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The Role of the Dividend Payout Ratio as a Stock Price Mediation

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Abstract
Stock prices in the capital market are based on the interaction between supply and demand. When there is a high demand for a stock, the price usually goes up, while an oversupply of stock causes the price to fall. The closing price is the market price when the transaction is completed at the end of the day as a result of an agreement between the buyer and the seller. Therefore, the closing price is used as the share price in research related to stock prices. The purpose of this study was to analyze the role of the Dividend Payout Ratio (DPR) as a mediating effect of Earning Per Share (EPS) and Return on Assets (ROA) on Stock Price (SP). Using an explanatory research approach, this research was conducted at the Jakarta Indonesia Stock Exchange on listed banking companies in 2016-2021. The population is 43 companies, using a purposive sampling technique, 12 companies are obtained, so a total of 72 companies during 2016-2021. Secondary data in the form of the company's financial statements were obtained by means of documentation techniques through access to idx.co.id. Next, it is analyzed with path analysis. The results prove that the DPR is able to mediate or increase the influence of EPS and ROA on SP.

Keywords: Dividend Payout Ratio, Earning per Share, Return on Assets, Stock Price

Introduction

Dividend policy refers to the choice between keeping profits as income for current investments or paying them as dividends to shareholders (Amyulianthy, 2023). If the business decides to pay dividends, retained earnings and internal funding sources will decrease. Dividend Payout Ratio (DPR), or the proportion of net income distributed as dividends to shareholders, is partly determined by the dividend policy. This choice is a component of the company's spending choices and has an impact on the amount of retained earnings which is a source of internal funding for business growth (Sartono, 2020). DPR reflects how much profit is distributed to shareholders as dividends. For investors seeking regular income from their investments, dividends are an important source of return in value. A high DPR indicates that the company distributes a large proportion of profits to shareholders, which can increase profits for dividend-dependent investors. DPR can be an indicator of a company's financial health. If the company has a stable and consistent DPR, it shows that the company has the ability to generate sufficient profits to distribute dividends on an ongoing basis. Conversely, a low or inconsistent DPR may indicate that the company may be facing financial difficulties or choosing to reinvest profits back into the business. Dividend policy, which is reflected in the DPR, can affect stock prices. For dividend-seeking investors, companies with high DPRs may be more attractive. Increases in dividends or high DPR stability can increase investor confidence and have the potential to cause an increase in stock prices. Therefore, DPR can be an important factor in assessing company value and stock investment. The DPR also plays a role in investment decisions.

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Investors may consider the DPR as a factor in selecting investments that match their goals and preferences. For example, investors seeking dividend income may be more attracted to companies with high DPR, while investors who are more focused on growth firms may pay less attention to DPR.

Based on this justification, it can be said that a high DPR will affect an increase in stock prices, while a low DPR will affect a decrease in stock prices. This is proven by his research Akuba and Hasmirati (2021), Wijaya and Suarjaya (2018) that the DPR affects stock prices. The DPR indicates the company's dividend policy, or the degree to which the corporation decides to pay out profits as dividends to shareholders. A corporation with a high DPR is more likely to choose to distribute a significant amount of its net profit to shareholders, whereas one with a low DPR might decide to keep a significant portion of profits to reinvest in the company. The company's capacity to reliably pay dividends can also be described by DPR. If a corporation has a consistent and high DPR, it means that it has a sizable profit that may be distributed to shareholders. However, it should be noted that a DPR that is too high can also indicate that the company is having difficulty reinvesting profits for future growth.

Many variables affect the DPR, including Current Ratio (CR), Debt to Equity Ratio (DER), and Return On Assets (ROA). This is evidenced by his research Wahyuni and Hafiz (2018) that CR, DER and ROA have an effect on the DPR. His research by Zakaria (2021), also proves that Earning Per Share (EPS), Company Growth Rate (TPP) and Current Ratio (CR) affect Parliament.

