


The Effect of Dividend Policy and Market Ratio on Stock Returns of Blue Chip Companies Listed on the Indonesia Stock

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Article Info	ABSTRACT
<p>Keywords: Dividend Yield, Dividend Payout Ratio, Price to Book Value, Stock Return, Blue Chip</p>	<p>This study aims to analyze the effect of dividend policy and market ratio on stock returns of blue chip companies listed on the Indonesia Stock Exchange (IDX) during the 2018–2024 period. The market ratio is proxied by Price to Book Value (PBV), while dividend policy is proxied by Dividend Yield (DY) and Dividend Payout Ratio (DPR). The research method employed is quantitative with a causal approach. The sample consists of 14 blue chip companies with large market capitalization and high liquidity. Secondary data were obtained from the IDX, financial statements, and other financial publications, and were analyzed using multiple linear regression with the assistance of SPSS version 25. The results show that Price to Book Value (PBV) has no significant effect on blue chip stock returns, while Dividend Yield (DY) has a positive and significant effect and Dividend Payout Ratio (DPR) has a negative and significant effect on stock returns. However, simultaneously, the three variables significantly affect stock returns. These findings indicate that investors tend to value higher dividend yields but remain cautiously toward companies that distribute excessively large payouts as it may compromise long-term growth potential. Meanwhile, book-value-based valuation (PBV) does not serve as a primary consideration for investors in the short term, especially under market conditions influenced by external factors such as global economic uncertainty.</p>
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INTRODUCTION

The capital market is a means or platform for bringing together sellers and buyers of financial instruments for investment purposes (Parhusip & Udjang, 2019). The capital market is a crucial pillar of a country's financial system, providing alternative financing for companies and serving as an investment vehicle for the public. According to (Amrulloh & Muis, 2019), the capital market serves as a funding source for companies while also providing returns for investors, both in the form of dividends and capital gains. This demonstrates that the existence of the capital market creates strategic opportunities for business expansion while meeting investor expectations for competitive returns. Every investor desires high returns on their shares, but these high returns are accompanied by high risks.

This is similar to the general principle in capital markets: high risk, high return, which means that stock returns and investment risk have a positive relationship. Higher risk leads

to higher returns. Therefore, investors need to seek efficient stocks—those that offer a certain level of risk with a higher level of return, or a certain level of return with a lower level of risk. One group of stocks often used as a reference by investors is blue-chip stocks, namely shares from large companies with strong fundamentals, financial stability, and a track record of good performance and consistent dividend distribution.

In general, investors will choose companies with large capitalization (big cap), commonly known as blue-chip stocks (Suryo & Yasa, 2021a). Blue-chip stocks are stocks that promise substantial returns. Blue-chip stocks are nationally recognized and have a history of high-quality profits, management, and growth (Lestari et al., 2022). Generally, these blue-chip stocks have proven track records in terms of earnings and dividends. These blue-chip companies are large, leading companies (Lestari et al., 2022). This makes blue-chip stocks more suitable for novice investors than other stocks because they have a relatively stable stock value and relatively low risk (Suryo & Yasa, 2021a). Companies with blue-chip stocks indicate good financial performance, making them more attractive to large investors.

In addition to macroeconomic conditions and global market conditions, internal company policies, such as dividend policy and market share ratio, are also thought to have a significant impact. Data from 14 blue-chip stocks from 2018 to 2024 showed an average dividend yield (DY) of 4.04%, generally below the ideal yield standard according to financial literature. Meanwhile, the dividend payout ratio (DPR) averaged 57.54%, indicating that most companies tend to distribute significant profits to shareholders. Furthermore, the average price-to-book value (PBV) of 4.78 indicates that most of these stocks are overvalued, reflecting high market expectations regarding the companies' prospects.

