of the industrial world and also accompanied by economic conditions that continue to grow as it is today, it will create very tight competition between one company and another. It also requires companies listed on the Indonesia Stock Exchange (IDX) such as manufacturing companies in the basic and chemical industrial sectors to be able to improve company performance more effectively. This is done in order to obtain the desired profit and remain able to contribute to people's lives from every field of business that is carried out and maximize what is the goal of each company, namely to maximize the value of the company.

Of course, to maximize the value of the company, supporting factors are needed, including the availability of funds so that the company can continue to operate and be sustainable.

Availability of funds can be obtained in various ways, but the easiest source of funds to obtain is by trading shares in the capital market.

Shares are proof of ownership of part of the company. Shares are also an investment instrument that is quite widely chosen by investors because they are able to provide an attractive level of profit to shareholders (Marlina & Sari, 2016). While the capital market according to (Widoatmodjo, 2012) is an abstract market where what is traded in the market is long-term funds in order to obtain funds or capital.

Of course, it is not easy for a company to attract investors to be willing to invest because of fierce business competition and each investor has criteria for investing. Companies are required to see the various opportunities that exist and look for strategies how to attract investors to want to invest their capital. The company's stock price is the thing that attracts investors to invest their capital.

If the stock price of a company continues to increase, the value of the company in the eyes of the community will be good and shows the management of a company has done a very good job. Vice versa, if the stock price of a company decreases, it shows that the management of a company is not doing a good job.

Stock prices often change according to the level of supply and demand in the capital market, where supply and demand for stock prices are influenced by various information that is known or owned by investors about the stock price of a company. Changes in stock prices are influenced by various factors including the dividend policy of a company, the level of cash dividends distributed to shareholders, the level of debt and profits generated by the company.

Dividend policy in a company is also one of the most important aspects and is most considered by shareholders apart from looking at the price of a share in the company. According to (Riyanto, 2011) dividend policy is a policy concerned with the determination of the distribution of income (earnings), whether the income to be paid to shareholders as dividends or to be reused by the company for the company's operational activities. Shareholders will prefer companies that always distribute profits earned by a company as dividends which can indicate that the company is in the best performance in generating profits.

In making optimal dividend policy, of course the financial manager of a company must look at the amount of profit and debt in the company. Financial managers must be able to determine the dividend policy that will be taken to balance the current dividends of the company and the dividend growth rate in the future so that the value of a company can continue to be increased.

Apart from dividend policy, investors also need a lot of accurate information in the form of fundamental information. Fundamental information is information related to the condition of the company. This information will be very helpful for investors as consideration for decision making in determining the company chosen as a place to invest their capital. Fundamental information can be in the form of company financial statements.

The company's financial report is one of the information that can be in the form of financial data that is used to see how the conditions and performance of a company are in a certain period and as a source of information that can be used to predict the development of a company in the future and as a medium of communication to parties who need both. for internal and external parties.

There are many aspects that must be considered and studied by investors before investing in a company from the information that has been obtained by investors, especially in the company's financial statements. Prospects of the company in the future, company liabilities, profits earned, number of shares outstanding, operating cash flow and various other things that affect stock price fluctuations in the capital market are few of the many information that must be reviewed by investors. For this reason, it is necessary to analyze the company's financial performance.

A systematic and measurable analysis of the company's financial performance is very helpful for investors in making investment decisions such as buying, selling or investing as well as being a medium of information to find out the weaknesses and strengths of a company's financial condition. The analysis of the company's financial statements carried out in this study, among others, uses the return on assets, current ratio and debt to equity ratio

Return on assets is a profitability ratio that is used to determine the company's ability to generate profits from revenues related to sales, assets, and equity based on certain measurements. According to (Rambe, 2015) return on assets is a comparison between the company's net profit and total assets owned by the company to measure the rate of return on total investment or return on investment.

The current ratio is a liquidity ratio that measures the company's ability to pay short-term obligations or debts that will soon be due when billed in their entirety. Current ratio can also be said as a form to measure the level of security (margin of safety) of a company. According to (Kasmir, 2015) the current ratio is a ratio to measure the company's ability to pay short-term obligations or debts that are due immediately when billed in their entirety.