Research is different from that research. The novelty of the current research is the presence of the DPR variable as the mediating variable (Z) for the EPS variable (X1) and the ROA variable (X2) which affects the Stock Price (SP) as the dependent variable Y. The inclusion of the DPR variable as a mediating effect of EPS and ROA with the consideration that DPR refers to decisions made about how profits will be distributed, either as dividends or reinvested in the company. This shows the amount of profit that will be given to shareholders as dividends and has an impact on share prices. Companies with a large risk tend to pay a smaller DPR, while companies with a small risk pay a higher DPR (Prasetyo & Praptoyo, 2021).

According to a study by Majanga (2018), the DPR's existence has a considerable and favorable impact on stock values, demonstrating what was just said. His studies by Lashgari and Ahmadi (2018), Prasetyo and Praptoyo (2021) revealed the opposite conclusion, namely that the DPR has no impact on stock prices.

SP formation in the capital market is based on the interaction between supply and demand. When there is a high demand for a stock, the price usually rises, while an oversupply of shares causes the price to fall (Sartono, 2020). According to Jogiyanto (2018), the value of a share at a certain time is formed by those involved in the market and is influenced by the availability and demand for shares in the capital market. Widoatmodjo (2019), explains that the price of the request made by the buyer or seller at the close of the trading day is known as the closing price. The closing price is the market price when the transaction is completed at the end of the day as a result of an agreement between the buyer and the seller. According to (Halim, 2019), this means that in stock price research, the closing price is used as the share price.

According to Sudana (2020), DPR refers to the proportion of profits given to shareholders as dividends after tax. A higher ratio means less money is available for the company to invest in retained earnings. Darmadji & Fakhruddin (2019) also states that the DPR measures how much of a company's net profit is distributed as dividends. Horne & Wachowicz (2018) states that DPR is the percentage of profits distributed to shareholders as dividends to total profits.

Based on the explanation, it can be stated that if the DPR determined by the company is high, it will have an impact on increasing stock prices. This is supported by the research of Priatinah & Kusuma (2018), which found that a high DPR suggests a high level of profit sharing by the company. This increases investor interest in purchasing the company's shares, which ultimately has a significant impact on demand and drives up the share price.

EPS is the company's ability to earn profits for each publicly traded stock (Darmadji & Fakhruddin, 2019). This is also known as the book value ratio and is used to evaluate how effectively management generates profits for shareholders (Kasmir, 2018). Higher EPS indicates stronger financial performance because each company's shares are entitled to a larger share of profits (Brealey et al., 2019). Therefore, it may be claimed that a company's high EPS should be anticipated to have an effect on its DPR. Zakaria (2021) study, which demonstrates that shareholders are more satisfied with higher EPS because it results in a higher profit distribution and eventually influences the DPR, lends support to this.

Halim (2020) explained that ROA shows management's ability to manage its assets to get profit. High corporate ROA signifies more efficient and effective management in managing its assets to obtain company profits, so that it has a good impact on the high percentage of net profit after tax which is distributed as dividends to shareholders. Research Zakaria (2021) and Sari (2022) proves that ROA has a positive effect on the DPR. The higher the ROA value, the higher it will be also the DPR.

EPS, which is also known as the book value ratio, is a measure of how successful management is at generating profits for shareholders (Kasmir, 2018). Higher EPS indicates stronger financial performance because each company share is entitled to a larger share of profits (Brealey et al., 2019). So, it can be argued that if a company's EPS is high, then it should be suspected that it will have an impact on the DPR of the company concerned. Zakaria (2021) study, which shows that higher EPS will result in happier shareholders because it equals a larger profit distribution, which in turn affects the DPR, supports this.

Next, Sudana (2020) argues that the DPR is part of the company's net profit given to shareholders as dividends after tax. A higher DPR means less money is available for the company to use for investment from retained earnings. So, if the DPR determined by the company is high, it will have an impact on increasing the stock price. According to Priatinah & Kusuma (2018) study, if the DPR is high, the company is likely to be sharing the majority of its profits, which may entice more investors to purchase the company's stock. This increase in demand can ultimately result in higher stock prices.

