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The Mediating Role of Dividend Policy in the Influence of Investment Decisions on Stock Prices

Andinie Fatikha Dau[1], **Sumiati** [2], **Djumilah Hadiwidjojo** [3]

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Abstract

This study investigated the mediating role of dividend policy in the relationship between investment decisions and stock prices among companies listed on the LQ45 Index in Indonesia from 2017 to 2022. Utilizing a sample of 40 companies that remained stable in the index for at least three consecutive years, we conducted regression analyses after ensuring the validity of the data through normality, multicollinearity, and heteroscedasticity tests. The results indicated that investment decisions did not have a significant direct effect on stock prices or dividend policy. However, dividend policy had a significant negative effect on stock prices and mediated the relationship between investment decisions and stock prices. This suggests that while investment decisions alone may not directly influence stock prices, their impact becomes significant when channeled through dividend policy. The findings highlight the importance for companies to strategically manage their dividend policies alongside investment decisions to enhance shareholder value and positively influence stock prices.

1. Introduction

Research on stock prices is highly important because it has a broad impact on economic stability, investment strategies, and the understanding of market dynamics. The stock market serves as an indicator of the overall health of the economy. By analyzing stock price movements, we can gain insights into macroeconomic trends, investor behavior, and the effects of external shocks such as geopolitical events or economic crises. Stock prices are significantly affected by macroeconomic variables such as inflation rates, monetary policies, and economic growth. These factors can lead to

[1] *Universitas Brawijaya, Malang, Indonesia; e-mail: andiniefd@student.ub.ac.id*
[2] *Universitas Brawijaya, Malang, Indonesia; e-mail: sumiati@ub.ac.id*
[3] *Universitas Brawijaya, Malang, Indonesia; e-mail: djumilah@ub.ac.id*

market volatility, impacting economic stability (Zhang, 2024). Stock price movements are influenced by a complex interaction between internal and external factors that researchers need to understand to study market dynamics and investor behavior. internal factors are crucial, external factors such as international trade positions and foreign capital flows also play a significant role in stock price movements. These external influences can sometimes overshadow internal factors, especially in emerging markets where global economic conditions heavily impact local stock markets (Gupta, 2011).

The relationship between a company's investment decisions and stock prices can be better understood through financial ratios. Financial ratios, such as a company's investment decisions, are statistically significantly related to stock prices (Ligocká & Stavarek, 2019). This indicates that investors pay attention to these ratios as signs of financial health and the company's growth prospects. Furthermore, the impact of a company's investment decisions is also evident through market conditions. Stock price volatility is indeed significantly influenced by trading volume, particularly in response to company investment announcements. When a company announces new investments, it often generates heightened interest among investors, leading to increased trading activity. This surge in trading volume can amplify stock price movements, as more shares are bought and sold in a shorter time frame (Akib et al., 2023; Ekanayake & Indrani, 2023)

One of the indices in the Indonesian stock market is the LQ45 index. The LQ45 index consists of 45 companies that meet several criteria, such as being among the top 60 companies with the highest market capitalization over the last 12 months, being listed on the Indonesia Stock Exchange for at least three months, having good financial conditions, positive growth prospects, as well as high transaction values and trading frequencies (Hermuningsih, 2012).

Table 1
Fluctuations of the LQ45 Index from December 2017 to September 2024

No	Date	LQ45 Index	Comparison to Previous Period	
			Point	Percentage
1	December 2017	1.079,38	194,77	22,02%
2	December 2018	982,73	-96,65	-8,95%
3	December 2019	1.014,47	31,74	3,23%
4	December 2020	934,88	-79,59	-7.85%
5	December 2021	931,41	-3,47	-0,37%
6	December 2022	937,17	5,76	0,62%
7	December 2023	970,56	33,39	3,56%
8	September 2024	938,92	-31,64	-3,26%

Source: Bursa Efek Indonesia (BEI) in English is Indonesia Stock Exchange (IDX)

Table 1 shows the volatility of LQ45 stock prices during the period from December 2017 to September 2024, indicating significant fluctuations. During this period, LQ45 stock prices experienced major declines in 2018 and 2020, followed by a relatively small decrease in 2021. Conversely, there were increases in stock prices in 2017, 2022, and 2023, before declining again at the end of the fourth quarter of 2024.

