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DOES CAPITAL STRUCTURE, PROFITABILITY, AND DIVIDEND POLICY IMPROVE STOCK PRICES?

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ABSTRACT

Purpose: The aim of this study is to investigate how capital structure, profitability, and dividend policy impact the stock prices of companies in the consumer goods manufacturing industry sector listed on the Indonesia Stock Exchange from 2018 to 2020

Theoretical framework: The theoretical framework is based on agency theory and financial management. It focuses on the relationship between financial structure, profitability, dividend policy, and stock prices. Financial structure is measured by the debt-to-equity ratio, profitability by return on assets, and dividend policy by the dividend payout ratio. The framework highlights the fundamental factors that affect a company's financial performance, which in turn influence its stock price.

Design/methodology/approach: The data utilized for this research is quantitative in nature, consisting of financial ratios and approached descriptively. Descriptive statistics and panel data regression analysis were employed for data analysis with the aid of the Eviews 12 Student version application.

Findings: The Results of the research indicate that capital structure, profitability, and dividend policy have a simultaneous impact on the closing price of stocks. Partially, the debt-to-equity ratio, which proxies for capital structure, has a significant and negative effect on the stock price. However, return on assets, which proxies for profitability, does not seem to have any influence on the stock price. Moreover, the dividend payout ratio, which proxies for dividend policy, also does not seem to have an impact on the stock price.

Research, Practical & Social implications: The findings can be used as a basis for further research on the impact of other financial factors on stock price. Investors can use the results to make investment decisions, such as adjusting their portfolio based on the capital structure and dividend policies of the company. The study contributes to the development of the Indonesian stock market by providing insights for investors, analysts, and companies on the factors that affect the stock price

Originality/value: The emphasis on the importance of considering not only financial ratios but also external factors when making investment decisions. It highlights the need for companies to maintain good financial performance and keep their DER ratio under control to maintain investor confidence and ensure financial stability.

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OS PREÇOS DAS AÇÕES MELHORAM A ESTRUTURA DE CAPITAL, A LUCRATIVIDADE E A POLÍTICA DE DIVIDENDOS?

RESUMO

Objetivo: o objetivo deste estudo é investigar como a estrutura de capital, a lucratividade e a política de dividendos influenciam os preços das ações das empresas do setor de manufatura de bens de consumo listadas na Bolsa de Valores da Indonésia de 2018 a 2020.
Estrutura teórica: a estrutura teórica é baseada na teoria da agência e na gestão financeira. Ele se concentra na relação entre estrutura financeira, lucratividade, política de dividendos e preços das ações. A estrutura financeira é medida pelo índice de endividamento, a lucratividade pelo retorno sobre os ativos e a política de dividendos pelo índice de pagamento de dividendos. A estrutura destaca os fatores fundamentais que afetam o desempenho financeiro de uma empresa, o que, por sua vez, influencia o preço de suas ações.
Projeto/metodologia/abordagem: os dados usados para esta pesquisa são de natureza quantitativa, consistem em índices financeiros e são abordados de forma descritiva. A estatística descritiva e a análise de regressão de dados em painel foram usadas para analisar os dados com a ajuda do Eviews 12 versão Student.
Resultados: os resultados da pesquisa indicam que a estrutura de capital, a lucratividade e a política de dividendos têm um impacto simultâneo sobre o preço de fechamento das ações. Parcialmente, o índice de endividamento, que representa a estrutura de capital, tem um efeito significativo e negativo sobre o preço das ações. Entretanto, o retorno sobre os ativos, que representa a lucratividade, não parece influenciar o preço das ações. Por outro lado, o índice de pagamento de dividendos, que representa a política de dividendos, também não parece influenciar o preço das ações.
Implicações para a pesquisa, a prática e a sociedade: Os resultados podem servir de base para pesquisas futuras sobre o impacto de outros fatores financeiros sobre os preços das ações. Os investidores podem usar os resultados para tomar decisões de investimento, como ajustar sua carteira de acordo com a estrutura de capital e a política de dividendos da empresa. O estudo contribui para o desenvolvimento do mercado acionário indonésio ao fornecer informações aos investidores, analistas e empresas sobre os fatores que afetam os preços das ações.
Originalidade/valor: enfatiza a importância de considerar não apenas os índices financeiros, mas também fatores externos ao tomar decisões de investimento. Salienta a necessidade de as empresas manterem um bom desempenho financeiro e controlarem seu índice DER para manter a confiança dos investidores e garantir a estabilidade financeira.

