

# The Influence of Dividend Policy and Earnings per Share on Stock Prices of Mining Companies Listed on the Indonesia Stock Exchange (2019-2021)

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**Abstract-** This study analyzes the influence of dividend policy and earnings per share on the stock prices of mining companies listed on the Indonesia Stock Exchange from 2019 to 2021. To put it in different words, the study focuses on mining companies listed on the BEI (Indonesia Stock Exchange) and applies multiple regression analysis to examine data from financial reports and the official website of the exchange. The research findings indicate that dividend policy (DPS) and earnings per share (EPS) have a noteworthy and positive influence on the stock prices of mining companies. These results underscore the importance of dividend policy and earnings per share as key factors in determining stock prices in the mining industry. The research contributes to corporate financial theory and offers valuable insights for investors and decision-makers in managing corporate finances. Future studies can expand on this research by examining additional factors influencing stock prices across various industries and considering a longer time period to further assess the impact of dividend policy and earnings per share on stock prices.

**Keywords-** Dividend Policy, Earnings Per Share, Stock Prices, Mining Companies, Indonesia Stock Exchange

## I. INTRODUCTION

### 1.1 Research Background

Like a shell that holds hidden treasures, Indonesia is perceived as the world's mining gem, illuminating the global economy. Mining businesses listed on the BEI considerably boost the country's earnings and foreign exchange reserves, which benefits the economy. The mining industry is also considered high-risk due to its susceptibility to significant fluctuations in commodity prices.

Mining companies must make wise and strategic decisions when faced with substantial risks. The DPS and EPS are two crucial determinants. The stock price and company value are directly influenced by these policies. Examining the intricate relationships between DPS, EPS, and stock prices of mining firms listed on the BEI from 2019 to 2021 is the goal of this study.

### 1.2 Scope of Problems

In this study, the effect of DPS and EPS on the stock prices of mining firms listed on the BEI between 2019 and 2021 is the main objective. It tries to address the unique problems associated with the impact of DPS and EPS on stock prices in the mining sector during this time range.

### 1.3 Research purposes

The main objective of this study is to carry out a thorough analysis to ascertain the impact of DPS and EPS on the stock value of mining firms that are listed on BEI between 2019 and 2021. The objective of the study is to offer a comprehensive analysis of the link between these variables and the stock value of mining businesses throughout the given time period.

### 1.4 Benefits of research

This study is anticipated to significantly contribute to the advancement of knowledge and business practices. Some specific benefits of this research include:

- This study is predicted to offer more in-depth understandings of the DPS and EPS procedures used by businesses as factors for investors to consider when investing in mining firms listed on the BEI.
- It tries to determine how DPS and EPS affect mining firms listed on the BEI from 2019 to 2021 in terms of stock value.
- The research will offer mining businesses advice on the best DPS and EPS choices to raise company value and stock prices.

## II. THEORETICAL BASIS

### 2.1 Dividend Theory

According to Brigham and Ehrhardt (2014), dividends are a way for companies to acknowledge their shareholders' ownership by distributing earnings to them. The bird-in-the-hand theory asserts that investors place a higher value on dividends than capital appreciation, while the signaling theory suggests that companies can use dividend policy to signal information to the market. These are just two theories put forth to explain corporate dividend policies.

The bird-in-the-hand theory, initially proposed by Myron Gordon and John Lintner in 1960, argues that investors prefer dividends over capital gains because the former offers a higher level of certainty, while the latter can only be realized if stock prices rise. This argument is based on the notion that investors often value income stability more than risk.

The clientele theory, first introduced in 1961 by Merton H. Miller and Franco Modigliani, posits that investors' preferences for dividend policy may vary based on the tax rates applied to dividends and capital gains. This hypothesis argues that investors with high tax rates prefer dividends, while investors with low tax rates prefer capital gains. In other words, each investor's preferred dividend policy is determined by their unique tax situation.

### 2.2 Earning Per Share

EPS is a statistic that investors use to evaluate a company's performance and forecast future stock investment returns. According to Brigham and Ehrhardt (2014), EPS is determined by dividing a company's net earnings by the total number of outstanding shares. A high EPS can be seen as a sign that a firm has great future profit potential and will increase the value of its shares. As a result, EPS is now a crucial factor that investors take into account when making investment decisions.

Earnings per share, or EPS, is a metric used to assess a company's ability to produce profits for each outstanding share it has in the market. According to Brigham and Houston (2016), EPS is calculated by dividing the total net earnings the firm made during a certain time period by the number of outstanding shares. By using EPS, investors may evaluate each share's profitability. This helps investors compare the performance of the firm to other companies in the same industry and assess the prospective returns on their investments.