Corporate investment decisions significantly impact stock prices, as evidenced by various studies. When firms announce new investments, they often signal growth potential, which can lead to increased investor confidence and higher stock prices. For instance, research indicates that positive

corporate investment news tends to correlate with rising stock prices, as it provides new information that managers can leverage for future decisions (Haque & Naeem, 2016). This relationship is further supported by findings that suggest stock prices can influence corporate investment decisions, creating a feedback loop where rising stock prices encourage further investments (Dhananjaya, 2021)

Findings by Widyadhana et al. (2022) support the idea that strong investment decisions can indicate potential future profits, thereby positively impacting stock prices. This is reinforced by the findings of Warouw et al. (2022), who explain that investment decisions influence stock prices in companies included in the LQ45 index during the 2016–2018 period. Investment decisions affect LQ45 stock prices for the 2014–2018 period. The stronger the investment, the more positive the signal sent to investors, leading to an increase in stock prices. The LQ45 index, which comprises the 45 most liquid stocks on the Indonesia Stock Exchange, has shown significant fluctuations in stock prices from 2018 to 2022, influenced by various macroeconomic factors and events such as the COVID-19 pandemic. The banking sector, in particular, dominated the index during 2018-2020, reflecting strong investor demand due to its substantial market capitalization and liquidity (Farhanah & Mutasowifin, 2022; Syukur & Istiawan, 2021). However, the onset of the pandemic in early 2020 led to a notable decline in stock prices across the LQ45 index, as investors reacted to economic uncertainties, resulting in massive sell-offs (Hayaty & Rikumahu, 2022; Solihin et al., 2022; Yantiana & Wintami, 2022).

Research indicates that the performance of LQ45 stocks is closely tied to financial metrics such as Earnings Per Share (EPS) and profitability, which have been shown to significantly affect stock prices

(Kartika et al., 2022; Samasta et al., 2021; Wardani, 2021). Additionally, the index serves as a benchmark for assessing the overall market performance, capturing approximately 70% of the market capitalization on the Indonesia Stock Exchange (Edi & Wati, 2022; Hatane et al., 2022). The LQ45 index not only reflects the liquidity and performance of its constituent stocks but also serves as a critical indicator of the broader economic landscape in Indonesia during the specified period.

Despite numerous studies examining the impact of investment decisions on stock prices, the results still show inconsistencies. Some studies find a significant relationship between investment decisions and stock price fluctuations, while others demonstrate a weaker or even insignificant influence. These inconsistencies indicate that gaps remain in understanding the factors that mediate and moderate this relationship. Therefore, more comprehensive further research is needed to clarify the dynamics between investment decisions and stock prices by considering other variables that may play a role in influencing this relationship.

Research has shown mixed results on the impact of investment decisions on stock prices, some studies finding a significant connection while others finding the link to be weak or negligible. This discrepancy highlights the need to explore additional influencing factors. This study explore how dividend policy mediates the relationship between investment decisions and stock prices. By examining firms listed on the LQ45 index from 2017 to 2022, we hope to clarify the interplay between dividend policy, CSR disclosure, and investment decisions to provide insight into stock price influences. Dividend policy is integral to investment decisions. Balancing shareholder returns with funding growth needs, a company's choice to pay dividends can positively impact stock prices if well-managed, as dividend policies signal fiscal soundness and stability affecting investor views (Abor & Bokpin, 2010).

Based on the foregoing, it is evident that inconsistencies persist in previous studies regarding the influence of investment decisions on stock prices, highlighting the importance of exploring other variables that may act as mediators. In this research, we hypothesize that dividend policy can affect

stock prices. Therefore, the objective of this study is to more comprehensively explore the complexity and dynamics of the relationships among these variables. The subjects of this study are companies listed on the LQ45 index during the period 2017–2022. By understanding the interaction between dividend policy, CSR disclosure, and investment decisions, this research is expected to provide new insights into the factors that affect stock prices.

2. Literature Review and Hypothesis

Investment decisions are one of the important factors for companies. The underlying theory is the signaling theory, which explains that companies need to convey information to investors. This information acts as a positive signal to prospective investors who wish to invest capital. In general, the market responds more quickly to positive information than negative information from companies. When these positive signals are well received by the market, they can attract investor interest and ultimately contribute to an increase in stock prices (Warouw et al., 2022).

