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The Effect of Profitability, Liquidity and Dividend Policy on Stock Returns on Food & Beverage Companies Listed on the IDX during Covid19

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Abstract: *This study aims to examine the effect of profitability, liquidity and dividend policy on stock returns. The research is a quantitative study using multiple linear regression analysis with the help of SPSS version 25 software. The population in this study is food & beverage companies listed on the Indonesia Stock Exchange (IDX) for 2019-2021. The sampling technique in this research used a purposive sampling method, the samples used were 19 food & beverage companies and those that met the criteria with 54 data used as research. The results of the research analysis of dividend policy have an effect on stock returns, while profitability and liquidity had no effect on stock returns for food & beverage companies during COVID-19.*

Keywords: Profitability, Liquidity, Dividend Policy, Stock Returns

I. INTRODUCTION

The economy in Indonesia has been seriously affected by the Covid-19 pandemic, due to regulations set by the government, namely limiting community activities such as PSBB (Large-Scale Social Restrictions). Various industrial sectors have been affected by Covid-19, one of which is the food and beverage industry which has experienced a decline sales (Kemenprin.go.id, 2021). Companies are required to be more competitive in order to be able to adapt to avoid losses by making strategic policies that produce company efficiency and effectiveness (Suhendah and Yonanda, 2022). In making these efforts companies need a lot of funds and companies can obtain funds through capital market (Permata and Ghoni, 2019).

The capital market can encourage the creation of an efficient allocation of funds, because with the capital market, investors can choose investment alternatives that provide the most optimal benefits (Adyatmika and Wikusuana, 2018). There are various kinds of investment offered in the capital market, one of which is stock investment. The stock investment has a higher level of risk than other investments such as bonds and deposits. The greater the profit obtained from investing in stocks, the higher the risk that will be accepted (Widiarni and Dillak, 2019).

The Covid-19 pandemic has affected investor behavior in investing, they tend to be more careful in making investment decisions to avoid greater losses (Suhendah and Yonanda, 2022). Shares of companies that have good performance will be chosen by investors. The better the company's performance, the higher the return that will be generated (Meilinda and Destriana, 2019). The stock returns are the level of profit that investors get for the stock investments that have been made (Balqis, 2021).

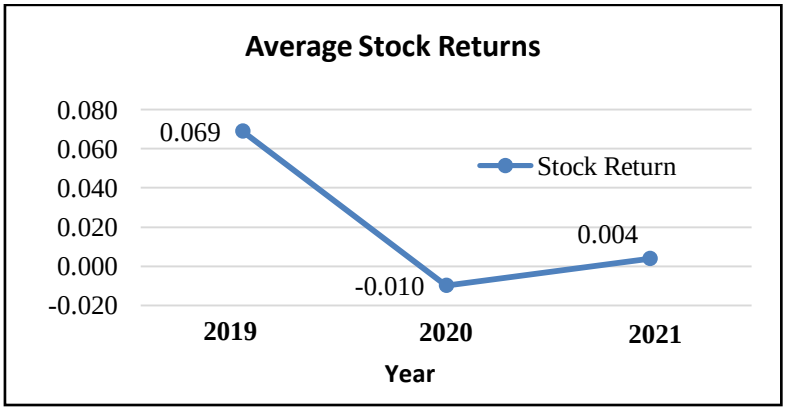


Figure 1.1 Average Stock Returns on Food & Beverage Stocks listed on the IDX 2019-2021

Based on graph 1.1, the average stock return for food and beverage companies from 2019 to 2021 has experienced fluctuating movements. In 2019, the average stock returns was 6.91% and in 2020 it decreased by 7.90% from the previous year, become -1.00%. In 2021 there was an increase of 1.42% from the previous year, become to 0.4%.

The movement of fluctuating stock return illustrates the unstable condition of the company's financial performance, causing investors and potential investors to worry about investing (Widiarni and Dillak, 2019). Investors need to analyze the factors that can affect stock returns related to their stock investment. In this study, there are three financial ratios that are thought to affect stock returns, namely profitability, liquidity and dividend policy.