Earnings per share (EPS), the most popular measure of corporate performance, is important for investors, according to Kieson et al. (2015). According to financial theory, a high EPS denotes strong business success. The price-to-earnings ratio (PER), which assesses the link between a company's stock market valuation and its earnings, is also calculated using EPS. Investors may determine if a company's stock is generally overpriced or undervalued by comparing the stock market value with the level of earnings per share using the PER.

### 2.3 Dividend Policy Concept

Dividend policy is one of the strategic choices taken by corporate management regarding the allocation of earnings to shareholders. A company's payments to its shareholders as a reward for their ownership are referred to as dividends. According to Brigham and Houston (2016), a company's dividend policy affects stock prices since dividend payments can provide investors a good idea of the performance and outcomes of the business. As a result, a company's dividend policy may have an impact on how its stock market values fluctuate.

### 2.4 Dividen per Share

Dividend Per Share (DPS) is a ratio that evaluates the amount of dividend paid by a firm for each share owned by shareholders, according to Mulyad (2015). Based on the company's objective to provide clarity to shareholders regarding the amount of dividends they receive, DPS is used to determine dividend policy. By utilizing DPS, companies can more accurately and quantitatively determine the amount of dividends to be paid to shareholders. This enables businesses to establish dividend policies in a clearer and more measurable manner.

### 2.5 Previous Research

DPS and EPS have been the subject of prior research looking at how they affect stock prices. When Retni Noviasar (2011) examined manufacturing businesses listed on the Indonesian Stock Exchange (BEI), she discovered that dividends and earnings per share had a favorable and significant influence on stock prices. According to a study by Fanny Adella (2021) on retail service businesses listed in Indonesia, EPS has a big impact on stock prices whereas DPS has little to no effect. Indah Sari (2021) found that profits per share and dividend policy had an impact on stock prices while researching industrial businesses listed in Indonesia.

### III. RESEARCH METHODOLOGY

#### 3.1 Research methods

The impact of DPS and EPS on the stock prices of mining firms listed on the BEI between 2019 and 2021 is examined in this study using a quantitative methodology. Because the goal of this study is to quantitatively quantify and assess the relationship between the variables under inquiry, the quantitative technique was chosen.

In the quantitative approach, data related to dividend policy per share, measured by dividend per share, earnings per share measured by EPS, and stock prices measured by the average stock price during the research period, are collected from mining companies listed on the BEI from 2019 to 2021. The data is then analyzed using relevant statistical methods, such as regression analysis, to test the relationship between dividends, earnings per share, and stock prices.

#### 3.2 Population and Sample

The mining firms that were listed on the BEI between 2019 and 2021 make up the study's population. Utilizing the purposive sampling strategy, which entails choosing mining businesses that satisfy certain requirements, the study sample is chosen, including:

- Mining firms in the mining industry that had an Initial Public Offering (IPO) before or at the time of the research.
- Mining firms in the mining industry that offer yearly financial reports with the data needed for the study.
- Mining enterprises that remained profitable over the research period in the mining industry.

#### 3.3 Research variable

Multiple research factors are used in this study. Dividend policy, which is assessed by the dividend payout ratio and represents a part of net income allocated to shareholders, and earnings per share (EPS), which is determined by dividing net income attributable to common shareholders, are the independent variables. The stock price, on the other hand, is the dependent variable and is calculated using the arithmetic average technique of the company's stock prices throughout the course of each year of the study period. In the context of this study, these factors are crucial for analyzing the connection between dividend policy, profits per share, and stock price.

#### 3.4 Data collection technique

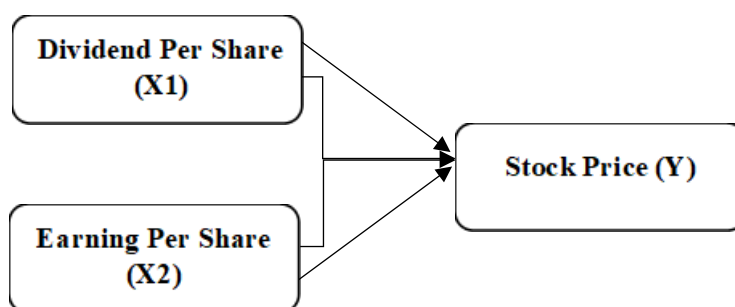
Two major sources provided the data that was used in this investigation. First, data on DPS and EPS were gathered from the financial reports of mining businesses registered on the BEI. In the meanwhile, accurate stock price information was gathered from sources such stock trading platforms or BEI's official website. These data were employed to measure the dependent variable in the research, namely stock price.

