

**DOES DIVIDEND MATTER ON STOCK PERFORMANCE  
DURING RESILIENT TIME****Stephanus R. Waworuntu<sup>1</sup>, Sebastian Andrew Waworuntu<sup>2</sup>**<sup>1</sup>President University Indonesia, stephanus@president.ac.id<sup>2</sup>Victoria University of Wellington New Zealand, waworuseba@myvuw.ac.nz

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**ABSTRACT**

*This research aims to analyze dividend contribution to the stock price performance in the Indonesia Stock Exchange during the resilient time of the Covid19 pandemic. The analysis uses selected firm-specific explanatory variables of Dividend per share (DPS), Dividend yield (DY), Dividend payout ratio (DPR), Book value per share (BV), Earnings per share (EPS), Price-earnings ratio (PER), and firm size in terms of market capitalization (FS). Data is taken from the IDX Index of Dividend-20, which measures the performance of the share price consisting of 20 stocks that have distributed cash dividends for the last three years. The data used during these challenging periods was taken from the year 2018 (before the Covid19 pandemic), the year 2019 (the early period of Covid19), the year 2020 (the pandemic period), and the year 2021 (the vaccination period as an early sign of exiting the pandemic). Data is processed on a computer by applying multivariate analysis using multiple regression analysis with the stepwise method to obtain which model has a relationship toward share price performance and those excluded from the model. This study has concluded that Book value per share (BV) and Earnings per share (EPS) have a significant relationship with the price performance in the observed periods. In contrast, Dividend yield (DY) moves in the opposite direction. These findings have shown that dividends are not significantly contributed to the stock performance during the resilient time, while companies that could maintain better profitability and equity will be better off during the observed periods.*

**Keywords:** *Dividend per Share, Dividend Yield, Dividend Payout Ratio, Book Value per Share, Earnings per Share*

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**1. Introduction**

The past several years have been full of challenges and resilience due to the spread of the Covid 19 virus, which has hit Indonesia and the whole world, creating a global pandemic. During this resilient time, many companies suffered heavy losses, and some ended up going bankrupt. The stock prices fell to their lowest point, especially at the beginning of the Covid-19 pandemic.

The economic situation of a country is somewhat reflected in its stock market. If a country is experiencing constant economic growth, its stock markets will gain investors' confidence, thus resulting in increased investments in the stock market. On the other hand, when the economy is declining or experiencing a downturn, stock market participants cash out their investments, resulting in falling prices and attractiveness of the stocks. In the past three decades, Indonesia has experienced at least three periods of economic downfall: the Asian Financial Crisis in 1997/98, the sub-mortgage crisis of 2008/09, and the latest Covid19 pandemic period started in 2019. The impact on the economy was severe during the latest resilient period as it hit not only the Indonesian economy but the global economy as well.

Several forces are contributed to the changes in the stock prices of public listed companies. It is not only limited to the company-specific internal factors but also external environmental factors play an essential role in driving the share prices. This pandemic as one of the external environmental elements has hit the global economy, disrupting the supply and distribution of goods worldwide and destroying the tourism, transportation, property, and other trade sectors.

Therefore, as investors seek not only capital gain from their stock investment but also dividend, it is important to learn whether dividend matters to stock performance mainly during the resilient time described above. For such, this research study is motivated to analyze dividend contribution as a key factor, among other factors that drive the companies' share price performance on the Indonesia Stock Exchange during the resilient time due to the Covid19 pandemic.

## 2. Literature Review

Sharif, Purohit, & Pillai (2015) investigated the factors affecting the share prices in Bahrain Stock Exchange and found that the Dividend per share, Book value, and Price-earnings ratio had a significant contribution to the share price, while Dividend yield had a negative impact on the share price. On the contrary, Al-Shubiri (2010) revealed that Dividend yield positively influenced the share price of Jordanian listed Commercial Banks for 2005-2008. The latter also found Book value per share to be a determinant of the share price.

A study on the public companies from the automobile and information technology industries in India using Dividend per share, Book value, Earnings per share, Price-earnings ratio revealed that Book value, Earnings per share, and Price-earnings ratio had a significant positive impact on the share price (Geetha and Swaminathan, 2015). In contrast, the Dividend per share had no substantial contribution to the market price. A similar study on India Stock Exchange found that the Dividend per share and earnings per share had the highest contribution, and Book Value per share also had a significant relationship with the share price, while the other dividend variables had not supported significantly (Sharma, 2011). Another study in India (Palamali, 2012) confirmed that dividends had a strong positive impact on the share price movement. In addition, Earnings per share and Price-earnings ratio appeared crucial in affecting the share price. Book value and firm size were also found to be positively related to the share price.