Based on the problem description above and the inconsistency of previous research results, the researcher is interested in examining variables limited to dividend policy and market ratio on blue chip stock returns in companies listed on the Indonesian Stock Exchange (BEI) for the period 2018-2024. Therefore, this study raises the title "The Effect of Dividend Policy and Market Ratio on Blue Chip Stock Returns in Companies Listed on the Indonesian Stock Exchange (BEI) for the period 2018-2024".

Literature Review

Understanding Dividends

Dividends are a crucial element in stock investing, especially for investors seeking regular income from their stock ownership. Dividends can be defined as the distribution of company profits to shareholders, providing a direct return on their investment. According to Kang et al. (2019), dividends not only reflect a company's profitability but also reflect management's commitment to providing benefits to shareholders.

Understanding Dividend Policy

Dividend policy is the decision whether the company's profits at the end of the year will be distributed to shareholders in dividends or retained to increase capital to finance future investments (Ahmad, Alrjoub, et al., 2018). Essentially, dividend policy is the determination of the amount of profit the company earns that will be paid as dividends to investors and how much profit will be retained for the company's internal expenses (Sulaiman & Migiro, 2015).

Understanding Market Ratio

According to (Lubis, 2021), a market ratio, or stock ratio, is a ratio used to measure the value of a stock. A market ratio is a financial metric that measures and analyzes stock prices and compares market prices with competitors and other facts and figures. This ratio tracks the financial performance of a public company to understand its position in the market (Veronica, 2022). Through market ratios, investors can determine whether a particular company's stock is overvalued, undervalued, or correctly valued. Investors can also determine the optimal price at which to buy or sell shares. In addition to evaluating the current share price of a public company's stock, this metric also helps existing and potential investors make financial decisions about investing in stocks (Pinfeld et al., 2021).

Understanding Stock Returns

Stock returns are the level of profit or loss an investor earns from investing in stocks over a specific period. Returns can come from two main components: capital gains (the difference between the buying and selling prices of shares) and dividends (company profits distributed to shareholders). According to Jogiyanto (2017), stock returns are the investment returns obtained by investors, consisting of two main components: dividends and capital gains. Halim (2005) also defines returns as the level of profit enjoyed by investors through dividends or increases in stock prices. Furthermore, Tandelilin (2010) emphasizes that returns are the primary motivation for investors to invest and serve as a reward for the risks taken. This view aligns with Fama (1970), who emphasized that stock returns reflect market reactions to new information, thus efficiently reflecting a company's fundamental performance.

RESEARCH METHODS

This research is classified as basic research because it aims to test and develop theories and previous research results, particularly those related to the influence of dividend policy and market ratio on stock returns. Viewed from the research objectives, this research is causal research because it aims to test the influence between independent variables, namely dividend policy (dividend yield and dividend payout ratio) and market ratio (price to book value), on the dependent variable, namely stock returns. The approach used is a quantitative approach, because this study uses numerical data (quantitative) obtained from secondary data, and processed using inferential statistical methods, namely multiple linear regression analysis with the help of SPSS software version 25.

This study uses time series data, namely data collected during the period of January 2018 to December 2024. The type of data used is secondary data, obtained through official documentation and publications from the Indonesia Stock Exchange (IDX) through the website www.idx.co.id as well as other financial sources such as investing.com and company financial reports. The list of issuers that are the objects of this study includes 14 companies with large market capitalization and high liquidity levels, namely: PT Bank Central Asia Tbk, PT Bank Rakyat Indonesia (Persero) Tbk, PT Bank Mandiri (Persero) Tbk, PT Bank Negara Indonesia (Persero) Tbk, PT Telkom Indonesia (Persero) Tbk, PT Astra International Tbk, PT Unilever Indonesia Tbk, PT Indofood CBP Sukses Makmur Tbk, PT Indofood Sukses Makmur

Tbk, PT Kalbe Farma Tbk, PT Charoen Pokphand Indonesia Tbk, PT XL Axiata Tbk, PT Semen Indonesia (Persero) Tbk, and PT Bukit Asam Tbk.