While the debt to equity ratio is a group in the leverage ratio or simply the debt to equity ratio explains the company's debt level and is one of the ratios most often used to see the financial performance of a company. This ratio shows the composition or capital structure of the total loan (debt) to the total capital owned by the company in fulfilling its long-term obligations. According to (Ashari & Darsono, 2010) the debt to equity ratio is one of the solvency or leverage ratios. The solvency ratio is the ratio used to determine the company's ability to pay its obligations if the company is liquidated. This ratio is also known as the leverage ratio, which is to assess the company's limits on borrowing money.

Several previous studies examine how the influence of financial ratios as measured by return on assets, current ratio and debt to equity ratio on stock prices with dividend policy as an intervening variable has varied research results. Based on research conducted by (Ulfa et al., 2018) shows the results of the current ratio, debt to equity ratio, return on assets and firm size have a positive and significant influence on dividend policy. Current ratio, return on assets and firm size have a significant positive effect on stock prices while debt to equity ratio and dividend policy have a significant negative effect on stock prices. Dividend policy

is not able to mediate the effect of the current ratio, debt to equity ratio, return on assets and firm size on stock prices.

Research conducted by (Vianti et al., 2018) gives simultaneous results that the current ratio, debt to equity ratio and return on assets affect stock prices with dividend policy as an intervening variable. While partially, dividend policy is able to mediate the value of the current ratio, debt to equity ratio and return on assets to stock prices.

Research conducted by (Admi et al., 2019) shows that liquidity and profitability variables have a significant effect on stock prices in manufacturing companies in Indonesia, while activity ratios and dividend policies affect stock prices in manufacturing companies in Malaysia. Dividend policy variables are not able to mediate the effect of liquidity, leverage, activity and profitability on stock prices in companies in Indonesia, while dividend policy is able to mediate the effects of leverage and profitability on share prices in companies in Malaysia.

The studies that have been carried out by several researchers show that there are differences from each study and still use analytical techniques using the SPSS method in their research so that it motivates the authors to conduct research again regarding "analysis of the effect of return on assets, current ratio and debt to equity ratio on stock prices. with dividend policy as an intervening variable" by using Structural Equation Model (SEM) based on Partial Least Square (PLS) as a data analysis technique.

The formulation of the problem in this study is how the influence of each ratio, namely return on assets, current ratio and debt to equity ratio on stock prices and on dividend policy, how does dividend policy affect stock prices and how does dividend policy influence in mediating the effect of each ratio namely return on assets, current ratio, and debt to equity ratio to stock prices in manufacturing companies in the basic and chemical industry sectors listed on the Indonesia Stock Exchange (IDX) for the 2015-2019 period.

The purpose of this study is to determine, test and analyze the effect of return on assets, current ratio and debt to equity ratio on stock prices and on dividend policy as well as the effect of dividend policy on stock prices and the effect of dividend policy in mediating return on assets, current ratio and debt to equity ratio to stock prices in basic industrial and chemical manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2015-2019 period.

The benefits of this research include: for researchers, this research is expected to increase knowledge and insight, especially those related to stock prices, dividend policy, influencing factors and financial ratios which include return on assets, current ratio and debt to equity ratio. For investors, this research is expected to provide input in making investor decisions in investing funds and capital by looking at stock prices using financial ratio analysis and how to see the performance of a company listed on the Indonesia Stock Exchange (IDX).

## **METHOD**

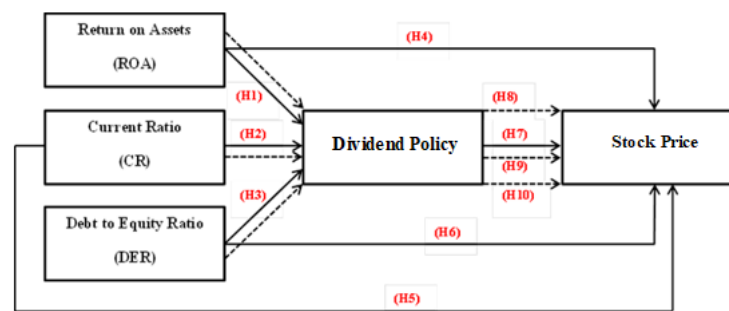
The object of this study is a manufacturing company in the basic and chemical industrial sector which is listed on the Indonesia Stock Exchange (IDX) using empirical data in the form of an annual report through the official website [www.idx.co.id](http://www.idx.co.id)

The population used in this study are manufacturing companies from the basic and chemical industrial sectors listed on the Indonesia Stock Exchange which have 8 sub-sectors including: cement, ceramics, metals, chemicals, plastics, animal feed, wood and paper. This sector consists of 75 companies with research sampling technique using purposive sampling technique.