According to Halim (2020) ROA is management's ability to manage its assets in obtaining profit. High company ROA indicates more effective and efficient management in managing its assets to obtain company profits, so that it has a good impact on the large percentage of net profit after tax paid as dividends to shareholders. Next, Sudana (2020) stated that the DPR is part of the company's net profit after tax paid to shareholders as dividends. A greater DPR indicates that the corporation is saving less money for upcoming investments. Therefore, the stock price will rise if the DPR as determined by the corporation is high. According to Priatinah & Kusuma (2018) study, if the DPR is high, it indicates that the company shares the majority of its profits, which may entice more investors to purchase the stock. Stock prices may eventually rise as a result of this increased demand.

Methods

This study uses an explanatory methodology to explain the causal relationship between research variables by conducting hypothesis testing (Singarimbun & Effendi, 2018). This research focuses on 43 banks listed on the Indonesia Stock Exchange in Jakarta between 2016 - 2021. A sample of 12 banks was selected using purposive sampling, so the total sample size is 72 banks for 6 years. The financial statements of 72 companies were collected as secondary data from idx.co.id, then SP, DP, EPS and ROA were calculated. After the data is collected, the data analysis technique uses a descriptive analysis and path analysis. To test the hypothesis using the t-test and to determine whether the DPR is capable of acting as a mediator, the Sobel test is used.

Results and Discussion

Results

The purpose of using descriptive statistical analysis is to provide a summary or explanation of the variables studied including Earning Per Share (EPS), Profitability (ROA), Dividend Policy (DPR), and Stock Price. The results of the analysis are shown in Table 1.

Table 1. Statistical Results Descriptive

Variable	Minimum	Maximum	Means	Std. Deviation	N
EPS	137.00	1657.00	633.3092	362.70533	72
ROA	0.02	0.35	0.1209	0.08602	72
DPR	0.05	0.94	0.3986	0.16286	72
Stock price	5.88	10.42	8.1545	1.15651	72

Source: Data Processed (2023)

The range of Earnings Per Share (EPS) figures is shown in Table 1 and ranges from 137.00 to 1657.00 with a mean value of 633.3092 and a standard deviation of 362.70533. Because it reflects how much investors are prepared to pay for every rupiah of earnings per share produced by the company, the EPS value reveals how appealing a stock is to them. Bank Mega Tbk. had the greatest EPS value in 2019, at 1657.00, while Bank Mandiri (Persero) Tbk. had the lowest EPS value in 2016, at 137.00. A high average EPS value indicates a large potential profit per share. However, the high variability in the EPS data may indicate that there are significant differences between companies in terms of profits generated. This can be due to differences in company size, industry, business strategy, and other factors.

The range of ROA's proxy for profitability is 0.02 to 0.36, with an average value of 0.1209 and a standard deviation of 0.08602. A banking company can typically make a net profit of IDR 0.1209 for every IDR 1 of its assets, according to the average ROA of 0.1209. With a value of 0.02 in 2019, Bank Rakyat Indonesia (Persero) Tbk. has the lowest ROA value, while Bank CIMB Niaga Tbk. has the greatest ROA value. A positive average ROA value indicates that these banks are able to generate profits from their assets. The higher the ROA value, the better the bank's profitability.

The Dividend Payout Ratio (DPR) is displayed in Table 1 as being between 0.05 and 0.94, with an average value of 0.3986 and a standard deviation of 0.16286. The average dividend payout ratio (DPR) is 0.3986, which means that the typical banking business has a dividend per share that is 0.3986 times its earnings per share. BPD Jabar and Banten Tbk. has the highest DPR score of 0.94 in 2020, while State Savings Bank (Persero) Tbk. has the lowest DPR score with a value of 0.05 in 2019. A high DPR can indicate a company's commitment to sharing profits with shareholders and can be attractive to investors seeking dividend income. However, keep in mind that companies must also consider capital requirements for growth and expansion, as well as maintaining a healthy financial balance.