A study on Athens Stock Exchange for the period 1996-2008 revealed that Earnings per share and Book value play a crucial part in determining the share price (Glezakos, Mylonakis, & Kafuros, 2012). Research conducted in Korea (Wang & Chang, 2008) further emphasizes that Earnings per share and Book value are essential measurements in making investment decisions. In the Japanese Stock Exchange, Omura (2005) also found that Book value had significant relevance to the company's market value and the share price. In addition, previous studies on Indonesia Stock Exchange for the period 2010-2014 found that Earnings per share significantly impacted the share price for both listed banking and coal mining industries (Talamati & Pangemanan, 2015; Idawati & Wahyudi, 2015).

Based on the previous studies, the authors need to investigate the selected companies' variables to the share price for the period of 2018 – 2021 and whether dividends mattered to stock performance when the market experienced a resilient time due to the pandemic during these periods. Therefore, our study hypothesizes a significant relationship between the selected companies' variables: Dividend per share, Dividend yield, Dividend payout ratio, Book value per share, earnings per share, Price-earnings ratio, and Firm size towards the share price.

## 3. Research Method

The main objective of this research is to examine the empirical relationship between the selected firm-specific variables of Dividend per share (DPS), Dividend yield (DY), Dividend payout ratio (DPR), Book value per share (BV), Earnings per share (EPS), Price-earnings ratio (PER), and Firm size in terms of market capitalization (FS) with the share price in Indonesian stock exchange for the period of 2018 – 2021.

The sample companies were listed in the Dividend 20 IDX Index as active members from 2018 to 2021. Table 1 shows how the samples were allocated to all the sectors.

Table 1. Sample

Sector	Samples
Mining	5
Basic Industry & Chemicals	2
Miscellaneous	1
Consumer Goods Industry	5
Infrastructure, Utilities & Transportation	2
Financials	5
<b>Total Samples</b>	<b>20</b>

From the above samples, it can be explained that during the Covid19 periods, some industries were excluded from the dividend 20 index, including property and real estate, which significantly suffered during the resilient time due to the pandemic condition as well trading sector.

### 3.1 Variables and Measurements

The following table describes the dependent and the independent variables and the measurements.

Table 2. Variables and Measurements

Categories	Variables	Measurements
Dependent Variable	Share Price	The average share price for December
Independent Variables	Dividend per Share (DPS)	Amount of dividend paid per share
	Dividend Yield (DY)	Percentage return from the dividend paid by the stock
	Dividend Payout Ratio (DPR)	Percentage of dividend paid from Net Income
	Book Value per Share (BVPS)	Amount of book value equity per share
	Earnings per Share (EPS)	Net Income per share
	Price/Earnings Ratio (PER)	Share price against its earnings power
	Firm Size (FS)	Market Capitalization

### 3.2 Research Model

Several independent variables are implemented: Dividend per share, Dividend yield, Dividend payout ratio, Book value per share, earnings per share, Price-earnings ratio, and Firm size measured towards the share price as the dependent variable.

Data is processed on a computer by applying multivariate analysis using multiple regression analysis with the stepwise method to obtain which independent variables have a significant relationship with the share price as the dependent variables and which are excluded from the model.

The regression equation is as follows:

$$SP = \beta_0 + \beta_1 \text{DPS} + \beta_2 \text{DY} + \beta_3 \text{DPR} + \beta_4 \text{BV} + \beta_5 \text{EPS} + \beta_6 \text{PER} + \beta_7 \text{FS} + \varepsilon$$

Where, SP is equal to Dependent Variable

$\beta_0$  = Constant

$\beta_1 - \beta_7$  = Regression coefficient for respective variables

$\varepsilon$  = error terms

## 4. Results and Discussion

Three models are obtained from the stepwise method using the SPSS application, of which model 1 is book value with  $R^2$  equal to 0.798, model 2 is book value and earnings with  $R^2$  equal to 0.815, and finally, model 3 is book value, earnings and dividend yield with  $R^2$  of 0.827. Simultaneously model 3, consisting of book value per share, earnings per share, and dividend yield, produced the highest  $R^2$  of 0.827 with adjusted  $R^2 = 0.820$  are the significant variables from the findings.

