

Effectiveness of Retained Earnings and Dividends on IDX Manufacturing Stock Prices

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Abstract

This study aims to determine the effectiveness of Retained Earnings and Dividend Policy on Stock Prices in manufacturing companies listed on the IDX. This study uses a quantitative approach with a secondary data research type. The total population in this sub-sector is 27 companies and is selected based on purposive sampling techniques, so that the total sample is 13 companies with a financial statement period of 7 years so that 77 samples are obtained. This study obtained the results that Retained Earnings have a positive and significant influence on Stock Prices, Dividend Policy does not have a significant influence on Stock Prices, and simultaneously Retained Earnings and Dividend Policy have a significant influence on Stock Prices in companies in the materials and building sub-sector listed on the Indonesia Stock Exchange for the period 2019–2025.

Keywords: Retained Earnings, Dividend Policy, Stock Prices.

Introduction

The main purpose of the establishment of the company is to improve the welfare of its shareholders. The manufacturing industry sector is a sector of companies listed on the Indonesia Stock Exchange that has a dominant role and attracts the attention of investors or capital owners to invest in the capital market. Stock price is the stipulated price of a company where the price can change at any time because the price is in accordance with the performance of each company. The performance of a company can be said to be good if the company is able to make a profit on each of its stock transactions. Stock prices are caused by demand and supply between sellers and buyers in the capital market. The stock price that investors are interested in is the stock price that tends to be stable and increases every year.

Stock prices are a reflection of investors' satisfaction and disappointment with dividends. According to (Alamsyah, 2020) in the theory of *information content of hypothesis* states that the movement of existing stock prices follows the amount of dividends distributed. According to him, the stock price is positively influenced by the dividend policy while according to (Handayani et al., 2020) dividend research has no effect on the stock price.

Large companies will distribute dividends to maintain their reputation in the eyes of investors. From the results of research conducted by Arifin & Silviana (2016), Wijaya (2017), Putranto & Ari (2018), it was found that company size has a positive and significant effect on stock prices. Another factor besides the one mentioned above, namely the dividend policy is a decision whether the profits obtained by the company will be distributed to shareholders as dividends or will be withheld in the form of retained earnings for future investment financing (Sartono, 2010:281).

According to (Akbar & Fahmi, 2020) dividend policy is a percentage of profit paid to shareholders in the form of cash dividends, maintaining dividend stability over time, distributing stock dividends, and buying back shares. The larger the dividend paid to shareholders, the smaller the profit withheld, and if the smaller the dividend paid to the shareholders, the greater the profit retained by the company. Cash dividends are influenced by various factors, especially the relationship of components in the financial statements. The main return in determining the company's value is based on cash dividends (Nuraini Wijanti & Panji Sedana, 2013).

Financial performance is analyzing and assessing the company's financial position and potential or progress by analyzing its financial statements using financial ratios. After getting a financial report,

usually the step taken is to analyze the financial statements through financial ratios, of course, by considering the opinion of the accountant. Financial ratios must be read comparatively and dynamically, meaning they must be linked to other information, for example, between years, between companies and industries, and between one ratio to another in the same year. Financial statements can be used as a window to see conditions within the company (Handayani et al., 2020).

Table 1. Average retained earnings, dividend policies and share prices in Manufacturing Companies Listed on the IDX for the 2019-2021 period

No	Year	Vairiaibel		
		RE	DPR(%)	Stock Price
1	2019	(7.562,76)	7.260,98	2.509,56
2	2020	32.858,66	7.309,10	2.082,74
3	2021	37.920,38	-7.225,87	1.917,93
4	2022	1.873,26	118,21	1.366,81
5	2023	2.052,36	139,64	1.700,19
6	2024	2.998,74	281,66	1.424,96
7	2025	2.774,09	107,42	1.485,22

Source: SPSS, 2026

Regarding the average retained earnings, dividend policy (DPR), and share prices in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2025 period, show fluctuations every year. The average retained earnings increased from -7,495.69 in 2019 to 32,858.66 in 2020 and 37,920.38 in 2021. Furthermore, the average retained earnings decreased to 1,873.26 in 2022, then increased to 2,052.36 in 2023 and 2,998.74 in 2024, before decreasing again to 2,744.09 in 2025.