The profitability ratio is important to analyze during the Covid-19 pandemic because a decrease in purchasing power by the public will cause the company's profits to decrease compared to before Covid-19 (Gunawan, 2021). Return On Equity (ROE) is a measure of the profitability ratio that can show the company's performance in obtaining net profit by utilizing all equity. The higher the ROE value of a company, the higher the profit earned. Increasing ROE will increase investor interest in investing their funds in companies and cause high stock prices and increase stock returns (Prameswari and Djawato, 2021).

The liquidity is a ratio that shows a company's ability to meet its short-term liabilities. Liquidity is predicted by the current ratio (CR) because it can determine the extent to which a company is paying off its short-term debt with current assets (Prameswari and Djawato, 2021). The higher the CR value, the better the company's performance because it pays off its short-term debt. Companies with high current ratio conditions indicate increased credit sales and adequate inventory and indicate the company is in good and stable condition, which directly affects stock returns which tend to be stable and even increase (Sinaga et al, 2020)

Dividend policy is a company decision regarding profits to be distributed in the form of dividends to shareholders. In this study the dividend policy ratio used by researchers is the Dividend Payout Ratio (DPR). The higher the value of the DPR, the higher the interest of investors to invest their capital so that it can increase stock prices and stock returns (Anesty and Laely, 2019).

II. LICETARTURE REVIEW

2.1 Signaling Theory

The signal theory is an action taken by company management to provide signals or information to investors. The information provided is in the form of financial reports that can show the performance of the company (Gunawan, 2021). According to Yap and Firnanti (2019), signaling by management will influence investor decisions in the future. If the information provided is a positive signal, investors will also respond positively by investing in the company and will cause stock prices to increase along with stock returns.

2.2 Stock Returns

The Stock Return is income or return that are entitled to investors because they have invested their funds in shares (Aisjah, 2015). Stock return consists of two components, namely, capital gain/capital loss and current income. Capital gain is the gain obtained by investors from the difference between the buying and selling prices of shares of investments traded on the capital market, while Capital loss is the losses experienced by investors from the difference in buying and selling prices of shares of investment. Current income is a periodic profit such as stock dividends, interest on deposits and bonds (Aladini and Nurulrahmatia, 2021).

2.3 Profitability

The profitability ratio reflects the level of management effectiveness in operating the company (Almira and Wiagustini, 2020). In this study, profitability is measured using Return on Equity (ROE).Return on Equity (ROE) is a ratio that describes a company's ability to utilize capital or equity to obtain net profit after tax. An increase in ROE value reflects an increase in profits for the company and indicates that the company's performance is good, so that investors will be interested in buying company shares. High demand when the number of offers is fixed will have an impact on increasing stock prices, so this will also increase stock returns (Devi and Artini, 2019).Based on the description above, the hypothesis can be formulated as follows:

Hypothesis 1 (H1) : Profitability affect the stock returns

2.4 Liquidity

The liquidity can show a company's ability to meet short-term liabilities with its current funds (Dewi and Sudiarta, 2019). The current ratio is a measure of liquidity that shows the extent to which current assets can be used to pay off short-term debt (Dewi and Sudiartha, 2019). A high current ratio indicates that the company is in good and stable condition, so that investors will be interested in investing their funds through buying shares and this can increase stock prices and returns (Sinaga et al, 2020).Based on the description above, the hypothesis can be formulated as follows:

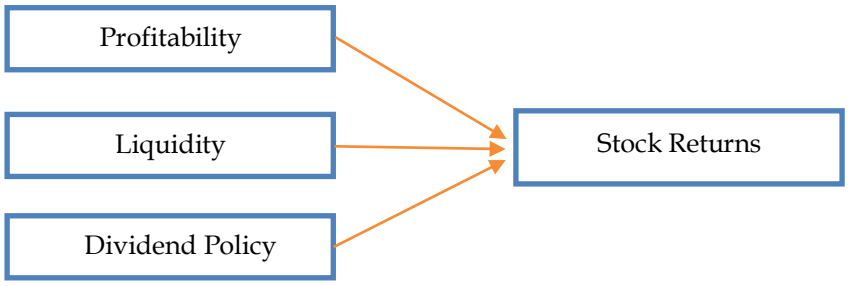
Hypothesis 2 (H2) : Likuidty affect the stock returns