#### 3.5 Data analysis method

The collected data was analyzed using linear regression method. This method was employed to examine the relationship and impact between dividend policy, earnings per share, and stock prices in the mining industry. Furthermore, in this analysis, statistical tests were conducted to assess the influence of these variables on stock prices. The study will utilize t-tests to evaluate the individual significance of each variable on stock prices, while the F-test will examine the combined significance of both variables in explaining changes in stock prices.

#### 3.6 Conceptual framework

Figure 1 Research Model



IV. RESULTS AND DISCUSSION

4.1 General Description of the Research Object

This research adopts a quantitative research approach with the use of secondary data. The data used consists of annual reports from sampled companies during the study period. The population for this research includes companies listed on the Indonesia Stock Exchange (BEI) from 2019 to 2021. The sample selected for the study focuses on companies in the mining sector. The sampling technique employed is purposive sampling, whereby the sample companies are selected based on predetermined criteria set by the researcher. The following is an explanation of the sampled companies based on the specified criteria.

Table 1 Sample Companies

Number of companies in the mining subsector listed on the IDX for the 2019-2021 period.	<b>46X3= 138</b>
Sample selection criteria:	
1. Mining sector companies that go IPO after a year of research	<b>8</b>
2. Mining sector companies that do not present annual financial reports and contain information needed in research.	<b>19</b>
3. Mining sector companies that experience losses	<b>9</b>
<b>The number of samples that do not meet the criteria</b>	<b>36X3= 108</b>
<b>The number of samples that meet the criteria and are ready to be processed</b>	<b>30</b>
<i>Outlayer</i>	<b>(2)</b>
<b>Research Sample</b>	<b>28</b>

4.2 Data Analysis and Hypothesis Testing

4.2.1 Descriptive Statistical Analysis

By describing and summarizing the available data based on facts, the descriptive analysis is a statistical approach used to comprehend and interpret the study data (Sugiyono, 2017:147). The outcomes of the descriptive statistical analysis are shown below.

Table 2 Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DPS	28	2.82	1286.00	203.8228	331.31508
EPS	28	.03	6169.01	717.0030	1477.28486
Harga	28	212	16706	3247.25	4446.824
Valid N (listwise)	28				

The lowest, maximum, mean, and standard deviation values for each study variable are displayed in the aforementioned descriptive statistical table. The sample size is 28 as shown in the table above. Here is an explanation of the descriptive analysis table:

1. In the year 2019 for the Aneka Tambang Tbk firm, the DPS variable has a minimum value of 2.82 and a maximum value of 1286 for the Bayan Resources Tbk company in the following year. Its standard deviation is 331.31508 and its mean value is 203.8228.

2. In 2021, the EPS variable will have a minimum value of 0.3 for Petrosea Tbk and a maximum value of 6169.01 for Indo Tambangraya Megah Tbk. Its standard deviation is 1477.28486 and its mean value is 717.0030.
3. The price variable in the firm Radiant Utama Interinsco Tbk in 2021 has a minimum value of 212 and a maximum value of 16706 in the company Indo Tambangraya Megah Tbk in 2021. Its standard deviation is 4446.824, and its mean value is 3247.25.

4.2.2 Hypothesis Test

4.2.2.1 Test the Coefficient of Determination (R<sup>2</sup>)

DPS (X1) and EPS (X2) on the dependent variable, stock price (Y), were employed as independent variables in this study. To determine whether the model employed in this study depicts the simultaneous or combined effect of the independent variables on the dependent variable, the coefficient of determination test is utilized. Analyzing the coefficient of determination value will reveal the outcomes. If the value is low, it means that the independent variables can only partially account for the dependent variable's data. The capacity of the independent variables to explain the information in the dependent variable is good if the value is near to 1 or distant from 0. The following are the results of the coefficient of determination test (R<sup>2</sup>):

Table 3 Determination Coefficient Test

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.961 <sup>a</sup>	.924	.918	1273.943	2.595

a. Predictors: (Constant), DPS, EPS

b. Dependent Variable: Harga Saham

Based on the aforementioned table, it is known that the adjusted R square value is 0.918, meaning that the independent variables DPS and EPS may impact or explain 91.8% of the data, while the remaining 8.2% is influenced by additional factors not included in this study. DPS and EPS can forecast 92.4% of the stock price, according to the R square value of 0.924, while other factors affect the remaining portion. Additionally, the research test's R value is 0.961, which implies a 96.1% correlation between the independent variables DPS and EPS and the dependent variable, stock price.

4.2.2.2 Partial Test (t test)

This test is designed to determine how significantly the independent factors' effects on the dependent variable are significant. The following requirements must be met to evaluate this test: if the significance value for the independent variables is less than 0.005, it is proven that the independent factors substantially affect the dependent variable. The independent factors do not substantially impact the dependent variable, on the other hand, if the significance value is >0.005. The findings of this study's partial test are shown in the table below.