The average dividend policy (DPR) also fluctuated, which was 7,260.98 in 2019, increased to 7,309.10 in 2020, then decreased to 7,211.43 in 2021. In 2022, the House of Representatives decreased to 118.21, then increased to 139.64 in 2023 and 281.66 in 2024, before decreasing again to 107.42 in 2025.

The average stock price also changed during the research period. The share price of 2,509.56 in 2019 decreased to 2,082.74 in 2020 and 1,917.93 in 2021. Furthermore, the stock price fell to 1,366.81 in 2022, increased to 1,700.19 in 2023, then decreased to 1,485.22 in 2025. These fluctuations show that the condition of retained earnings, dividend policies, and stock prices in manufacturing companies have changed during the study period.

To analyze the company's performance, financial ratios can be used which are divided into four groups, namely liquidity, leverage, profitability, and activity ratios. The analysis is used by investors to estimate the stock price in the future and to find out the relationship between the company's financial factors and stock price movements so that stock price estimates can be obtained (Pandansari, 2012).

Literature Review

Profit is the profit generated by the company during an accounting period. Profit is income above expenses during one accounting period (Prasetyandari, 2024). Profit is the result of a reduction in the company's revenue or sales after deducting all expenses. High profits provide greater opportunities for companies to distribute dividends. So that companies with high profits will be more in demand by investors. This can cause stock prices to increase.

According to Wiyono and Kusuma (2017:11), the dividend policy is a decision made by the company's management regarding the distribution of profits obtained to shareholders. The dividend policy aims to determine the amount of profits that will be distributed to investors as well as the share of profits that will be withheld for the company's needs. The indicator used by the author to measure dividend policy is the Dividend Payout Ratio (DPR) with the aim of finding out the amount of dividends paid by the company to investors.

Dividend Payout Ratio (DPR) is a ratio used to measure the amount of net profit distributed in the form of dividends to shareholders. The larger the dividend distributed, the more it can give a positive signal to investors so that it can increase investor confidence and potentially affect stock prices.

Stock prices are prices formed in the market that are influenced by the level of demand and supply. The stock price is obtained based on the average *closing price* in the period of December 31. In a company, a share is a piece of paper that explains that the owner of the paper is the owner (regardless of the portion or amount) of a company that issued the paper (shares). According to (Alwan, 2019), stock prices are formed through the demand and supply mechanisms in the capital market. If a stock experiences excess demand, then the stock price tends to rise, on the other hand, if a stock experiences an excess supply, the stock price tends to fall.

Hypothesis Development

According to accounting experts such as Kieso, Munawir, and Investopedia, retained *earnings* are the accumulation of a company's net profit that is not distributed to shareholders as dividends, but is saved to be reinvested into the business. These profits are used to fund various needs such as capital expenditures, debt payments, or other business development, and are an indicator of the company's financial health and growth potential that can increase the company's value in the eyes of investors. However, its influence on stock prices is not always immediate because many other factors are more dominant, such as market sentiment and macroeconomic conditions.

H1: It is suspected that retained earnings have an effect on the stock price.

Husnan and Pudjiastuti (2015:309) emphasized that the dividend policy is related to the use of profits that are the authority of investors, where later the profits are held for the company's operations or distributed to shareholders. There is a relationship between dividend policy and stock prices. The lack of dividend distribution will lower the stock price. This theory is in line with previous research by Salam and Rohaida (2019) which stated that dividend policy does not have a significant effect on stock prices.

H2: It is suspected that the dividend policy has no effect on the stock price.

The increase in the share price occurred due to an increase in the dividends distributed. Sugeng (2017:31) said that the increase in dividends will give a positive signal to potential investors about the company's future profitability prospects. This positive signal will give a positive reaction to the market so that it can increase the stock price.

H3: It is suspected that earnings are withheld and the dividend policy affects the stock price.