2.5 Dividend Policy

Dividend policy is a company decision whether profits generated in one period will be distributed to investors as dividends or will be retained in the form of retained earnings to finance future investments (Widiarni and Dilak, 2019). Dividend policy can be measured by the dividend payout ratio (DPR). Companies that have a large DPR show that the dividends that will be distributed are also large and of course motivate investors to buy company shares, so this will increase stock prices and returns (Sinaga et al, 2020).Based on the description above, the hypothesis can be formulated as follows:

Hypothesis 3 (H3) : Dividendpolicy affect the stock returns

2.6 Research Framework



III. INDENTATIONS AND EQUATIONS

3.1 Research Design

This study uses associative quantitative methods as an approach in analyzing research problems because this research uses numbers as variable indicators to answer research problems.

3.2 Population and Sample

The populations in this study are food & beverage companies listed on the Indonesia Stock Exchange (IDX). The sampling technique used in this research is purposive sampling. The samples for this study were 19 companies, with a total of 57 samples collected over three periods and 3 samples of outlier data were used so that the final sample used for the study was 54 samples.

3.3 Type and Source Data

The type of data in this study uses secondary data in the form of annual reports and annual financial reports of food & beverage companies for 2019-2021 which are listed on the Indonesia Stock Exchange (IDX) which can be accessed on the official website of the Indonesia Stock Exchange (www.idx.co.id) and company website.

3.4 Multiple Linear Regression Analysis

The analytical method used to test the hypothesis is a multiple linear regression analysis model. Multiple linear regression analysis is used to explain the relationship and how much influence the independent variables have on the dependent variable. The multiple linear regression equation is as follows:

$$Y = \alpha + \beta1X1 + \beta2X2 + \beta3X3 + e$$

Information:
Y = Stock Return
α = Constant
X1 = Profitability as measured using Return on Equity (ROE)
X2 = Liquidity as measured using the Current Ratio (CR)
X3 = Dividend policy as measured using the Dividend Payout Ratio (DPR)
β1, β2, β3 = Regression coefficient of each independent variable
e = Error terms

3.5 Stock Returns

Stock return can be measured by comparing the current period's stock price minus the previous period's stock price with the previous period's stock price. Stock Return can be formulated as follows:

$$\textbf{Stock Returns} = \frac{P_t - P_{t-1}}{P_{t-1}}$$

Information:
Pt = stock price in the previous year t
Pt-1 = year stock price

3.6 Profitability

Profitability is a ratio that shows the entity's ability to generate profits. In this study, profitability is measured by Return on Equity (ROE) where ROE compares net profit after tax with the company's total equity. So itcan be formulated as follows:

$$\textbf{ROE} = \frac{\textbf{Net Profit After Tax}}{\textbf{Total Equity}} \textbf{x } 100\%$$

3.7 Liquidity

In this study, liquidity is measured by the Current Ratio (CR), where CR compares current assets with current liabilities of the company. So it can be formulated as follows:

$$\textbf{CR} = \frac{\textbf{Current Assets}}{\textbf{Current Liabilities}} \textbf{x } 100\%$$

3.8 Dividen Policy

In this study, dividend policy is measured by the Dividend Payout Ratio (DPR), where the DPR compares cash dividendsper share with earnings per share. So it can be formulated as follows:

$$\textbf{DPR} = \frac{\textbf{Dividend Per Share}}{\textbf{Earning Per Share}} \textbf{x } 100\%$$

IV. DATA ANALYSIS AND DISCUSSION

4.1 Descriptive Statistical Analysis

Table 1. Descriptive Statistics

Variables	N	Minimum	Maximum	Means	std. Deviation
Profitability	54	,019	,308	,13272	,064563
Liquidity	54	,818	7,133	2.62476	1.487945
Dividend Policy	54	,110	1,090	,40172	,250158
Stock Returns	54	-,693	,808	-,00515	,256543
Valid N (listwise)	54				

Source: Data Analysis Results, 2022

Based on the descriptive statistical tests in table 1, there is information about the minimum, maximum, average (mean), and standard deviation values of each of the variables studied in this study.