Palavras-chave: Estrutura de Capital, Lucratividade, Política de Dividendos, Preço das Ações.

¿MEJORAN LAS COTIZACIONES BURSÁTILES LA ESTRUCTURA DEL CAPITAL, LA RENTABILIDAD Y LA POLÍTICA DE DIVIDENDOS?

RESUMEN

Objetivo: El objetivo de este estudio es investigar cómo la estructura de capital, la rentabilidad y la política de dividendos influyen en los precios de las acciones de las empresas del sector de la industria manufacturera de bienes de consumo que cotizan en la Bolsa de Indonesia de 2018 a 2020.
Marco teórico: El marco teórico se basa en la teoría de la agencia y la gestión financiera. Se centra en la relación entre la estructura financiera, la rentabilidad, la política de dividendos y los precios de las acciones. La estructura financiera se mide por el ratio deuda-capital, la rentabilidad por el rendimiento de los activos y la política de dividendos por el ratio de reparto de dividendos. El marco pone de relieve los factores fundamentales que afectan a los resultados financieros de una empresa, que a su vez influyen en el precio de sus acciones.
Diseño/metodología/enfoque: Los datos utilizados para esta investigación son de naturaleza cuantitativa, consisten en ratios financieros y se abordan de forma descriptiva. Para el análisis de los datos se emplearon estadísticas descriptivas y análisis de regresión de datos de panel con ayuda de la aplicación Eviews 12 versión Student.
Resultados: Los resultados de la investigación indican que la estructura de capital, la rentabilidad y la política de dividendos tienen un impacto simultáneo en el precio de cierre de las acciones. Parcialmente, la ratio deuda-capital, que representa la estructura de capital, tiene un efecto significativo y negativo en el precio de las acciones. Sin embargo, el rendimiento de los activos, que representa la rentabilidad, no parece influir en el precio de las acciones. Por otra parte, el ratio de reparto de dividendos, que representa la política de dividendos, tampoco parece influir en el precio de las acciones.
Investigación, implicaciones prácticas y sociales: Los resultados pueden servir de base para futuras investigaciones sobre el impacto de otros factores financieros en el precio de las acciones. Los inversores pueden utilizar los resultados para tomar decisiones de inversión, como ajustar su cartera en función de la estructura de capital y la política de dividendos de la empresa. El estudio contribuye al desarrollo del mercado bursátil indonesio

al proporcionar información a inversores, analistas y empresas sobre los factores que afectan al precio de las acciones.
Originalidad/valor: Destaca la importancia de considerar no sólo los ratios financieros sino también los factores externos a la hora de tomar decisiones de inversión. Destaca la necesidad de que las empresas mantengan unos buenos resultados financieros y controlen su ratio DER para mantener la confianza de los inversores y garantizar la estabilidad financiera.

Palabras clave: Estructura de Capital, Rentabilidad, Política de Dividendos, Precio de las Acciones.

INTRODUCTION

The stock price is an important indicator of a company's successful management, as it tends to increase with higher demand for the company's stocks (Hu, 2020). The stock price is volatile and depends on the supply and demand of stocks, as well as other factors that may influence it. According to Osadchy (2018), the financial condition of a company, as reflected in its financial statements, is one of the factors that can affect its stock price. Financial statements provide information on a company's financial position and operating activities over a specific period (Brigham, 2015).