Method

The population in this study is manufacturing companies listed on the IDX during the 2019-2025 period, which is 27 companies. The sampling technique used in this study is purposive sampling, which is a sample determination technique based on certain considerations or criteria that are in accordance with the purpose of the research. The criteria used are manufacturing companies that are listed on the IDX and distribute dividends consecutively during the 2019-2025 period and have complete data according to the research variables. The results of the sample selection process using the purposive sampling technique are presented with the following table:

Table 2. Sample Criteria

No	Sample Criteria	Sample
1	Manufacturing Companies Listed on the IDX for the 2019–2025 Period	27

2	Manufacturing companies that do not pay dividends in the 2019–2025 period.	14
3	Number of companies sampled	13
4	Number of observational data (13 × 7 years of study)	91

To calculate *retained earnings*, use the formula:

Final Retained Earnings = Balance of Initial Retained Earnings + Net Profit (or less Net Loss) – Dividends Paid.

The steps include: determine the initial balance, add the net profit (or subtract net loss) from the period, and subtract the amount of dividends distributed to shareholders.

Formula:

RE = Initial Retained Earnings + Net Earnings (or less Net Loss) – Dividends Paid

Dividend Policy

To measure dividend policy, researchers use the Dividend Payout Ratio (DPR). The House of Representatives itself is calculated from the percentage of the total amount of dividends to *net income*. Irfani (2020:209) said that the House of Representatives can be calculated with the formula:

DPR = Total Cash Dividend Payment / EAT

Stock Price

Suaidah and Dzulqodah (2016:109) said that the stock price is the price recorded at the closing *price* of activities on the IDX. The stock price used is the closing price on December 31 contained in the research sample studied.

In this study, the author used descriptive statistical tests, classical assumption tests, and multiple linear regression analysis to analyze the data used. To manage these data, the author uses SPSS software version 26.

Results And Discussion

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Laba Ditahan	91	17.370	220662.000	11503.20246	38062.606284
Dividen	91	.46	40484.00	3015.8830	7436.04632
Harga Saham	91	81	19025	2758.58	3538.241
Valid N (listwise)	91				

Sumber: SPSS, 2026

1. Based on the results of descriptive statistics, the retained profit variable has 91 observation data with a minimum value of 17,370, a maximum value of 220,662,000, a mean value of 11,503,20246, and a standard deviation of 38,606284. It shows that the value of retained earnings in the sample varied quite high during the study period, which is indicated by the standard value of a deviation that is greater than the mean.
2. The dividend variable has 91 observation data with a minimum value of 0.46, a maximum value of 40,484.00, a mean value of 3,015.8830, and a standard deviation of 7.4360463. This shows that the amount of dividends distributed by companies varies greatly during the research.
3. The stock price variable has 91 observation data with a minimum value of 81, a maximum value of 19,025, a mean of 2,758.58, and a standard deviation of 3,538,241. This shows that the share price of the sample company has varied.

Obtained an Asymp. Sig. value of 0.000<0.05, so it was concluded that the residual data was not distributed normally.

Table 2. Normality Test

N	91
Normal Parameters ^{a,b}	Mean .0000000
	Std. Deviation 3342.15018889
Most Extreme Differences	Absolute .303
	Positive .303

	Negative	-.194
Test Statistic		.303
Asymp. Sig. (2-tailed)		.000 ^c

Sumber: SPSS, 2026

Based on the results of the multicollinearity test, it shows that the variable profit is retained and the dividend has a Tolerance value of > 0.10 and VIF 10. Therefore, it can be concluded that the two independent variables do not have problems.

Table 3. Multicollinearity Test

Model		Unstandardized Coefficients		Standardize d Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Toleranc e	VIF
1	(Constant)	2201.961	396.873		5.548	.000		
	Laba Ditahan	.024	.009	.263	2.617	.010	1.000	1.000
	Dividen	.091	.048	.192	1.902	.060	1.000	1.000

Sumber: SPSS,2026

Table 4. Multiple Linear Regression Analysis

Model		Unstandardized Coefficients		Standardize d Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Toleranc e	VIF
1	(Constant)	2201.961	396.873		5.548	.000		
	Dividen	.091	.048	.192	1.902	.060	1.000	1.000
	Laba Ditahan	.024	.009	.263	2.617	.010	1.000	1.000

Sumber: SPSS,2026

The constant (2201.961), if X_1 and X_2 are worth 0, then the stock price is predicted to be 2201.961. The X_1 coefficient (0.91), every 1 unit increase of X_1 , the stock price is predicted to rise by 0.91, assuming X_2 is fixed. The X_2 coefficient (0.024), every 1 unit increase of X_2 , the stock price is predicted to increase by 0.024, assuming X_1 is fixed.