RESULTS AND DISCUSSION

Hypothesis Testing

The analysis model used to test the hypothesis in this study is multiple linear regression analysis, with the help of the SPSS (Statistical Package for the Social Sciences) version 25 application. The results of the multiple linear regression analysis based on the data processing are presented in Table 1 as follows:

Table 1 Results of Multiple Linear Regression Analysis

Model		Coefficients ^a				t	Sig.	Collinearity Statistics	
		Unstandardized Coefficients		Standardized Coefficients	Tolerance			VIF	
		B	Std. Error	Beta					
1	(Constant)	0.176	0.074		2.390	0.019			
	Price to Book Value	0.005	0.004	0.159	1.383	0.170	0.606	1.649	
	Dividend Yield	3.108	0.588	0.578	5.285	0.000	0.675	1.481	
	Dividend Payout Ratio (DPR)	-0.513	0.155	-0.418	-3.316	0.001	0.507	1.973	

a. Dependent Variable: Return Saham

Source: Data processed using SPSS 25 (2025)

Based on Table 2, it is known that based on the results of testing with multiple linear regression, the following equation model was obtained:

$$Y = 0.176 + 0.005 (PBV) + 3.108 (DY) - 0.513 (DPR)$$

A constant value of 0.176 indicates that if the PBV, DY, and DPR variables are zero, the stock return is predicted to be 0.176. Each regression coefficient in front of a variable indicates the direction and magnitude of the variable's influence on stock returns, assuming other variables remain constant (*ceteris paribus*). A positive coefficient indicates that an increase in the variable will increase stock returns, while a negative coefficient indicates that an increase in the variable will decrease stock returns.

Table 2 Research Hypothesis Testing

Kode Hipotesis	Rumusan Hipotesis	Sig.	Keputusan
H1	<i>Price to Book Value</i> (PBV) berpengaruh terhadap return saham.	0,170 (>0,05)	H ₀ tidak ditolak → H1 ditolak (PBV tidak berpengaruh signifikan)
H2	<i>Dividend Yield</i> (DY) berpengaruh positif terhadap return saham.	0,000 (<0,05)	H ₀ ditolak → H2 diterima (DY berpengaruh positif signifikan)
H3	<i>Dividend Payout Ratio</i> (DPR) berpengaruh terhadap return saham.	0,001 (<0,05)	H ₀ ditolak → H3 diterima (DPR berpengaruh negatif signifikan)
H4	PBV, DY, dan DPR berpengaruh secara simultan terhadap return saham.	0,000 (<0,05)	H ₀ ditolak → H4 diterima (berpengaruh signifikan secara simultan)

Hypothesis 1. The Effect of Price to Book Value (PBV) on Blue Chip Stock Returns

Based on the results of the previous regression analysis, it is known that the Price to

Book Value (PBV) variable has a positive regression coefficient value of 0.005 with a significance level of 0.170 ($\text{sig} > 0.05$). This indicates that statistically, PBV does not have a significant effect on blue chip stock returns during the study period, although the direction of the relationship is positive. This finding is in line with the results of research (RE Putra & Kindangen, 2016) which found that PBV does not significantly influence stock returns in manufacturing companies on the IDX. Similarly, (Jogiyanto, 2017) also emphasized that market ratios such as PBV are not always the dominant variable in explaining stock returns, because investors tend to pay more attention to other fundamental factors that are more quickly reflected in stock prices.

In addition to internal factors, global economic uncertainty can also be an external factor weakening the relevance of the PBV indicator during the 2018–2024 period. According to a report by the International Monetary Fund (IMF, 2023), the global economy during this period faced significant pressure due to the COVID-19 pandemic, geopolitical conflicts such as the Russia-Ukraine war, and tight monetary policies in various countries, including the Fed's increase in benchmark interest rates. This uncertainty prompted investors to be more reactive to market risks and short-term news rather than assessing long-term valuations such as PBV.