The stock price is also between 5.88 to 10.42, with an average of 8.1545 and a standard deviation of 1.15651. According to the average share price of 8.1545, the average banking firm has an 8.1545 share price per share. 2021's lowest share price for Bank Maspion Indonesia Tbk. is 5.88, while the highest share price for Bank Central Asia Tbk. is 10.42.

The Results of the Classical Assumption Test

The results of the classical assumption test for substructures 1 and 2 are presented in the following table.

Table 2. Results of the Normality Test for Substructures 1 and 2

	Substructure 1		**Substructure 2**	
	Unstandardized Residual	**Information**	**Unstandardized Residual**	**Information**
N	72	Data is	72	Data is
Kolmogorov-Smirnov Z	1.332	normally	0.951	normally
Asymp. Sig. (2-tailed)	0.057	distributed	0.326	distributed

Source: Data Processed (2023)

Residual research data is shown to be normally distributed with the substructure normality test 1 with the Kolmogorov-Smirnov Z value with a value of 1.332 and a significance level of 0.057 higher than that. Residual data were also found to be normally distributed according to the normality test for substructure 2, which also produced a Kolmogorov-Smirnov Z value of 0.951 and a p-value = 0.326, which is higher than 0.05.

Table 3. Multicollinearity Test Results for Substructures 1 and 2

Model	**Substructure 1**			**Substructure 2**		
	Collinearity Statistics		**Information**	**Collinearity Statistics**		**Information**
	Tolerance	**VIF**		**Tolerance**	**VIF**	
EPS	0.995	1.005	There is no multicollinearity	0.971	1.029	There is no multicollinearity
ROA	0.999	1.001		0.988	1.012	
DPR	-	-		0.957	1.045	

Source: Data Processed (2023)

Table 3 shows that the tolerance value for the EPS, ROA, and DPR variables is more than 0.10. In addition, all variables have a VIF value of less than 10. Thus, it can be said that the multicollinearity problem does not affect the equation models for substructures 1 and 2.

Table 4. Substructural Heteroscedasticity Test Results 1 and 2

Model	p-value	Critical Value	Information	p-value	Critical Value	Information
EPS	0.599	0.05	There will be no heteroscedasticity	0.987	0.05	There will be no heteroscedasticity
ROA	0.465	0.05		0.090	0.05	
DPR	-	-		0.229	0.05	

Source: Data Processed.

The Glejser test was used to determine whether there is heteroscedasticity in the substructural equation models 1 and 2. The results of the study show that each independent variable's p-value is higher than 0.05, which means that there are no disruptions caused by heteroscedasticity in the model.

Table 5. Results of Autocorrelation Test for Substructures 1 and 2

Variable	Du	Durbin Watson	4-du	Information
EPS and ROA Against DPR	1.729	1.971	2.281	There is no autocorrelation
EPS, ROA, and DPR Against Share Prices	1.752	2.228	2.248	There is no autocorrelation

Source: Data Processed (2023)

Table 5 shows that the Durbin Watsons values are between du and 4-du for both substructures 1 and 2. The test results indicate that there is no autocorrelation in the substructural equation models 1 and 2 studied in this research.

Hypothesis Test Results

Path analysis is used to assess the impact of the independent variable on the dependent variable to some extent. This method is used to answer seven hypotheses.

Table 6. Testing the Direct Effect Hypothesis

Variable	B	Std. Error	Beta	t_{count}	t_{table}	p-value	Result
EPS → DPR	-0.003	0.002	-0.149	-1.454	1.9864	0.150	H1 is rejected
ROA → DPR	-0.133	0.137	-0.099	-0.972	1.9864	0.334	H2 is rejected
EPS → Stock Price	6.040	0.286	0.908	21.130	1.9864	0.000	H3 is accepted
ROA → Stock Price	55.719	20.551	0.115	2.711	1.9864	0.008	H4 is accepted
DPR → Stock Price	-14.642	15.847	-0.041	-0.924	1.9864	0.358	H5 is rejected