The variables of dividends and retained earnings have a positive relationship to the stock price.

Table 5. Determination Coefficient

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.328 ^a	.108	.087	3379.916

Sumber: SPSS,2026

The R square value was 0.018 and the adjusted R square value was 0.087. The R Square value shows that the independent variables used in the study, namely retained earnings and dividends, explain the variation in the change in the dependent variable, namely the stock price of 10.8%.

Meanwhile, the value of 89.2% was explained by factors other than the research model that were not used in this study. These other factors can be in the form of market conditions, financial performance of other companies, macroeconomic conditions, investor sentiment, or external factors of the company that can affect stock price movements.

The Adjusted R Square value of 0.087 shows that after considering the number of independent variables in the regression model, the ability of the profit variable is retained and the dividend in explaining the price of sagan nebhadi is 8.75. Therefore, it is concluded that the regression model, which is used, has relatively limited explanatory capabilities, so there are still many factors that affect stock price changes

Table 6. Hypothesis Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2201.961	396.873		5.548	.000
	Dividen	.091	.048	.192	1.902	.060
	Laba Ditahan	.024	.009	.263	2.617	.010

a. Dependent Variable: Harga Saham

sumber : SPSS 26

With the degree of freedom $df = n - 3$ and the significance level of $\alpha = 0.05$, the results of the t-test show that the variable X_1 has a t calculation of 1.902 with a significant value of 0.060 so that the significance value is greater than 0.5, this shows that dividends do not have a significant effect on the legal price.

Meanwhile, the variable X_2 has a t count of 2.617 with a significance value of 0.010 so that the significance value is less than 0.05. This shows that retained earnings have an effect on stock prices.

Table 7. F Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	121426492.473	2	60713246.236	5.315	.007 ^b
	Residual	1005297109.659	88	11423830.792		
	Total	1126723602.132	90			

Sumber: SPSS,2026

Based on the results of the F test, the F value was calculated at 5,315 with a significance value of 0.007. The significance value is smaller than the significance level used, which is 0.05, so the retained profit and dividends both (simultaneously) have a significant effect on the stock price.

Discussion

It is known that based on the results of the t-test, X_1 has a significant and positive effect on the stock price. What it means, The greater the profit that the company holds, the greater the company's ability to support future operational activities and investments because it gives positive signals to investors regarding the company's prospects, so that it can increase investor interest and have an impact on increasing the stock price. The results of this study are strengthened by research conducted by Vinna Yuliana (2018) who said that retained earnings have a significant negative effect on stock prices.

The dividend policy has no effect on the stock price. This is shown through a significant of 0.060 > 0.05 with a regression coefficient value of 0.91. This means that changes in dividend policy have not been able to have a significant influence on changes in stock prices.

It shows that earnings are held and dividend policies simultaneously affect the stock price. This shows that these two variables together can affect changes in the company's share price. Increased retained earnings can provide positive signals regarding the company's ability to develop operational and investment activities, while dividend policy is one of the considerations of investors in assessing the company.

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Conclusions

Based on the research conducted on the influence of retained land and dividend policy on stock prices in manufacturing companies listed on the IDX for the 2019-2025 period, with a total of 91 observation data, it can be concluded that:

1. Retained earnings have a positive and significant influence on stock prices.
2. The dividend policy does not have a significant influence on the stock price
3. Based on the results of simultaneous testing, retained earnings and dividend policies together have an effect on the stock price.
4. The company needs to maintain optimal retained earnings management in order to support the company's operational and investment activities so as to increase investor confidence which has an impact on the stock price.
5. For investors, this research is expected to be a consideration in making investment decisions by paying attention to the company's financial factors, especially retained earnings and dividend policies.
6. For the next researcher, it is hoped that it can add other variables that can affect stock prices and expand the object and period of the research in order to obtain more diverse results.

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