The influence of investment decisions on stock prices is usually closely related, although they do not always move in the same direction. In many situations, investor decisions can affect a company's stock price. These decisions are reflected in investors' views on the company's performance, management strategies, growth prospects, and various other factors that play a role in determining the company's value (Shabbir & Muhammad, 2019). Warouw et al. (2022) explain that investment decisions have a significant positive effect on stock prices in companies included in the LQ45 Index on the Indonesia Stock Exchange during the 2016–2018 period. The research findings are also supported by Rachmawati (2017) and Dekrijanti et al. (2023). Based on the above explanation, the research hypothesis can be formulated as follows:

Hypothesis 1: Investment decisions have a significant effect on the stock price.

Investment decisions can impact a company's dividend policy, although the relationship between the two is often complex and influenced by various factors. Several studies indicate that investment decisions have a significant effect on a company's value. When a company makes the right investment decisions, its value can increase, which can subsequently affect its dividend policy. In this case, the company may choose to distribute more dividends to shareholders as a result of increased profits or retain earnings to reinvest for further growth (Nisa, 2017). Thus, good investment decisions not only impact the company's expansion but also have the potential to influence profit distribution strategies to shareholders. Investment decisions affect stock prices because they reflect the company's growth prospects and future performance. When a company undertakes strategic investments, such as business expansion, product development, or improving operational efficiency, it sends a positive signal to investors that the company has the potential to generate greater profits in the future (Difah & Arfianto, 2011).

This argument is also supported by Sartini & Purbawangsa (2014), who found that investment decisions influence dividend policy. Investment is the act of allocating current funds into current assets or fixed assets with the aim of obtaining future profits. Through investment activities, companies strive to create added value that can enhance their financial performance. It is expected that the profits generated from these investments not only provide benefits to the company but can also be reused to support other investment projects, expand operations, or increase production capacity. Additionally, these profits can be distributed to shareholders in the form of dividends, which in turn can boost investor confidence and attract more investment in the future. Therefore, prudent investment decisions play an important role in the company's long-term growth and shareholder welfare. Based on this explanation, the research hypothesis can be formulated as follows:

Hypothesis 2: Investment decisions have a significant effect on dividend policy.

The relationship between dividend policy and stock prices in LQ45 companies is complex and influenced by various factors. While some studies suggest that dividend policy can impact stock prices, the evidence is not uniformly conclusive. For instance, one study found that dividend policy does not directly affect stock prices in LQ45 companies, although it can moderate the impact of other financial metrics like the Debt to Equity Ratio (DER) on stock prices (Rahmayanti et al., 2024; Wicaksono & Muchtar, 2024). However, other research indicates that dividend announcements can convey valuable information to investors, potentially leading to stock price changes (Tran, 2024).

Hypothesis 3: Dividend policy has a significant effect on the stock prices.

As companies require more funds to finance their growth, they tend to retain most of their profits or investment gains, thereby reducing the likelihood of dividends being distributed to shareholders. However, companies can use debt to fund their investments. Investment expenditures are considered positive signals to investors regarding the company's future growth, leading to an increase in stock prices. Based on the above analysis, the following hypothesis can be formulated. This is reinforced by the findings of Adrianingtyas & Sucipto (2019), who explained that investment decisions significantly affect company value through dividend policy as a mediating variable, particularly in chemical sector companies listed on the Indonesia Stock Exchange during the 2013–2017 period. Investment decisions significantly impact stock prices, particularly when mediated by dividend policy, as observed in companies listed in the LQ45 index. Dividend policy, often measured by the Dividend Payout Ratio (DPR), plays a crucial role in influencing firm value and, consequently, stock prices. The relationship between investment decisions and stock prices is complex, with dividend policy acting as a potential mediator. However, the effectiveness of this mediation can vary. For instance, while some studies indicate that dividend policy positively affects company value, others suggest it may not effectively mediate the relationship between investment decisions and stock prices (Brata et al., 2023; Kurniawati et al., 2024; Mahirun et al., 2023).

Hypothesis 4: Investment decisions have a significant effect on stock prices mediated by dividend policy.

3. Materials and Methods

This research falls into the category of explanatory research. Explanatory research is a methodological approach that aims to clarify and elucidate the relationships between variables, often by establishing causal links or providing comprehensive descriptions of phenomena. This type of research is particularly valuable when the subject matter has not been extensively studied, allowing researchers to generate hypotheses and operational definitions that can guide further inquiry (Abebe & Singh, 2023). The research population comprises companies included in the LQ45 Index during the period from 2017 to 2022. Based on notification letters from the Indonesia Stock Exchange (IDX), it is known that during this period, there were a total of 79 companies indexed in the LQ45, both new entrants and continuing companies. In this study, we selected a sample of companies that remained stable for at least three consecutive years in the LQ45 Index during that period. Consequently, 40 companies were determined to be the research sample.