The fluctuation of stock prices in the Indonesian Stock Exchange is a well-known phenomenon, with prices changing every second. This fluctuation is influenced by numerous factors, with the primary factor being the continuous interaction between supply and demand from investors and corporations. Another important factor that impacts stock prices is a company's financial standing, which can be evaluated through its financial reports. A company's financial performance is reflected in its financial statements, which are used to gauge how well the company complies with financial rules and regulations. A company is considered to have good financial performance when it adheres to the regulations and rules set by financial regulatory bodies.

The capital structure is a crucial concept in the field of corporate finance as it reflects how a company finances its activities through a combination of equity and debt (Ulbert et al., 2022). The way a company finances its operations is defined by the ratio of debt and equity used. This ratio is one of the key factors that determine a company's risk profile. Debt financing involves borrowing money from external sources like banks or bondholders, while equity financing involves raising funds by selling ownership shares of the company. The combination of these two types of financing affects the level of risk and return for the company and its shareholders. The debt-to-equity ratio is a widely used measure to assess the company's capital structure. It compares a company's long-term debt to its equity and is often used as a measure of financial stability or solvency (Nukala & Prasada Rao, 2021). A company with a high debt-to-equity ratio may be perceived as riskier, while a company with a low debt-to-equity ratio may be seen as financially stable and less risky (Vintilă et al., 2019).

Profitability is an essential aspect of any successful business, referring to a company's ability to generate profits through its operations. It reflects the level of a company's efficiency in generating profits from its assets management in relation to sales, total assets, and equity. The ability to achieve profitability is vital to the long-term sustainability of a company, and as such, it is a key indicator of financial performance (Vintilă et al., 2019). In financial analysis, profitability is often measured through ratios, such as return on assets (ROA) and return on equity (ROE), which assess the efficiency of a company's ability to generate profits from its assets and equity (Fredrikson et al., 1969). The higher the profitability ratio, the more efficient a company is at generating profits, and the more attractive it is to investors seeking a return on their investment. As such, profitability ratios play a crucial role in evaluating a company's financial performance and its potential for long-term growth and success.

Dividend policy is an essential aspect of a company's financial decision-making process (Subramani, 2009). The dividend policy of a company pertains to the distribution of profits earned by the company to its shareholders, but it is only possible to distribute dividends if the company's profits have increased (Tinungki et al., 2022). Essentially, the dividend policy determines the proportion of profits that will be given to shareholders. In the financial performance measurement ratios, the dividend policy is measured by the Dividend Payout Ratio, which falls under the Activity section of the Market Value Ratio (Fredrikson et al., 1969). The dividend policy is an important part of a company's financing decisions, as it affects the distribution of profits to shareholders, which ultimately affects the company's overall financial health (Nguyen Trong & Nguyen, 2021).

After analyzing numerous data and drawing conclusions from previous studies, it is evident that there are still inconsistent factors that affect stock prices. Therefore, the author aims to further investigate the factors that influence stock prices, with the dependent variables being capital structure, profitability, and dividend policy. Based on the information presented, the author is interested in conducting an empirical study entitled "The Influence of Capital Structure, Profitability, and Dividend Policy on Stock Prices (A Study of Consumer Goods Industry Manufacturing Companies Listed on the Indonesian Stock Exchange)." This study will aim to shed light on the relationship between the aforementioned factors and stock prices, and provide valuable insights for investors, analysts, and policymakers in the Indonesian stock market.

Based on the background information above, The research problem in this study can be formulated as follows: "Does capital structure, profitability, and dividend policy simultaneously or partially affect the stock price of consumer goods industry manufacturing companies listed on the Indonesia Stock Exchange?"

The formulation of these research problems is important to determine the scope and objectives of the study, as well as to guide the research process towards obtaining relevant and useful results. By addressing these research problems, the study aims to provide insights and recommendations for investors, financial analysts, and corporate decision-makers regarding the factors that affect stock prices in the consumer goods industry manufacturing sector in Indonesia.