Purposive sampling technique is a sampling technique with certain considerations or special selection. The special selection includes companies listed on the Indonesia Stock Exchange that publish financial statements in rupiah, companies that do not experience losses or have net profits and companies that consistently distribute cash dividends during the study period, namely in the 2015-2019 period. Based on the sample criteria used, there were 11 companies that matched the criteria including Indocement Tunggal Prakarsa (INTP), Semen Baturaja (SMBR), Semen Indonesia (SMGR), Wijaya Karya Beton (WTON), Arwana Citra Mulia (ARNA), Surya Toto Indonesia (TOTO), Indal Aluminum Industry (INAI), Duta Pertiwi Nusantara (DPNS), Ekadharna International (EKAD), Charoen Pokphand Indonesia (CPIN) and Champion Pacific Indonesia (IGAR).

The data collection technique in this study uses documentation techniques in the form of quantitative data sourced from secondary data in the form of financial statements, financial statements, summary minutes of the GMS (General Meeting of Shareholders), journals, reference books and summary data on the performance of manufacturing companies in the basic industrial sector and chemistry for the 2015-2019 period.

The research framework in this study can be seen in the following figure :



*Figure 1. Model analysis*

The data analysis technique used in this research is descriptive statistical analysis and data analysis using Structural Equation Model (SEM) based on Partial Least Square (PLS). Structural equation model (SEM) is a multivariate analysis technique that performs comparisons between exogenous and endogenous variables as well as an analysis that combines factor analysis and path analysis, making it possible to simultaneously test and estimate the relationship between exogenous and endogenous variables.

The data analysis used in this study includes the analysis of the outer model (Evaluation of Measurement Model) which includes two test models namely validity and reliability tests which are carried out to ensure that the measurement used is feasible to be used as a measurement (valid and reliable). The validity test itself consists of two test models, namely the convergent validity test which has two test models, namely the loading factor and average variance extracted (AVE) and the discriminant validity test which also has two test models in it, namely the Fornell larcker criterion and cross loading. Reliability test can be seen by looking at the value of composite reliability and Cronbach's alpha.

In addition to the outer model, another data analysis used in this research is the inner model analysis or commonly called the inner relation which describes the relationship between variables based on substantive theory. There are 2 techniques in the analysis of the inner model, including R-Square which is a value that shows how much exogenous variables affect endogenous or intervening variables and also F-Square which is a test carried out to assess and see how much impact a variable has. exogenous to endogenous variables.

Hypothesis testing is a data analysis used to see how the direct effect and indirect effect are affected by looking at the t-statistical value. A relationship is said to be significant if the t-statistic value from data analysis is greater than the standard t-statistic value, and vice versa, the relationship is declared insignificant if the t-statistic value from data analysis is smaller than the standard t-statistic value.

**RESULTS AND DISCUSION**

Data on return on assets, current ratio, debt to equity ratio, stock prices and dividend policy in manufacturing companies in the basic and chemical industrial sectors for the 2015-2019 period can be seen in the following table:

**Table 1. Company Data**

Companies	Parameter	Year's				
		2015	2016	2017	2018	2019
INTP	Stock Price	22.325	15.400	21.950	18.450	19.025
	DPR	35,07	88,36	138,55	176,68	100,29
	ROA	15,76	12,84	6,44	4,12	6,62
	CR	488,66	452,50	370,31	313,73	331,21
	DER	0,16	0,15	0,18	0,20	0,20
SMBR	Stock Price	291	2.790	3.800	1.750	444
	DPR	25,00	25,00	25,00	24,94	20,48
	ROA	10,84	5,93	2,90	1,37	0,54
	CR	826,00	286,83	168,00	213,44	228,80
	DER	0,11	0,40	0,48	0,59	0,60
SMGR	Stock Price	11.400	9.175	9.900	11.500	12.000
	DPR	39,96	39,88	48,83	39,91	10,09
	ROA	11,86	10,25	3,36	6,08	2,97
	CR	159,70	127,25	156,78	196,72	136,10
	DER	0,39	0,45	0,61	0,56	1,30
WTON	Stock Price	825	825	500	376	450
	DPR	30,39	28,96	29,71	29,99	25,08
	ROA	3,86	6,05	4,82	5,48	4,94
	CR	136,88	130,91	103,20	111,86	115,72
	DER	0,97	0,87	1,57	1,83	1,95
ARNA	Stock Price	500	520	342	420	436
	DPR	51,53	40,17	72,10	74,11	74,01
	ROA	4,98	5,92	7,63	9,57	12,10
	CR	102,07	134,88	162,62	173,63	173,64
	DER	0,60	0,63	0,56	0,51	0,53
TOTO	Stock Price	695	498	408	348	298
	DPR	43,42	48,98	66,60	32,74	44,04
	ROA	11,69	6,53	9,87	11,97	4,82
	CR	240,67	218,99	229,55	295,35	365,87
	DER	0,64	0,69	0,67	0,50	0,52
INAI	Stock Price	405	645	378	410	440
	DPR	49,82	49,01	49,18	46,98	47,20
	ROA	2,15	2,66	3,18	2,89	2,77
	CR	101,47	100,29	99,25	102,33	107,84
	DER	4,55	4,19	3,38	3,61	2,80
DPNS	Stock Price	387	400	350	316	254
	DPR	16,79	19,85	16,66	21,18	25,23
	ROA	3,59	3,38	1,93	2,91	1,24
	CR	1.335,00	1.516,46	962,15	773,61	2.170,45

Companies	Parameter	Year's				
		2015	2016	2017	2018	2019
EKAD	DER	0,14	0,12	0,15	0,16	0,13
	Stock Price	400	590	695	855	1.070
	DPR	14,85	12,33	16,51	28,31	31,60
	ROA	12,07	12,91	9,56	8,68	7,99
	CR	356,88	488,56	451,92	504,99	691,70
	DER	0,33	0,19	0,20	0,18	0,14
CPIN	Stock Price	2.600	3.090	3.000	7.225	6.500
	DPR	25,95	41,26	36,78	42,51	36,57
	ROA	7,42	9,19	10,18	16,46	12,37
	CR	210,62	212,92	231,66	297,87	256,30
	DER	0,97	0,71	0,56	0,43	0,39
	Stock Price	224	520	378	384	340
IGAR	DPR	9,45	5,61	5,37	10,88	7,99
	ROA	13,39	15,77	14,11	7,83	9,85
	CR	496,10	579,79	650,22	576,25	771,90
	DER	0,24	0,18	0,16	0,18	0,15

Source: processed by researchers

### Descriptive statistics

Descriptive analysis according to (Ferdinand, 2014) is a statistical analysis that serves to describe or give a picture of the object under study through the data sample and the population as it is without doing an analysis and make conclusions apply generally in the study.

**Table 2.** Descriptive Statistics

	Mean	Median	Min	Max	Standart Deviation
X1	739,255	653,000	54,000	1646,000	421,166
X2	38542,545	23166,000	9925,000	217045,000	38384,987
X3	79,382	50,000	11,000	455,000	102,053
Y1	3995,891	3274,000	537,000	17668,000	3064,127
Y2	304,181	350,000	1,070	855,000	248,335

Based on the table above, ROA (X1), CR (X2), DRP (Y1) and stock prices (Y2) have a mean value greater than the standard deviation value, which means that the indicator values between companies are not far apart. It is different with the DER variable (X3) which has a mean value that is smaller than the standard deviation value which shows that the amount of indicator values between companies has a fairly wide range.

### Outer Model

This test aims to see the value of the indicator to its variable and can be said to good if the value of the loading factor > 0.7.

**Table 3.** Loading Factor

	X1	X2	X3	Y1	Y2
CR		1.000			
DER			1.000		
DPR				1.000	
Stock Price					1.000
ROA	1.000				

From the picture above, the value of each research variable has a value of 1,000 and is above the requirements of the loading factor value so it can be concluded that the indicator value of the variable is declared feasible or valid to be used in research and can be used for further analysis.