1. Profitability variable as measured by Return On Equity (ROE) has a minimum value of 0,019 and a maximum value of 0,308. Meanwhile, the average (mean) has a value of 0,13272 with a standard deviation of 0,064563.
2. The liquidity variable as measured by the Current Ratio (CR) has a minimum value of 0,818 and a maximum value of 7,133. Meanwhile, the average (mean) has a value of 2.62476 with a standard deviation of 1.487945.
3. The dividend policy variable as measured by the dividend payout ratio (DPR) has a minimum value of 0,110 and a maximum value of 1,090. Meanwhile, the average (mean) has a value of 0,40172 with a standard deviation of 0,250158
4. Stock Return variable has a minimum value of -0,693 and a maximum value of 0,808. Meanwhile, the mean has a value of -,00515 with a standard deviation of 0,256543.

4.2 Classic Assumption Test

4.2.1 Normality Test

Table 2. Normality Test Result

Information	Unstandardized Residuals
asymp. Sig. (2-tailed)	$.200^{c,d}$

Source: Data Analysis Results, 2022

Based on Kolmogorov-Smirnov obtained Asymp. Sig (2-tailed) is 0.200, it can be concluded that the data in this study are normally distributed because the significance value is 0.200> 0.05.

4.2.2 Multicollinearity Test

Table 3. Multicollinearity Test Result

Variables	Collinearity Statistics		Information
	Tolerance	VIF	
(Constant)			
Profitability	,986	1,014	There is No Multicollinearity
Likuidity	,980	1,021	There is No Multicollinearity
Dividend Police	,993	1,007	There is No Multicollinearity

Source: Data Analysis Results, 2022

From the test results above, it shows that the score of each independent variable tolerance value is greater, namely 0.1 and the VIF value is less than 10.0, so it can be concluded that all variables do not have a multicollinearity problem.

4.2.3 Heteroscedasticity Test

Table 4. Heteroscedasticity Test Result

Variables	Sig.	Information
Profitability	.839	There is No Heteroscedasticity
Liquidity	.125	There is No Heteroscedasticity
Dividend Policy	.363	There is No Heteroscedasticity

Source: Data Analysis Results, 2022

Based on the results of the Heteroscedasticity Test above, it shows that all independent variables have a significance value of > 0.05 so that it can be concluded that the regression model does not have heteroscedasticity.

4.2.4 Autocorrelation Test

Table 5. Autocorrelation Test Result

R	R Square	Adjusted R Square	std. Error of the Estimate	Durbin-Watson
.395a	.156	.105	.242655	1.973

Source: Data Analysis Results, 2022

From the test results above, the DW value (durbin watson) is 1.973, which means that it is 1.6800 (du) and 2.3200 (4-du) smaller or 1.6800 < 1.973 < 2.3200. these results were obtained from the DW table with the number of samples (N) 54 and the number of independent variables (k = 3). So it can be concluded that there is no autocorrelation.

4.3 Hypothesis Test

4.3.1 Multiple Linear Regressions

Table 6. Multiple Linear Regression

Variables		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	std. Error	Betas		
1	(Constant)	.005	.104		.048	.962
	Profitability	.934	.520	.235	1.796	.079
	Liquidity	-.001	.023	-.004	-.030	.976
	Dividend Policy	-.329	.134	-.321	-2.463	.017

Source: Data Analysis Results, 2022

Based on the table, the regression equation can be arranged as follows :

Stock Return = 0.005 +0.934ROE - 0.001CR – 0.329DPR + e

Based on equality regression can be interpreted as follows :

1. Constant = 0.005 with a positive direction this can be interpreted if the independent variables (profitability, likuidity, dividend policy) are equal to zero (0), then stock returns increase by 0.005
2. The regression coefficient on the variable profitability as measured by Return On Equity (ROE) is 0.934 with a positive direction. This can be interpreted, if the value of Return On Equity (ROE) increases by one unit assuming the other independent variables are constant, then stock returns will increase by 0,934.
3. The regression coefficient on the variable likuidity as measured byCurrent Ratio (CR) is -0.001 with a negative direction. This can be interpreted if the Current Ratio (CR) increases by one unit assuming the other independent variables are constant, the stock return will decrease by -0.001.