The research aims to investigate the relationship between capital structure, profitability, dividend policy, and stock price of consumer goods manufacturing companies listed on the Indonesia Stock Exchange, with the objectives of determining their individual and combined effects. By achieving these objectives, the study can provide valuable insights into the factors that impact stock prices in this sector, which can be used by investors, analysts, and policymakers to make informed decisions.

The study's primary objective is to determine the simultaneous influence of capital structure, profitability, and dividend policy on the stock prices of manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange, while also aiming to contribute to the literature on the determinants of stock prices and provide valuable insights for investors, financial analysts, and policy makers in Indonesia. In addition to providing insights for investors, financial analysts, and policy makers, the research can help manufacturing companies in the consumer goods industry sector to better understand the relationship between their capital structure, profitability, and dividend policy and their stock prices. The study's results can also contribute to the development of investment strategies that are tailored to the unique characteristics of the Indonesian stock market. By examining the simultaneous influence of multiple factors on stock prices, the research can provide a more comprehensive understanding of the determinants of stock prices, which can be useful for future studies and investment decisions.

The primary objective of this research is to investigate the impact of capital structure, profitability, and dividend policy on stock prices of companies, which is expected to provide valuable insights and knowledge for the researcher, academia, companies, investors, and the government. This research investigates the impact of capital structure, profitability, and dividend policy on stock prices of companies. The research is expected to provide valuable insights and knowledge for the researcher, academia, companies, investors, and the government. The findings can help the researcher to better understand the factors that influence the stock prices of companies, and for academia, it can provide valuable information for teaching and learning purposes. The company can benefit from this research by using it as a reference to make strategic decisions that can increase their value in the market, while investors can use the results to make informed decisions about their investment choices. For the government, the research can provide insights into the factors that affect the stock market, which can inform policies related to financial regulation and investment promotion.

LITERATURE REVIEW

Theory

Agency theory explains the conflict between managers as agents and owners as principals (Jensen & Meckling, 1976). Owners want to know all information related to their investments or funds in the company, including the activities of managers. They request accountability reports from managers, but managers may engage in actions that make their financial reports appear better than they actually are, giving the illusion of good performance. To reduce or minimize fraudulent financial reporting, independent auditors are needed to perform testing (Modigliani & Miller, 1963).

Financial management is a crucial operational function of a company, along with other operational functions such as marketing management and operations management (Bailey, 1989). Essentially, financial management refers to the management of finances, which can be done by individuals, companies, and governments. According to Bailey (1989), financial management is a combination of science and art that involves studying, analyzing, and understanding how a financial manager uses all of a company's resources to seek, manage, and allocate funds. Effective financial management is essential to the success of a company, as it involves making informed decisions about how to allocate resources to achieve the company's financial goals.

The financial structure of a company is a measure of its short-term debt, long-term debt, and equity in carrying out its business activities. The quality of the financial structure has a direct impact on the company's financial position. According to Gitman & Zutter, (2015), the financial structure refers to a company's long-term financing, measured by the ratio of long-term debt to equity. In this study, the financial structure is proxied by the Debt to Equity Ratio

(DER), which shows the company's ability to fulfill all its obligations with its own capital. Debt to Equity Ratio as the ratio of debt and equity in a company's funding t`hat demonstrates the company's ability to fulfill all of its obligations with its own capital (Gitman & Zutter, 2015).

Profitability refers to a company's ability to generate earnings in relation to sales, assets, or total capital. Investors and potential shareholders pay close attention to a company's profitability and risk, as stock price stability depends on the level of earnings obtained and dividends in the future. Profitability serves purposes and benefits for business owners, management, and external parties, particularly those with a relationship with the company (Mirela-Oana Pintea, 2013). In this study, profitability is proxied by Return on Assets (ROA), a financial ratio that measures a company's ability to generate profit or earnings at a certain level of revenue, assets, and equity capital.

The dividend policy is a proportion used to determine the appropriate allocation of profits for dividend payments and retained earnings of the company. Cornett et al., (2014) defines dividend policy as a choice that companies make at the end of each year to either distribute the profits earned to shareholders as dividends or keep them in reserve to finance future investments and increase capital.In this study, the dividend policy is proxied by the Dividend Payout Ratio (DPR). The Dividend Payout Ratio is a ratio that shows the amount of profit paid to shareholders in the form of dividends (Gitman & Zutter, 2015).