Prior to conducting the regression analysis, we performed several statistical assumption tests to ensure the validity and reliability of the results, including assessments for normality,

multicollinearity, and heteroscedasticity. After confirming that the data met these assumptions, I proceeded with the regression analysis. To examine the mediating effect of dividend policy on the relationship between investment decisions and stock prices, we employed the PROCESS macro developed by Hayes (2022). All statistical analyses were conducted using SPSS version 27, ensuring efficient data management and robust statistical testing. The dependent variable in this study is the stock price, defined as the price of a single share listed on the stock exchange, influenced by supply and demand (Wufron et al., 2023). The stock price is measured using price volatility, representing the stock price fluctuations over one year. Price volatility is calculated by dividing the annual range by the average price for that year. Then, the square root of the result is taken. The use of price volatility as a proxy for stock price was employed by (Hussainey et al., 2011).

The independent variable is the investment decision, which refers to the allocation of funds from both internal and external sources into various forms of investment with the aim of obtaining greater future profits (Achmad & Amanah, 2014). Investment decisions are measured using Total Assets Growth (TAG), which is the ratio of asset increase from one year to the next. The use of TAG as a measurement for investment decisions was also employed by (Putri & Budyastuti, 2021). The mediating variable is the dividend policy, a company policy closely related to determining the percentage of net profit distributed as dividends to shareholders (Hardiningsih, 2009). Dividend policy is measured using the Dividend Payout Ratio (DPR). The use of DPR as a measurement of dividend policy was also conducted (Hussainey et al., 2011; Kanakriyah, 2020; Profilet, 2013)

3. Results and Discussions

Table 2
Classification of Samples Based on Business Sectors

Sector Classification	Number of Companies
Diversification/Industry	1
Energy/Mining	7
Finance/Banking	5
Construction/Infrastructure	4
Manufacturing	14
Media/Television	2
Property and Real Estate	2
Retail/Trade	2
Telecommunications/Infrastructure	3
Total	40

Table 2 classifies the 40 companies based on the industrial sectors they represent. The manufacturing sector has the largest number of companies with 14, followed by the energy and mining sector with 7 companies. The finance and banking sector includes 5 companies, while the construction and infrastructure sector encompass 4 companies. The telecommunications and infrastructure sector has 3 companies. Sectors such as diversification/industry, media/television, property and real estate, and retail/trade each comprise 1 to 2 companies.

The results of the normality tests using the Kolmogorov-Smirnov and Shapiro-Wilk methods indicate that all research variables Total Asset Growth, Dividend Payout Ratio, and Price Volatility have significance values (p-values) greater than 0.05. This means that all these variables are normally distributed, fulfilling the normality assumption in this study. The multicollinearity test results show that all independent variables, namely Total Asset Growth and Dividend Payout Ratio, have Tolerance

values greater than 0.1 and Variance Inflation Factor (VIF) values less than 10. This indicates that there are no multicollinearity issues in the research model, as high Tolerance values and low VIF values suggest that the independent variables are not significantly correlated with each other. The heteroscedasticity test using the Glejser method reveals that has a significance value of 0.453, which is greater than 0.05. Therefore, it can be concluded that there is no heteroscedasticity in the research model, satisfying the homoscedasticity assumption.

Table 3
Hypothesis Testing

Direct Effect	R	R^2	t-statistic	p-value	Result
X > M1	0.088	0.007	-1.363	0.174	Hypothesis Rejected
X > Y	0.016	0.000	-0.247	0.805	Hypothesis Rejected
M > Y	0.163	0.027	-2.552	0.011	Hypothesis Accepted
Indirect Effect	Effect	BootSE	BootLLCI	BootULCI	Result
X > M > Y	0.0003	0.0002	0.0001	0.0008	Hypothesis Accepted

The statistical analysis indicates that investment decisions alone do not have a significant direct impact on dividend policy or stock prices; however, dividend policy itself has a significant negative effect on stock prices. Notably, the indirect effect of investment decisions on stock prices through dividend policy is significant, suggesting that investment decisions influence stock prices when mediated by dividend policy. This means that while investment decisions may not directly affect stock prices, they play a crucial role in shaping dividend policies, which in turn significantly impact stock prices. The negative relationship between dividend policy and stock prices implies that higher dividend payouts might be associated with lower stock price volatility, possibly due to investors perceiving less reinvestment in growth opportunities. These findings highlight the intricate interplay between investment decisions and dividend policies and underscore the importance for companies to strategically manage both to positively influence their stock prices.