Average Variance Extracted (AVE). This test aims to determine the value shown by the indicator yang capable captured by the variables compared to the indicator caused by errors of measurement. The value is said to be good if the research results show the AVE value  $> 0.5$ .

**Table 4.** Average Variance Extracted (AVE)

Average Variance Extracted (AVE)	
X1	1.000
X2	1.000
X3	1.000
Y1	1.000
Y2	1.000

The AVE value of all variables is at 1,000 and is above the standard AVE value of 0.5 so it can be concluded that each variable studied has a good indicator and can be continued for further analysis .

This test aims to ensure the validity of the discriminant by looking at the correlation value between the variable and the variable itself or with other variables. It is said to be good if the correlation value between the variable and the variable it self is not may be smaller than the correlation between other variables.

**Table 5.** Fornell Larcker Criterion

	X1	X2	X3	Y1	Y2
X1	1.000				
X2	-0.060	1.000			
X3	-0.421	-0.410	1.000		
Y1	-0.070	-0.253	0.045	1.000	
Y2	-0.089	0.006	0.233	-0.250	1.000

The correlation value of a variable with the variable itself is greater that is equal to 1,000 compared to the correlation value between one variable and another variable. So it can be concluded that the research data variables meet the requirements or criteria which indicate that the model has discriminant validity.



This test aims to assess whether the indicator has adequate discriminant validity and is carried out by looking at the correlation value between the indicator and the variable must have a value greater than the correlation value between the indicator and other variables.

**Table 6.** Cross Loading

	<b>X1</b>	<b>X2</b>	<b>X3</b>	<b>Y1</b>	<b>Y2</b>
<b>CR</b>	-0.060	1.000	-0.410	-0.253	0.006
<b>DER</b>	-0.421	-0.410	1.000	0.045	0.233
<b>DPR</b>	-0.070	-0.253	0.045	1.000	-0.250
<b>Harga Saham</b>	-0.089	0.006	0.233	-0.250	1.000
<b>ROA</b>	1.000	-0.060	-0.421	-0.070	-0.089

From the picture above, it shows that all indicators have a higher correlation coefficient with their variables than the correlation between indicators with other variables, so it can be concluded that there is no problem with discriminant validity.

This test aims to test the reliability of a variable whether the indicator of the variable is valid or not and is carried out by looking at the value of composite reliability and also Cronbach's alpha. Where the value of the two items must have a value  $> 0,7$ .

**Table 7.** Cronbach's Alpha & Composite Reability

	<b>Cronbach's Alpha</b>	<b>Composite Reliability</b>
<b>X1</b>	<b>1.000</b>	<b>1.000</b>
<b>X2</b>	<b>1.000</b>	<b>1.000</b>
<b>X3</b>	<b>1.000</b>	<b>1.000</b>
<b>Y1</b>	<b>1.000</b>	<b>1.000</b>
<b>Y2</b>	<b>1.000</b>	<b>1.000</b>

The value of each item has a value greater than 0.7. So it can be concluded that the variables tested by researchers have a valid value.

### Inner Model

Is a value that is only owned by endogenous and intervening variables. R-square is a value that shows how much exogenous variables affect endogenous or intervening variables. The higher the R-Square value, the better the variables used from the proposed research model.

**Table 8.** R-Square

	<b>R Square</b>	<b>R Square Adjusted</b>
<b>Y1</b>	0.086	0.032
<b>Y2</b>	0.125	0.055

The picture above shows that the variables X1 (return on assets), X2 (current ratio) and X3 (debt to equity ratio) are able to explain the Y2 variable (stock price) by 13% and the remaining 87% is explained by other variables outside of this and this research is also able to explain the intervening variable, namely Y1 (Dividend Policy) of 9% and the remaining 91% is explained by other variables outside of this study.