Stock is a form of security or investment instrument traded on the stock market. According Subramani (2009) stock is evidence of participation or ownership in a Limited Liability Company (LLC). Subramani (2009) defines stock as a security indicating ownership of the issuing company. Ozkan, (2021) describes stock price as the price of a stock that occurs in the stock market at a specific time, determined by market participants and influenced by the supply and demand of the stock in the capital market. Based regulation on the Indonesia Stock Exchange, the closing price is the price at which the daily stock market trading ends, which is often recorded based on the last trade of the day and is therefore referred to as the closing price. The closing price of a stock on any given trading day is determined at the end of Session II, which is at 4:00 PM. Therefore, the stock price is measured based on the official price according to the last closing transaction of the trading day.

Paramin (2013) defines outlines the factors influence fluctuations in stock prices as follows: (a) Issuer's fundamental condition (b) Supply and demand laws (c) Interest rates (d) Foreign exchange rates (e) Foreign funds in the stock market (f) Stock price index (g) News and rumors. There are indeed many factors that affect stock prices, but this study will focus on the fundamental factors of the issuer, specifically related to the company's financial performance in the form of capital structure, profitability, and dividend policy.

Hypotheses

The Effect of Capital Structure, Profitability, and Dividend Policy on Stock Prices

Capital Structure (Debt-to-Equity Ratio), Profitability (Return on Assets), and Dividend Policy (Dividend Payout Ratio) are part of the financial ratio analysis of a company. For external parties, the analysis is important to obtain an overview of the financial development of a company. Financial ratios in financial statements reflect the performance of a company, and the performance of the company affects the stock prices of the company (Husna & Satria, 2019) .Consequently, the subsequent hypotheses are proposed:

H 1: Capital Structure, Profitability, and Dividend Policy simultaneously affect the stock price of Consumer Goods Industry Manufacturing companies listed on the Indonesia Stock Exchange.

The Effect of Capital Structure on Stock Prices

Capital structure is a combination of debt and equity in a company's long-term financial structure. An optimal capital structure must achieve a balance between risk and return to maximize stock prices. A high debt-to-equity ratio (DER) indicates that the company has a high amount of debt, which also indicates that the company's dependence on debt financing is high (Ulbert et al., 2022) (Nukala & Prasada Rao, 2021). Consequently, the subsequent hypotheses are proposed:

H 2: Capital Structure partially affects the stock price of Consumer Goods Industry Manufacturing companies listed on the Indonesia Stock Exchange.

The Effect of Profitability on Stock Prices

The profitability of a company is a measure of how well a company is able to generate profits from its business activities. Stock price is the value that investors are willing to pay to own a share of ownership in a company. Higher profitability will make the stock price also increase in the stock market because stable profitability will ensure the survival of the company. If profitability increases, then the company's stock market price will also increase (Husna & Satria, 2019) (Mirela-Oana Pintea, 2013). Consequently, the subsequent hypotheses are proposed:

H 3: Profitability partially affects the stock price of Consumer Goods Industry Manufacturing companies listed on the Indonesia Stock Exchange.

The Effect of Dividend Policy on Stock Price

In the Efficient Market Hypothesis theory, stock prices react to available information, including information about dividend payouts. Information about dividend payouts is believed to be able to influence stock price movements in the stock market due to investors' actions seeking to profit from such events (Nguyen Trong & Nguyen, 2021) (Tinungki et al., 2022). Consequently, the subsequent hypotheses are proposed:

H 4: Dividend Policy partially affects the stock price of Consumer Goods Industry Manufacturing companies listed on the Indonesia Stock Exchange.