Table 4 Partial Test (t test)

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	621.333	284.398		2.185	.038		
DPS	10.096	1.082	.752	9.332	.000	.468	2.138
EPS	.792	.243	.263	3.265	.003	.468	2.138

a. Dependent Variable: Price

The results obtained from the partial test table above indicate that for the DPS variable, the calculated t- value is 9.332, which is greater than the tabulated t-value of 1.708. Additionally, 0.000, or less than 0.05, is the outcome's significance value. The alternative hypothesis (H1) that DPS having an impact on stock prices is thus accepted.

The estimated t-value for the EPS variable is 3.265, but the tabulated t-value is 1.708 (determined from  $n-k-1 = 28-2-1 = 25$  and a significance level of 0.05). The alternative hypothesis (H2) that EPS affects stock prices is accepted since the computed t-value is more than the tabulated t-value and the significance value is 0.003, which is less than 0.05.

4.2.2.3 Stimulant Test (Test F)

The purpose of this test was to see if the independent factors utilized had an immediate and meaningful impact on the dependent variable. The standard is that no independent variable should have a substantial impact on the dependent variable if the significance value of F is more than 0.05. On the other hand, if the significance level of F is less than 0.05, all independent factors are likely to significantly affect the dependent variable. Another criterion is to compare the calculated F-value with the tabulated F-value. If the calculated F-value is greater than the tabulated F-value, then the null hypothesis (H0) is rejected, and the alternative hypothesis (H1) is accepted.

Table 5 Simultaneous Test (F Test)

**ANOVA**  
a

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	493331287.409	2	246665643.705	151.988	.000 <sup>b</sup>
Residual	40573263.841	25	1622930.554		
Total	533904551.250	27			

a. Dependent Variable: Price

The significance value of F is 0.000, which means that this value is below 0.05. It indicates that all the independent variables used have a significant influence on the dependent variable. Another criterion is to compare the calculated F-value, which is 151.988, with the tabulated F-value of 4.260. Since the calculated F-value of 151.988 is much larger than the tabulated F-value, it aligns with the predetermined criterion. Therefore, it can be concluded that the independent variables, DPS and EPS, as a whole, have a significant impact on stock prices.

4.2.2.4 Multiple Regression Model

Multiple regression analysis aims to understand and analyze the relationships between the independent variables, namely EPS and DPS, and the dependent variable, stock price. The following table presents the results of the regression analysis.

Table 6 Multiple Regression Model

<b>Coefficients<sup>a</sup></b>					
Model	Unstandardized Coefficients		Standardize d Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	621.333	284.398		2.185	0.038
DPS	10.096	1.082	0.752	9.332	0.000
EPS	0.792	0.243	0.263	3.265	0.003

a. Dependent Variable: Price

Based on Table 4.10, the regression model used is as follows: Stock Price = 621.333 + 10.096DPS + 0.792EPS + e

After forming the regression model equation, we can determine the respective impacts of the independent variables, DPS and EPS, on the dependent variable, stock price, as follows:

1. The constant value of 621.333 indicates that when the values of EPS and DPS remain constant, the stock price is 621.333.
2. The DPS variable has a correlation value of 10.096, indicating a favorable relationship between DPS and the stock price. The stock price will rise by 10.096 if the DPS value climbs by 1%. On the other hand, if the DPS value falls, so will the stock price.
3. The EPS variable has a coefficient of 0.792, indicating that EPS and stock price have a positive relationship. The stock price will rise by 0.792 in response to a 1% increase in EPS. On the other hand, if the EPS value falls, so will the stock price.

## V. CONCLUSION

The research findings may be summed up as follows based on the analysis utilizing Descriptive Statistical Analysis, Classical Assumption Tests, and Hypothesis Testing:

1. Between 2019 and 2021, the dividend per share (DPS) of mining firms listed on the Indonesia Stock Exchange will have a substantial influence on stock prices. According to the test results, a 1% rise in DPS causes a 10.096% increase in stock value.
2. During the years 2019 through 2021, earnings per share (EPS) has a major impact on stock prices in mining firms listed on the Indonesia Stock Exchange. The test's findings show that a 1% rise in EPS causes a 0.792 increase in stock value.
3. Dividend per Share (DPS) and Earning per Share (EPS) together have a significant impact on stock prices in mining companies listed on the Indonesia Stock Exchange during the period of 2019-2021. This implies that the levels of both independent variables can affect stock prices. In this case, a favorable dividend policy and strong earnings per share can attract investor interest. When a company adopts a beneficial Dividend Policy (DPS) and records good EPS, investors tend to perceive the company as having good performance and potential for higher returns on investment. This impact can attract investor interest and help drive an increase in the company's stock price.

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