A test conducted to assess and see how much impact an exogenous variable has on endogenous variables. The criteria for the value of the F-Square test include:

- F-Square value 0.02 = Small effect
- F-Square value > 0.02 or 0.15 = Medium effect
- F-Square value > 0.15 = Big effect

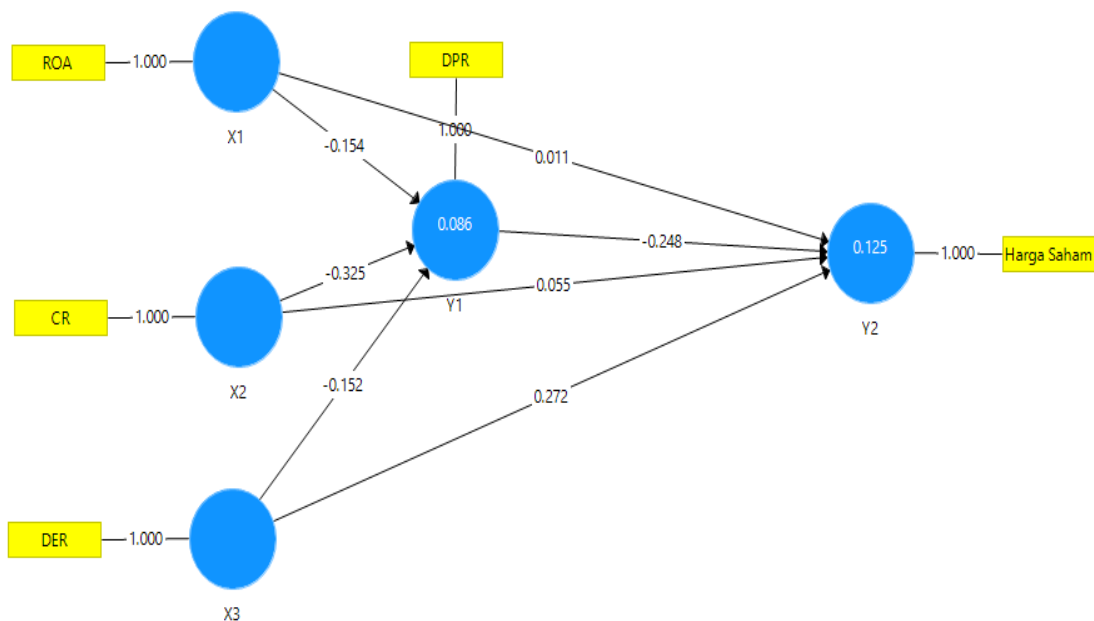
**Table 9. F-Square**

	X1	X2	X3	Y1	Y2
<b>X1</b>				<b>0.020</b>	<b>0.000</b>
<b>X2</b>				<b>0.089</b>	<b>0.002</b>
<b>X3</b>				<b>0.016</b>	<b>0.053</b>
<b>Y1</b>					<b>0.064</b>
<b>Y2</b>					

The results of the F-square test can be concluded as follows:

- ROA and CR on stock prices have small effect
- DER on stock prices has a medium effect
- ROA and DER on dividend policy have small effect
- CR on dividend policy has a medium effect
- Dividend policy on stock prices has a medium effect

**Mediation Effect Analysis**



*Figure 2. Mediation Effect*

**Direct Effect**

A test conducted to see the direct effect of the relationship of an exogenous variable on an endogenous variable.

**Table 10.** Path Coefficient

	Original Sample (O)	T Statistics ( O/STDEV )	P Values
X1→ Y1	-0.154	1.041	0.298
X1→ Y2	0.011	0.069	0.945
X2→ Y1	-0.325	3.774	0.000
X2→ Y2	0.055	0.411	0.682
X3→ Y1	-0.152	1.033	0.302
X3→ Y2	0.272	2.011	0.045
Y1→ Y2	-0.248	2.321	0.021

**Indirect Effect**

A test conducted to see the relationship of the indirect relationship of an exogenous variable to endogenous variables mediated by intervening variables variable.