METHODOLOGY

Population and Sample The method used for sample selection in this study is purposive sampling. The sample selection criteria are as follows:

a) Consumer Goods Industry Manufacturing companies listed on the Indonesia Stock Exchange that have not been delisted or gone through an IPO between 2018-2020.

b) Companies that do not have negative net income or negative equity.

c) Companies that report their financial statements in Indonesian Rupiah.

d) Companies that have published complete financial statements for the period of 2015-2020, including the required data for this study such as Debt-to-Equity Ratio (DER), Return on Assets (ROA), and Dividend Payout Ratio (DPR).

After applying the Purposive sampling method with the selected four criteria, a total of 16 companies in the Consumer Goods Manufacturing sector of the Industrial sector have fulfilled the requirements to be used as research samples. The descriptive method was used to conduct this research. Descriptive analysis is a technique for analyzing data by presenting or depicting the collected data as it is, without attempting to draw general conclusions or generalizations. This method is often used in social science research, such as in surveys and questionnaires, where researchers collect and analyze data about a particular group of people or phenomenon.

Furthermore, this study utilized panel data regression analysis (pooled data) to analyze its research data. Panel data is a type of combined data that incorporates both time-series data and cross-sectional data. Therefore, panel data possesses a combination of the characteristics of both types of data, which consist of multiple objects and span several time periods.

RESULTS AND DISCUSSION

Descriptive Statistical Results

The results of this article's research first describe the descriptive statistical results. Based on the data processing steps that have been carried out, the descriptive statistical summary of the variables studied is as follows:

Tabel 1. Descriptive Statistics of Research Variables

No	Variabel	Min	Max	Average	Deviation
1	Stock Price	82	50000	3980,35	7382,51
2	Capital Structure	0,16	3,59	0,87	0,90
3	Profitability	0,01	0,47	0,11	0,09
4	Dividend Policy	0,03	1,13	0,49	0,28

Source: Data processed using Eviews 12.0 (2022)

Tabel 2. Resutl Uji Chow, Uji Hausman and Uji LM

No	Uji	Probabilitas	Result	Selected Model
1	Uji Chow	0.0000	Prob < 0,05	Fixed Effect Model
2	Uji Hausman	0.0000	Prob < 0,05	Fixed Effect Model
3	Uji LM	0,8682	Prob > 0,05	Common Effect Model

Source: Data processed using Eviews 12.0 (2022)

Regression Analysis Results for Panel Data Based on the test results obtained using the Chow test through the fixed effect model approach and the Hausman test through the random effect approach, the selected model is the fixed effect model. The regression model in this study is as follows:

$$\mathbf{Y = 11227{,}3 - 13718{,}41\ X1 + 31944{,}06\ X2 + 2137{,}87\ X3 + \varepsilon}$$

The equation above is obtained from the estimation results of panel data regression that have been tested, the estimation results are shown in the table below.

Tabel 3. Summary of Hypothesis Testing Results (Fixed Effect Model)

No	Variabel	T-value	T-tabel	Sig.	F-value	F-tabel	Sig.	R.Square
1	DER	-4,279	2,015	0,000				
2	ROA	1,188	2,015	0,244	6,312	2,816	0,000	0,670
3	DPR	0,382	2,015	0,705				

Source: Data processed using Eviews 12.0 (2022)

Based on Table 3, the Adjusted R-square value is 0.670, which means that the independent variables of Capital Structure, Profitability, and Dividend Policy can explain the dependent variable of Stock Price by 67%, while the remaining 33% is influenced or explained by other factors or variables that are not included in this study.

Hypothesis one (H_1) states that capital structure, profitability, and dividend policy have an effect on stock prices. Based on the F-test results conducted (Fixed Effect Model), the probability value of the F-Statistic is 0.000007 which is smaller than the significance level of 0.05, thus it can be concluded that the independent variables of Capital Structure, Profitability, and Dividend Policy have a simultaneous effect on the dependent variable of Stock Prices. Therefore, hypothesis one (H_1) in this study is accepted. The Efficient Market Hypothesis theory states that stock prices formed reflect all available information, both fundamental and insider information. The concept of an efficient market means that the current stock price reflects all information available, from the past, present, and supplemented by information from the company itself.