The Influence of Investment Decisions on Stock Prices

Based on statistical testing, it is known that the significance value for the effect of investment decisions on stock prices is 0.805 > 0.05, indicating that there is no significant influence. This result is consistent with Komala et al. (2021), who stated that investment decisions do not affect the company's value as reflected in stock prices. This is evidenced by the composition of the company's asset growth not jeopardizing the company's condition, and therefore, it is considered not to affect changes in stock prices. Meryana et al. (2021) and Puspita et al. (2022) also found that investment decisions do not influence stock prices.

Corporate investment decisions often do not have an immediate impact on stock prices because stock prices more frequently reflect market expectations about the company's future prospects rather than specific short-term actions taken. Although new investments, such as capacity expansions or strategic acquisitions, aim to enhance long-term value, investors tend to evaluate companies based on long-term projections regarding profitability, risk, and broader market stability (Lee & Hsieh, 2013). As explained by capital market theory, stock prices are more influenced by investors' perceptions of a company's ability to generate future profits than by specific recent decisions, especially when their impact has not yet been proven or is still in the implementation stage (Pandey, 2002).

Furthermore, the impact of investment decisions usually takes time to materialize and be reflected in the company's financial performance. A significant investment may only yield results in the coming years, depending on the successful implementation of the strategy and the company's ability to integrate the investment into its operations. This means that expected changes in stock prices are not always immediately visible after an investment decision is announced. Osborne et al. (2010) emphasize that investment outcomes often require long-term assessment by the market, so stock prices may be delayed or not directly respond to such decisions. This situation is exacerbated by internal factors such as management effectiveness and operational stability, which also affect how quickly investment results are reflected in the company's financial performance.

On the other hand, market sentiment and external factors also play a significant role in determining stock prices, often obscuring the direct impact of investment decisions. Changes in economic policy, interest rate fluctuations, political conditions, and other macroeconomic factors can result in stock price volatility, making the market's response to certain investment decisions unclear or ambiguous (Hutchison & Cox, 2007). These external factors add uncertainty, so even though a company has made strategic investments, the stock price response may be influenced by overall market sentiment. Thus, although investment decisions have the potential to increase the company's value in the long term, the market's response to these decisions is often delayed or even dampened by the variability of sentiment and unpredictable external conditions.

The Influence of Investment Decisions on Dividend Policy

Based on statistical testing, it is known that the significance value for the effect of investment decisions on dividend policy is 0.174 > 0.05, indicating that there is no significant influence. This result is consistent with the findings of Mutiarani et al. (2019), who stated that investment decisions do not affect stock prices. Investment decisions and dividend policy fundamentally aim to support two different aspects of a company's strategy: investments for long-term growth and dividends to meet shareholder expectations for stable returns. Recent studies show that companies tend to maintain a stable dividend policy despite making significant investments because drastic changes in dividends can cause uncertainty among investors and disrupt stock price stability (Coccorese & Girardone, 2021). In a competitive market environment, maintaining dividend consistency becomes increasingly important, as dividend fluctuations can negatively impact market perceptions regarding the company's financial health. Therefore, many companies choose to finance investments through retained earnings or external funding sources to avoid disrupting the dividend distribution expected by shareholders.

Companies focused on long-term growth often adopt a "residual dividend policy," where dividends are paid from the remaining profits after investment needs are met. In this model, dividend decisions do not directly depend on investment decisions because dividends are considered a priority after investments are fulfilled. According to Osborne et al. (2010), this strategy allows companies to pursue relevant investment projects without sacrificing investor confidence in the dividend policy. In this scenario, dividends will only be affected if the company's funds are very limited, necessitating a balance between investment needs and dividend commitments.

The Influence of Dividend Policy on Stock Prices

Based on statistical testing, it is known that the significance value of the effect of dividend policy on stock prices is 0.011 < 0.05, indicating a significant influence. This finding aligns with the research by Meryana et al. (2021), who stated that dividend policy has a positive and significant effect on stock

prices. Wahyudi et al. (2016) concluded that the larger the dividends distributed by a company, the higher the company's stock market price will be, which means the company's value also increases, and vice versa. This signifies that there is an influence between dividend policy and the stock prices of LQ45 companies.