**Table 11.** Specific Indirect Effect

	Original Sample (O)	T Statistics ( O/STDEV )	P Values
X1→ Y1→ Y2	0.038	0.762	<b>0.447</b>
X2→ Y1→ Y2	0.081	1.637	<b>0.102</b>
X3→ Y1→ Y2	0.038	0.772	<b>0.441</b>

The criteria for testing the direct effect and indirect effect are to look at the original sample value, if it is positive then it is in the same direction and vice versa if it is negative it is in the opposite direction and look at the t-statistic value, if  $> 1,96$  then it is significant and vice versa  $< 1,96$  is not significant

From the picture above it can be concluded: ROA has a positive relationship to stock prices of 0.011%, which means that every 1% increase in ROA will increase stock prices by 0.011%. CR has a positive relationship to the stock price of 0.055% which means every 1% increase in CR will increase the stock price by 0.055%. DER has a positive relationship to the stock price of 0.272%, which means that every 1% increase in DER will increase the stock price by 0.272%. ROA has a negative relationship to dividend policy of -0.154% which means that every 1% increase in ROA will decrease dividend policy by -0.154%. CR has a negative relationship to dividend policy of -0.325%, which means that every 1% increase in CR will decrease dividend policy by -0.325%. DER has a negative relationship to dividend policy of -0.152% which means that every 1% increase in DER will decrease dividend policy by -0.152%. Dividend policy has a negative relationship to stock prices by -0.248% which means that every 1% increase in dividend policy will decrease stock prices by -0.248%. ROA has a positive relationship to stock prices through a dividend policy of 0.038%, which means that every 1% increase in ROA will increase stock prices by 0.038% through a dividend policy. CR has a positive relationship to stock prices through a dividend policy of 0.081%, which means that every 1% increase in CR will increase stock prices by 0.081% through dividend policy. DER has a positive relationship to stock prices through a dividend policy

of 0.038%, which means that every 1% increase in DER will increase stock prices by 0.038% through dividend policy.

## **DISCUSSION**

From the results of direct relationship testing, the t-statistic value is 0.069, which is smaller than the standard t-statistic value of 1.96, which means that return on assets has no significant effect on stock prices. This could be due to the fact that the object of this research uses manufacturing companies in the basic and chemical industrial sectors, which play an important role in supplying raw material needs for other manufacturing sectors, so the high and low profits generated will not affect changes in stock prices in the capital market. The results of this study are in line with research (Darnita, 2012) and also by (Tamuntuan, 2015) which provides that return on assets does not significantly affect stock prices.

From the results of the direct relationship test, the t-statistic value is 0.411, which is smaller than the standard t-statistic value of 1.96, which means that the current ratio has no significant effect on stock prices. This could be because the object of research is a manufacturing company in the basic and chemical industry sector which has an important role in supporting operational activities in other company sectors so that the size of the debt will still be able to be repaid by the company and will not affect changes in stock prices. The results of previous studies conducted by (Ren Sia & Tjun, 2011) and also by (Faleria et al., 2017) show the same results where the current ratio does not significantly affect stock prices.

From the results of the direct relationship test, the t-statistic value is 2.011 which is greater than the standard t-statistic value of 1.96, which means that the debt to equity ratio has a significant effect on stock prices. This is because the debt to equity ratio is a ratio that describes the level of risk of the company in fulfilling all of its obligations using its capital, the higher the debt to equity ratio indicates the company has a high risk in the company's production operations and will result in changes in stock prices. The results of previous studies examined by (Fitriani, 2016) and also by (Sondakh et al., 2006) gave the same results where the debt to equity ratio had an effect on stock prices.

From the results of the direct relationship test, the t-statistic value is 1.041, which is smaller than the standard t-statistic value of 1.96, which means that return on assets has no significant effect on dividend policy. This is because companies that have large profits in their operational activities do not necessarily pay dividends, and vice versa, companies that have low profits are not necessarily unable to pay large dividends. Research conducted by (Novita Sari & Sudjarni, 2015) and (Atmoko et al., 2017) obtained that return on assets has no effect on dividend policy.

From the results of the direct relationship test, the t-statistic value is 3.774 which is greater than the standard t-statistic value of 1.96, which means that the current ratio has a significant effect on dividend policy. A high current ratio value shows the company's ability to utilize the company's current assets and the ability to optimally liquidate current liabilities or debts, so that there are profits that can be distributed as cash dividends to shareholders and this convinces investors that the company is able to pay dividends. This study is in line with the research studied by (Sari et al., 2016) and (Diantini & Badjra, 2016) which show the current ratio has a significant effect on stock prices.