Source: Data Processed (2023)

To test the hypothesis, you can compare t_{count} with t_{table} or a significance value of 0.05. Table 6 shows that the $t_{count\ of}$ EPS against the DPR is -1.454, smaller than t_{table} at a significance of 0.05 (1.9864). The significance probability value is also higher than 0.05 (0.150). Thus it means that EPS has no positive effect on the DPR in banking companies listed on the IDX in 2016-2021. The same conclusion can be drawn for the ROA variable. However, the EPS t_{count} value for the stock price is 21.130 greater than the t_{table} of 0.05 (1.9864), and the significance probability value is lower than 0.05 (0.000). Thus EPS has a positive effect on stock prices. The same conclusion can be drawn for the ROA variable. However, the DPR variable does not affect stock prices.

These results are used in making Model 2 Path Diagrams.

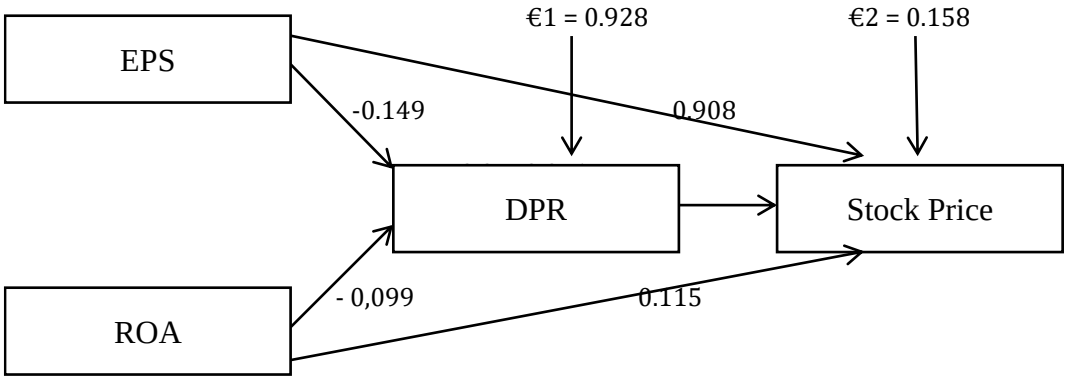

Figure 1. Model Path Diagram 2
Source: Data Processed (2023)

Structural Equation 2 = $Y_2 = -0.149X_1 - 0.099X_2 - 0.041Y_1 + 0.158$

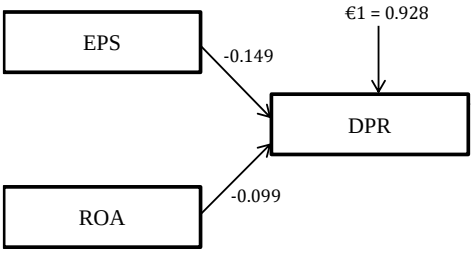

Figure 2. Model Path Diagram 1
Source: Data Processed (2023)

Structural Equation 1 = $Y_1 = -0.149X_1 - 0.099X_2 + 0.928$

Test Sobel and Bootstrapping

To test hypotheses 6 and 7, the Sobel and Bootstrapping tests were used. The Sobel test examines the indirect effect of X1 and X2 on Y2 through Y1. According to Ghozali (2018), if the output of the Sobel test matches the manual test, it indicates a mediating relationship with Y1 as the intervening variable. The SPSS Statistics 21.0 For Windows program was used to carry out both tests in this study. The Sobel and bootstrap test results for hypotheses 6 and 7 are summarized below.