Hypothesis two (H_2) states that capital structure has an effect on stock prices. Based on the results of the partial hypothesis test in table 3 (t-statistic test results), it can be seen that the independent variable of capital structure has a value of -13718.41 with a probability of 0.0002 (less than 0.05), so it can be concluded that capital structure has a negative and significant effect on stock prices, which means that an increase in D/E ratio will decrease stock prices and vice versa. Based on these results, hypothesis two (H_2) in this study is accepted. This research is in line with the Pecking Order theory which states that companies prefer internal funding over external funding, safe debt over risky debt, and lastly common stock (Myers, 1984). The results of this study are in line with research conducted by Ibrahim (2020), Akomeah et al., (2018) and Pandey & Sahu, (2017)

Hypothesis three (H_3) states that profitability affects stock prices. Based on the results of the hypothesis test conducted partially in table 3 (t-statistic test results), it can be seen that the independent variable profitability has a value of 31,944.06 with a probability of 0.2441 (greater than 0.05), so it can be concluded that profitability does not affect stock prices. This means that an increase or decrease in a company's profitability does not affect the company's stock market prices. Based on these results, hypothesis three (H_3) in this study is rejected. The results of this study are in line with the findings of previous studies conducted by Nur'ainy (2013), Ekaputra (2020) and (Mukhtaruddin et al., 2014)

Hypothesis four (H_4) states that dividend policy affects stock prices. Based on the test results presented in table 3 (t-statistic test), it can be seen that the independent variable of dividend policy has a value of 2137.87 with a probability of 0.7050 (greater than 0.05), so it can be concluded that dividend policy does not affect stock prices. Based on these results, hypothesis four (H_4) in this study is rejected. This result is in line with the Tax Preference Theory of dividend policy by Brigham & Houston (2021), another explanation of why dividend policy is important, related to tax effects. According to the Tax Preference theory, investors may agree to retain funds in addition to paying dividends due to tax-related reasons. This research result is also in line with research conducted by Khan & Hidayat (2022), Nguyen Trong (2021) and Dwi & Yuvisa (2023)

CONCLUSION

Based on the results of the tests, which included partial and simultaneous influence testing in the analysis, the following conclusions is: (1) Capital structure, profitability, and dividend policy have a significant effect on the stock price of Consumer Goods Manufacturing Companies in the Industrial Sector listed on the Indonesia Stock Exchange. (2) Capital structure has a negative and significant effect on stock price. This result indicates that an increase in capital structure will lead to a decrease in stock price of Consumer Goods Manufacturing Companies in the Industrial Sector listed on the Indonesia Stock Exchange during the period of 2018 to 2020. (3) Profitability does not have a significant effect on stock price. This result indicates that an increase or decrease in profitability does not affect the movement of stock price of Consumer Goods Manufacturing Companies in the Industrial Sector listed on the Indonesia Stock Exchange during the period of 2018 to 2020. (4) The dividend policy does not have a significant effect on stock prices. This result indicates that an increase or decrease in dividend policy does not affect the movement of stock prices of Consumer Goods Industry Manufacturing Companies listed on the Indonesia Stock Exchange during the period of 2018 to 2020.

As an investor, it would be wise to consider not only the DER, ROA, and DPR ratios when deciding which company to invest in, but also other significant variables and external factors that can affect stock prices, such as politics, inflation, tariff increases, and changes in economic policies. To maintain investor confidence and ensure financial stability, companies must strive to maintain good performance and generate positive financial ratios in their financial statements. It is crucial for companies to keep their DER value under 100%, as any increase in this value can negatively impact shareholders' perception of the company's ability to fulfill its obligations. Researchers should take note that the research object used in this study was limited to the manufacturing sector of the consumer goods industry, which may restrict the universality of its conclusions to other sectors. To ensure wider applicability of the findings, future research should aim to include samples from all sectors so that the results can be generalized to all public companies.

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