4. The regression coefficient on the variable dividend policy as measured by Dividend Payout Ratio (DPR) variable is -0.329 with a negative direction. This can be interpreted if the value of the Dividend Payout Ratio (DPR) increases by one unit assuming the other independent variables are constant, then stock returns will decrease by -0.329.
5. The error value is 0.104 which states that the level of error or deviation that may not be known in the regression model is 0.104

4.3.2 F test

Table 7. F Test

Variables	Sum of Squares	df	MeanSquare	F	Sig.
Regression	.544	3	.181	3.080	.036b
Residual	2.944	50	.059		
Total	3.488	53			

Source: Data Analysis Results, 2022

Based on the table, it can be seen that the calculated F value is 3.080 with a significance of 0.036, which means that the value issignificantly smaller than the significance level = 0.05, so it can be concluded that the variables of profitability, liquidity and dividend policy simultaneously or jointly affect stock returns.

4.3.3 T test

Table 8. T Test

Model	T	Sig.	Information
Profitability	1.796	.079	The hypothesis is rejected
Likuidity	-.030	.976	The hypothesis is rejected
Dividend Policy	-2.463	.017	Hypothesis received

Source: Data Analysis Results, 2022

Based on the table, it can be explained as follow :

a. The Profitability variable has a significance value of 0.079 which is greater than 0.05 or 5%. So it can be concluded that profitability has no effect on stock returns.
b. The liquidity variable has a significance value of 0.976 which is greater than 0.05 or 5%. So it can be concluded that liquidity has no effect on stock returns.
c. The dividend policy variable has a significance value of 0.017 which is less than 0.05 or 5%. So it can be concluded that dividend policy has effect on stock returns.

4.3.4 Determination Coefficient Test

Table 4. Determination Coefficient Test

R	R Square	Adjusted R Square	std. Error of the Estimate
.395a	.156	.105	.242655

Source: Data Analysis Results, 2022

Based on the table, it can be seen that the coefficient of determination with adjusted R Square is 0.105 or 10.5%, the variation in the stock return variable can be explained by the variables of profitability, liquidity and dividend policy. While the remaining 89.5% is explained by other factors outside the model studied.

4.4 Discussion of Research Results

1. Effect of Profitability on Stock Returns. Based on the results of the t test for the profitability variable, a significance value of 0.079 > 0.05 was obtained, it can be concluded that Hypothesis 1 was rejected. The results showed that the profitability variable had no effect on stock returns.
2. The Effect of Liquidity on Stock Returns. Based on the results of the t test for the liquidity variable, a significance value of 0.976 > 0.05 was obtained, it can be concluded that Hypothesis 2 was rejected. The results showed that the liquidity variable had no effect on stock returns.
3. Effect of dividend policy on stock returns. Based on the results of the t test for thedividend policy variable, a significance value of 0.017 <0.05 was obtained, it can be concluded that Hypothesis 3 is accepted. The results of the study show that the dividend policy variable had effect on stock returns.

V. CONCLUSION

Conclusion

Based on the results of the analysis and discussion in the previous chapter, the following conclusions can be drawn:

1. Profitability has no effect on stock returns. This shows that profitability is not a determining factor for stock returns.
2. Liquidity has no effect on stock returns. This shows that liquidity is not a determining factor in stock returns.
3. Dividend policy has affects stock returns. This shows that dividend policy is a determining factor in stock returns.

Limitations

This research still has limitations and needs to be considered by future researchers. The limitations of existing research include:

1. Sampling in this study is limited to food & beverage companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2021 period, so this research cannot be generalized to companies outside mining.
2. This study only uses a few variables, so that as a whole it cannot explain what factors influence stock returns.

Suggestion

Based on the conclusions and limitations of this study, several suggestions can be put forward that can be used in further research, namely:

1. Future research is expected to increase the number of samples of companies listed on the IDX by expanding the industrial sector and the observation period so that the results are far more accurate and generalizable.
2. Future research can add other variables that can affect stock returns.

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