Table 7. Summary of Results Analysis of Hypotheses 6 and 7 and Boots trapping test

Independent Variable	Intervening Variable	Dependent Variable	Value	Sig	t_{count}	t_{table}	Result
EPS	DPR	Stock price	0.0515	0.4281	0.0938	1.9864	Y1 is not an intervening variable
ROA	DPR	Stock price	8.4284	0.4700	0.4769	1.9864	Y1 is not an intervening variable

Source: Data Processed (2023)

The results of multiplying the coefficients b (MX) and b (YMX) manually are shown in Table 7. By comparing the t_{count} and t_{table} or using the DPR significance value of 0.05, the sixth hypothesis is tested using a significance test. The t_{table} value is at a significance level of 1.9864 while the t_{count} value is 0.0938, proving that $t_{count} > t_{table}$ (0.0938 > 1.9864). The significance value for the DPR is 0.4281 and greater than 0.05 (0.4281 > 0.05). The sixth hypothesis is not proven because it can be concluded that the DPR variable

does not act as an intermediary variable between EPS and stock prices. This applies to banks listed on the IDX between 2016 - 2021.

The value of 8.4284 is obtained by multiplying the variable coefficients b (MX) and b (YMX) manually. By comparing $t_{arithmetic}$ and t_{table} or using a significant DPR value of 0.05, a significance test was carried out to assess the seventh hypothesis. DPR significance value = 0.4700 or higher than 0.05 (0.4700 > 0.05) according to table 7, where the t_{count} and $t_{table\ values}$ are respectively 0.4769 and 1.9864. The 7th hypothesis is not proven because it can be concluded that the DPR variable does not act as an intermediary variable between ROA and stock prices.

Discussion

The influence of EPS on the DPR

Earnings per share, or EPS, is the measure of how much money a company may make from each share it issues. Dividends available to common shareholders are divided by the total number of outstanding shares of common stock to arrive at earnings per share. Earnings per share data is one of the most fundamental and helpful for investors since it can demonstrate the company's future profit potential (Tandelilin, 2018). Companies with higher income will be able to pay dividends, while businesses with unclear future profitability may adopt lower dividend payout policies or choose not to pay dividends.

If the company has a high EPS, it means that the company generates a large profit per share. In this situation, the company might choose to distribute a large portion of those profits to shareholders as dividends, which can result in a high DPR. High EPS can also support dividend sustainability. If the company has stable and consistent EPS, then the company has sufficient resources to distribute dividends on an ongoing basis to shareholders. This can encourage companies to maintain or increase their DPR as part of their dividend policy. High EPS can indicate healthy company growth and good profitability. In a situation where the company is at a stage of strong growth, management might choose to reinvest a large portion of profits to support business growth and expansion. The findings of this study are consistent with Zakaria (2021) that earnings per share have a detrimental effect on dividend policy. Regarding dividend policy, studies by Noviana (2018) indicated that earnings per share had no bearing on the dividend policy. In contrast to findings Remelko & Setiawan (2021) discovered a favorable association between earnings per share and dividend policy.

The Effect of ROA on the DPR

Research findings on how Return on Assets affect the DPR on banking companies listed on the Indonesia Stock Exchange. The tcount value of the Return On Assets variable is 1.9864, and ttable with = 5% is calculated to be -0.972. This means that H0 is approved and H2 is rejected because tcount is more than ttable (1.9864 > -0.972) and a significance value of 0.334 is higher than 0.05 (0.334 > 0.05). As a result, it can be said that the dividend payout ratio is not completely unaffected by the return on assets. The Return On Assets variable has no effect on the Dividend Payout Ratio in banking companies listed on the Indonesia Stock Exchange, as shown partially. ROA reflects a company's financial performance and its ability to generate profits from its assets. If a company has a high ROA, it shows that the company is able to efficiently utilize its assets and generate significant profits. Companies with high ROA may have more resources to distribute dividends to shareholders. If the company has a high ROA, management may be more inclined to distribute a large proportion of profits as dividends to shareholders. A high ROA indicates strong performance and sizable profits, which can support higher dividend payouts.