The results of regression analysis from SPSS, are as follows:

Table 3. Regression Results

Variable	Coefficients	t-Statistic	P Value
(Constant)	2306.558	5.242	.000
DPS	.218	1.890	.063
DY	-.111	-2.280	.025
DPR	-.001	-.020	.984
BV	.668	7.841	.000
EPS	.273	3.186	.002
PER	.016	.317	.752
FS	.015	.254	.800
F Statistic	120.983		
Significance F	.000		
R Squared	.827		
Adj. R Squared	.820		

The above results have shown the significance F of 0.000, suggesting the regression model used in this research is valid as the significance level of the model is less than  $\alpha = 0.05$ , which is the benchmark to consider that the model is valid. Thus, the model as a whole has a statistically significant predictive capability.

As shown in Table 3, the adjusted R squared value obtained is 0.820, implying that 82 percent of the independent variables used in this model can explain the dependent variable of the share price in the Indonesia Stock Exchange. However, the remaining 18 percent of the share price is still affected by other variables outside the model. Table 3 resulted in the regression equation as follows:

$$Y = 2306.558 + 0.218(DPS) - 0.111(DY) - 0.001(DPR) + 0.668(BV) + 0.273(EPS) + 0.016(PER) + 0.015(FS)$$

Each coefficient represents the changes in Y relative to a one-unit change in every respective independent variable. The results have also provided information regarding the direction of the variability. The significance is determined by the p-value benchmark where  $\alpha = 0.05$ , so there is evidence of the significance of the relationship should the p-value of the independent variable is less than 0.05, and even the book value per share has indicated a significant positive relationship with a p-value of less than 0.01.

Based on the results of the multiple regression, Book value per share has shown a significant positive relationship with the share price. The higher the book value per share, the higher the share price. This finding is consistent with the study conducted in various countries (Sharif, Purohit, & Pillai, 2015; Geetha & Swaminathan, 2015; Palamalai, 2012; Glezakos, Mylonakis, & Kafuros, 2012; AL-Shubiri, 2010; Sharma, 2011; Wang & Chang, 2008; Omura, 2005). Book value indicated the company's equity values are considered attractive by the investors on the Indonesia stock exchange. Investors' interest in owning the stock that can increase in book value, indicating that the share is worth more to have. The higher the stock's book value ultimately drives the share price upwards.

Another variable that shows a significant positive impact on the share price is Earnings per share (EPS). The higher the EPS, the higher the share price. This finding is also in line with the studies in various countries (Geetha & Swaminathan, 2015; Idawati & Wahyudi, 2015; Talamati & Pangemanan, 2015; Palamalai, 2012; Glezakos, Mylonakis, & Kafuros, 2012; Sharma, 2011; Wang & Chang, 2008). Earnings per share indicated that the company's performance capability to generate profitability is considered attractive by the Indonesian stock exchange investors. Investors' interest in owning the stock that can increase profitability indicates that the share is worth more to have. As the profitability measured by EPS increases, the share price will increase as well.

The following variable that has a significant relationship with the share price is the Dividend yield. Unlike book value and earnings per share, the dividend yield significantly negatively contributes to the share price. The higher the percentage of dividends paid to the share price, the lower the share price will be. This finding is consistent with the study on the Bahrain stock exchange that also found a negative relationship between dividend yield to the share price (Sharif, Purohit, & Pillai, 2015). Other dividend variables: Dividend per share and Dividend payout ratio, proven to be not significant variables. In other words, these variables have no meaningful contribution to the share price on the Indonesian stock exchange. In contrast, the Dividend per share positively impacted share prices in Indonesia for the year 2014 – 2018 prior to the Covid19 pandemic

(Usman, Lestari, & Sofyan, 2021). This further implies that investors may not really look at dividends as the primary investment solution during a resilient time compared to the previous Covid19 pandemic periods.

Price-earnings ratio and firm size have also not been proven as significant variables that impact the share price in Indonesia during the observed periods. This finding is consistent with Sharma (2011), that studied 115 companies in a span of 16 years and concluded that the Price-earnings ratio had no significant effect on the share prices as investors were generally not attracted by a high price-earnings ratio when making investment decisions.

## 5. Conclusion and Implications

This research has concluded that Book value per share (BV) and Earnings per share (EPS) have a significant positive relationship with the stock performance in the observed periods. Dividend yield (DY) also has a significant relationship with the share price; however, it moved in the opposite direction from the share price. There is no evidence that the other dividend variables: Dividend per share and Dividend payout ratio, have a significant relationship to the share price.

These findings have implicated dividends as a predictor of the share price are not significantly contributed to the stock performance during the resilient time, while companies that could maintain better profitability and equity will be better off during these periods. As the scope of this study is limited to the Dividend 20 IDX Index, for further research, this may be extended to other public companies that paid dividends but are not part of the Dividend 20 Index.

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