From the results of the direct relationship test, the t-statistic value is 1.033, which is smaller than the standard t-statistic value of 1.96, which means that the debt to equity ratio has no significant effect on dividend policy. This can happen because the company's obligations to pay off existing debts are not financed by company profits but from external sources of the company, namely the capital of shareholders with the aim that the profits

generated can be used to pay dividends to shareholders. This study is in line with research (Ginting, 2018) and (Sujana, 2017) which give the results that the debt to equity ratio has no significant effect on dividend policy.

From the results of the direct relationship test, the t-statistic value is 2.321, which is greater than the standard t-statistic value of 1.96, which means that dividend policy has a significant effect on stock prices. This is because a high proportion of dividend distribution will be a sign or good news for shareholders so that it will increase stock prices and vice versa. The results of this study are in line with (Herlina Wati & Ratna Sari, 2015) and also (Oktaviani & Agustin, 2017) which give the results of dividend policy affecting stock prices.

The direct test results show that return on assets has no significant effect on stock prices, while the results of testing the indirect relationship mediated by dividend policy obtained a t-statistic value of 0.762 which is smaller than the standard t-statistical value of 1.96 which means that return on assets has no significant effect on stock prices through dividend policy.

From the comparison of direct and indirect relationship tests, it can be concluded that dividend policy does not have a mediating role between return on assets and stock prices because there is no change in influence either directly or indirectly. This is because the object of research is a manufacturing company in the basic and chemical industrial sector where the company will still be able to maintain stock prices on the capital market so that investors will still glance at or buy the company's share price because the company value will still be able to generate profits and provide appropriate dividends. with the main focus of investors. The results of this study are in line with research (Ulfa et al., 2018) which shows that dividend policy does not have a mediating role between return on assets and stock prices.

The direct test results show that the current ratio has no significant effect on stock prices, while the results of the indirect relationship test mediated by dividend policy obtained a t-statistic value of 1.637 which is smaller than the standard t-statistic value of 1.96 which means current ratio has no significant effect on stock prices through dividend policy.

From the comparison of direct and indirect relationship tests, it can be concluded that dividend policy does not have a mediating role between the current ratio and stock prices because there is no change in influence either directly or indirectly. This is because the company has an important role in supplying raw materials for other industrial sector activities so that investors believe that the company will still be able to pay off maturing obligations and still be able to pay cash dividends to shareholders. This study is in line with research (Sri Oktaryani et al., 2016) which gives the results that dividend policy is not able to mediate the relationship between the current ratio and stock prices.

The direct test results show that the debt to equity ratio has a significant effect on stock prices, while the results of the indirect relationship test mediated by dividend policy obtained a t-statistic value of 0.772 which is smaller than the standard t-statistic value of 1.96 which means that the debt to equity ratio has no significant effect on stock prices through dividend policy.

From the comparison of direct and indirect relationship tests, it can be concluded that dividend policy has no role or is not expected to mediate between debt to equity ratio and stock price. This is because there is a change in the effect of a direct relationship that has a significant effect to no significant effect when mediated by dividend policy. A low debt-to-equity value indicates that the company has low debt and will result in higher stock prices, but when the company's management decides to provide large dividends, it will affect changes in stock prices. This is because the company is considered capable of paying off debt with its own capital so that it will affect the company's stock price in the capital market.

This study is in line with (Bulutoding et al., 2016) which results that dividend policy does not have a mediating role between debt to equity ratio and stock price.

## CONCLUSION

Based on data analysis, it can be concluded that return on assets and current ratio have no significant effect on stock prices, debt to equity ratio and dividend policy have a significant effect on stock prices, return on assets and debt to equity ratio have no significant effect on dividend policy. , the current ratio has a significant effect on stock prices and dividend policy is unable to mediate the effect of the relationship of return on assets, current ratio and debt to equity ratio on stock prices in manufacturing companies in the basic and chemical industry sectors for the 2015-2019 period. The suggestion from this research is that the company must be able to maximize the company's operational activities in order to remain able to generate profits, the company must be able to optimize the use of its assets to pay off its obligations in order to remain able to maintain the stability of the company's stock price in the capital market. For further research who is interested in researching with the same title can add more variables or indicators to be studied or try to use other variables and indicators outside of this research, this study still uses a limited period of 5 years so it is possible to add a research period or use different research objects in order to be able to produce better and more accurate information.

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