ROA is a metric used to assess how well a business uses fixed assets used in operations to generate profits. ROA is increasing, the higher the Return On Assets (ROA) means the better the company's performance. Investors can earn dividend income as part of their return on investment. It is a given that all businesses operate with the hope of making a profit. Corporations use cash that comes from outside the company, and from within the company, or what is commonly called debt because with these profits the company can continue its operations. Businesses with strong income levels usually have low debt levels. The rate of return on investment for a company's investment in fixed assets used for operations is known as return on assets (ROA). As the rate of return on investment increases, financial performance increases along with an increase in Return On Assets (ROA). As a result, investors get greater returns in the form of dividend income. Every rupiah of money contained in total assets generates a greater amount of net profit, the higher the return on assets (Hery, 2018). Conversely, a lower return on assets means that for every dollar of capital

invested in all assets, less net profit is generated. According to Sudana (2020), the more efficient the use of company assets, or in other words, the more profit that can be generated with a certain amount of assets, and conversely, the higher the ROA.

The study by Lanawati & Amilin (2018), which shows that Return on Assets (ROA) has no visible impact on the Dividend Payout Ratio, provides evidence to support this research. This analysis further shows that, there was no clear relationship between Return on Assets and Dividend Payout Ratio.

The Effect of EPS on Stock Prices

In contrast to the previously determined significant level of 0.05, EPS obtained a t_{count} of 21.130 with a p value of 0.000. Based on these results, the EPS variable affects stock prices. Thus, the research hypothesis which states that there is a positive relationship between EPS and stock prices, is accepted. Kartiko & Rachmi (2021) found that EPS can used as a predictor of stock prices in the future and has a positive effect with a significant positive coefficient, indicating that the greater the activity remains in closing current debt. However, if currently more active in closing current debt, the stock price will increase in this study. EPS is one of the main indicators of a company's financial performance. When a company achieves consistent profit growth and increases EPS, this gives a positive signal to investors. Investors tend to favor companies that have stable earnings and increase over time, which in turn can drive demand and increase stock prices. EPS can also be used as a measure of company value. Stock prices are often reflected in investors' expectations of future earnings. If a company has a high EPS, it can indicate that the company is of high value and has a greater profit potential in the future. This can attract investors and drive up stock prices. High EPS can indicate healthy profit growth and good company performance. Investors tend to see companies with strong profit growth as attractive investments. If the company is able to increase EPS consistently, it can affect a higher share price because investors have greater expectations of potential profits in the future. If the company's EPS exceeds analyst estimates or market expectations, it can lead to an increase in the share price because investors will react positively to better than expected performance. Conversely, if a company's EPS is below forecast, it can result in a decline in the share price.

The Effect of ROA on Stock Prices

This research is able to show that Return On Assets (ROA) has an impact on stock prices in the future. The significance level is 0.08, and the t_{count} is 2.711. Due to its high t_{count}, ROA appears to be a reliable predictor of the future value of a stock. This level of relevance leads to the conclusion that the variable return on assets has an impact on future stock prices in banking organizations. The type and pattern of ROA used by the company is very precise, so that there are several assets that work or are used efficiently so that the stock price obtained can be optimal. As a result, the ability of ROA to predict stock prices is quite conceivable. In addition, income from capital obtained through debt cannot be used to cover high capital costs; instead, a portion of shareholder earnings must be used to cover the difference. Any increase in the ROA variable has the potential to have a major impact on stock prices because there is a strong and positive relationship between ROA and stock prices. The results of this investigation support the results of previous investigations. The interest rate is less than 5%, and this ratio can be used to forecast stock prices, according to research by Kartiko & Rachmi (2021).

The Influence of the DPR on Stock Prices

DPR has a beneficial and large influence on stock prices, according to the fifth hypothesis. DPR is known to have a significance level of 0.358 and a negative regression coefficient of 0.924 based on the results of the t test. This leads to the conclusion that the DPR has no influence over share prices, rejecting the premise. The findings of this research contradict research Masum (2019) which found that the DPR significantly and profitably influences stock prices. Investors' expectations of the level of profit do not affect the amount of dividend payout ratio because stock prices are not affected. This is in line with the Information Content Hypothesis from the Dividend Policy Theory which states that managers often have more knowledge about company prospects than shareholders or investors. As a result, investors believe capital gains are riskier than dividends paid in cash.