According to Hutchison and Cox (2007), a stable dividend policy is a way for companies to maintain shareholder confidence during times of uncertainty, while investment decisions can continue to be executed with funding from retained earnings or debt. This approach is further strengthened by studies showing that companies that maintain dividend stability are more likely to sustain strong stock prices compared to companies that frequently change their dividend policies due to short-term investment needs.

The Influence of Investment Decisions on Stock Prices Mediated by Dividend Policy

Based on statistical testing, it was found that the significance value for the effect of investment decisions on stock prices mediated by dividend policy has a bootstrap interval of BootLLCI 0.0001 and BootULCI 0.00008, with an effect size of 0.0003. This indicates that dividend policy can mediate the influence between investment decisions and stock prices. This finding aligns with Fitriana (2014), who explained the mediating role of dividend policy on the effect of investment decisions on stock prices. Dividend policy serves as a strong signal to investors regarding the company's financial health and prospects. Sound investment decisions, such as expansion or modernization, can enhance long-term profitability. However, investors often require tangible evidence of these decisions' outcomes, which can be manifested through a consistent and increasing dividend policy.

Stable or increasing dividends send a positive signal to the market about the company's healthy cash flow and management's confidence in future performance. Thus, dividend policy not only reflects current profitability but also boosts investor confidence in the investment decisions made by management, thereby increasing the company's overall value.

Sulistiono and Yusna (2019) also explained that dividend policy can mediate the effect of investment decisions on stock prices. This underscores that a good and consistent dividend policy can enhance market perceptions of the company's investment decisions. Providing stable or increasing dividends can be a way to demonstrate that the investments made are yielding positive results. A solid dividend signals to the market that the company has strong cash flows and bright financial prospects, which can increase investor confidence. This heightened confidence is usually reflected in higher stock prices, as investors are willing to pay more for shares of companies considered profitable and stable. Therefore, dividend policy not only functions as a means of distributing profits to shareholders but also as a mechanism to enhance stock value through its positive influence on market perceptions of the company's investment decisions.

4. Conclusion

This study demonstrates that while investment decisions do not have a significant direct effect on stock prices or dividend policy among companies listed on the LQ45 Index during the 2017–2022 period, dividend policy itself has a significant impact on stock prices. Furthermore, the analysis reveals that dividend policy mediates the relationship between investment decisions and stock prices, indicating that investment decisions influence stock prices indirectly through their effect on dividend policy. These findings underscore the crucial role of dividend policy as a mechanism through which investment decisions can enhance shareholder value. By maintaining a consistent and favorable dividend policy, companies can signal financial health and future prospects to investors, thereby positively influencing stock prices. This study contributes to a better understanding of the factors affecting stock prices and highlights the importance of dividend policy in mediating the impact of

investment decisions, offering valuable insights for corporate management and investors in strategizing for optimal financial performance and market valuation.

5. Implication

The findings of this study underscore the crucial role of dividend policy as a mediating factor between investment decisions and stock prices among companies listed on the LQ45 Index. This suggests that while investment decisions alone may not directly influence stock prices, their impact becomes significant when channeled through a well-managed dividend policy. For corporate managers, this highlights the importance of aligning investment strategies with dividend policies to enhance shareholder value and market perception. By maintaining consistent and favorable dividend payouts, companies can signal financial health and future growth prospects to investors, potentially leading to an appreciation in stock prices. This integrated approach can serve as a strategic tool for improving market valuation and attracting investment.

6. Limitation

This study has several limitations that should be acknowledged. Firstly, the sample is confined to companies listed on the LQ45 Index over a specific period (2017–2022), which may limit the generalizability of the results to other markets or time frames. Secondly, the research focuses on a limited set of financial variables and does not account for other factors such as macroeconomic conditions, industry-specific trends, or corporate governance practices that could influence stock prices and dividend policies. Additionally, the reliance on secondary data from financial reports may introduce biases related to data accuracy and reporting standards. These limitations suggest that the findings should be interpreted with caution and within the context of the study's scope.

7. Future Research

Future research could expand on this study by incorporating a broader range of variables and a more diverse sample of companies, including those from different indices or sectors, to enhance the applicability of the findings. Longitudinal studies spanning longer periods could provide insights into how these relationships evolve over time, especially during different economic cycles. Additionally, incorporating qualitative methods such as interviews with corporate executives or surveys of investor perceptions could offer a deeper understanding of the strategic considerations behind investment and dividend decisions. Exploring the impact of external factors like regulatory changes, market volatility, or global economic events could also provide a more comprehensive view of the determinants of stock prices.

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