The Influence of EPS on Stock Prices through the DPR

The coefficients b (MX) (intervening variable and independent variable) and b (YMX) (dependent variable, intervening variable and independent variable) were multiplied manually to produce a value of 0.0515 based on the table. By comparing the significance probability value of 0.05 or tcount and ttable, or both, the significance test is utilized to evaluate the sixth hypothesis. Based on the previous table, the significance of ttable is 1.9864 while the value of tcount is 0.0938, meaning $t_{count} < t_{table}$ (0.0938 < 1.9864), and the DPR significance value is 0.4281 or greater (0.4281 > 0.05). As a result, the sixth hypothesis in this study can be ruled out because the DPR variable does not act as an intermediary variable between EPS and stock prices.

The conclusion is that an increase in share price will follow an increase in earnings per share. Conversely, if earnings per share fall, the stock price will follow. Stocks with high EPS can be used as evidence that a business has succeeded in increasing shareholder wealth, persuading both old and new investors to buy shares of the business. How popular these stocks are will directly impact how much the company's stock price rises. Therefore, an increase in EPS will be accompanied by an increase in stock prices. Companies will receive better returns as a result of higher earnings per share (EPS). This will entice investors to stake larger stakes, driving up the company's share price. This is in line with several other studies on the impact of EPS on stock prices conducted by Priatinah & Kusuma (2018), whose findings show that EPS has a sizable beneficial impact on stock prices.

Furthermore, if the dividend payout ratio can be interpreted correctly, then any increase will effect on increasing stock prices. A decrease in the dividend payout ratio will have an impact on a decrease in share prices. Investors will receive a positive message that the company can meet its funding needs if it has a high dividend payout policy. These facts will be taken into account by investors when they decide to buy shares of a company. The share price will grow as a result of the increased demand for these shares. We can accept Weston & Copeland (2018) statement that "DPR is one of the factors that influence stock prices, increasing DPR is a way to increase shareholder confidence because large cash dividends are what investors want". As a result, the stock price of the business will rise. The results of this analysis support many of the previous investigations by Hunjra et al. (2018) conducted on the impact of the DPR on stock prices; they show that the DPR has a large positive impact on stock prices.

The Effect of ROA on Stock Prices through the DPR

According to the findings of the study, the relationship between return on assets and stock prices through dividend policy is not significant. A low Return on Assets figure will indicate that the business is only able to generate modest income. Investors will choose businesses that have a high return on assets because these businesses can make more money than businesses with a low return on assets. As a result, businesses that can generate high Return on Assets will also pay large dividends. According to signaling theory, dividend payments by management are an indication that the business has succeeded in generating profits (Parmitasari & Sutrisna, 2019).

When determining whether company policies are beneficial to the future value of the company from an investor's perspective, the function of the financial manager is very important. If the value of the company decreases, the stock price will also decrease. Masdupi (2019) suggests that introducing managerial share ownership can reduce agency costs by incentivizing managers to make decisions that benefit the company, as they will directly profit from the success of the firm, increase the Dividend Payout Ratio and institutional ownership as the entity overseeing the supervisory agency.

Conclusion

Research conclusions This is that the DPR is able to play a mediating role or is able to increase the influence of EPS and ROA on SP. This means that EPS and ROA must go through the DPR to increase the company's stock price. Suggestions for companies, the company should aim to maximize shareholder wealth or company value by determining the appropriate dividend payout ratio (DPR), namely the percentage of net profit that will be paid as cash dividends. DPR targets should be based on investors' preferences, such as whether they prefer cash dividends or capital gains, and whether they want the company to share profits or reinvest them in the business. There are three theories related to DPR and investor preferences: dividend irrelevance theory, bird in hand theory, and tax preference theory. Ultimately, the goal is to ensure that both cash dividends and reinvestment in the business turn a profit.

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