Hypothesis 2. The Effect of Dividend Yield (DY) on Blue Chip Stock Returns

Based on the multiple linear regression results in Table 4.09, the Dividend Yield (DY) variable has a regression coefficient of 3.108 with a significance value of 0.000 ($\text{sig} < 0.05$). This indicates that DY has a positive and significant effect on the returns of blue-chip stocks listed on the Indonesia Stock Exchange (IDX) during the 2018–2024 period. A positive regression coefficient indicates that the higher the dividend yield offered by a company, the higher the stock returns obtained by investors. This indicates that investors respond positively to the dividend yield paid by the company, because DY reflects the efficiency of dividend payments relative to the stock price.

Thus, DY can be viewed as an indicator of financial stability and a signal of confidence in a company's prospects. This finding is consistent with the dividend signaling theory proposed by Bhattacharya (1979), which states that high dividend distributions are a positive signal from management regarding the company's future performance and prospects. In volatile market contexts, such as the period during and after the COVID-19 pandemic, investors tend to value stable and measurable dividends over the potential for fluctuating capital gains. Therefore, it can be concluded that Dividend Yield is a significant factor influencing blue-chip stock returns in Indonesia, particularly during periods marked by global economic uncertainty.

Hypothesis 3. The Effect of Dividend Payout Ratio (DPR) on Blue Chip Stock Returns

Based on the results of the multiple linear regression analysis in Table 4.09, the Dividend Payout Ratio (DPR) variable shows a regression coefficient of -0.513 with a significance value of 0.001 ($\text{sig} < 0.05$). These results indicate that the DPR has a negative and significant effect on the returns of blue-chip stocks listed on the Indonesia Stock Exchange (IDX) in the 2018–2024 period. This negative coefficient indicates that the higher the proportion of profits paid as dividends, the lower the stock returns obtained by investors. This finding reflects that investors tend to value corporate strategies that prioritize profit

reinvestment into operational activities or business expansion rather than large dividend distributions. This result is in line with the residual dividend policy approach proposed by (Lintner, 1962) and (Modigliani & Miller, 1961), which states that dividends should be paid after all company investment needs are met. If a company distributes too many dividends, funds for growth will be reduced, which ultimately has the potential to reduce future return prospects.

In the context of blue-chip stocks, investors tend to be long-term oriented, thus preferring companies that demonstrate the potential for sustainable growth through profit reinvestment over companies that focus on short-term dividend distributions. During the 2018–2024 period, global uncertainties such as the COVID-19 pandemic, geopolitical tensions, and tight monetary policy also caused investors to be more cautious and evaluate companies based on their ability to survive and grow in the long term. Therefore, the negative effect of DPR on stock returns in this study reflects investors' preference for internal growth strategies over high profit distribution.

Hypothesis 4. The Effect of Price Book to Value (PBV), Dividend Yield and Dividend Payout Ratio (DPR) to Blue Chip Stock Returns

Multiple linear regression analysis shows that the three independent variables, namely price-to-book value (PBV), dividend yield (DY), and dividend payout ratio (DPR), jointly have a significant effect on blue-chip stock returns. This is evidenced by the F-test results, which yielded a significance value of 0.000 (<0.05). Thus, the validity of the regression model as a tool to simultaneously explain variations in stock returns is acceptable.

The Dividend Payout Ratio (DPR) is also considered important because it reflects management's strategy in balancing profit distribution and reinvestment for growth. Investors tend to avoid companies with excessively high DPRs because they indicate limited funds for future expansion (Fahira & Haryadi, 2022; Nurhayati, 2013). Conversely, PBV, as a book value-based valuation indicator, is less sensitive to short-term changes due to its more static and historical nature. In volatile market conditions, stock prices tend to be influenced by sentiment and external factors, reducing PBV's predictive power on stock returns.

This finding aligns with research by RE Putra & Kindangen (2016), which found that PBV does not always significantly impact stock returns in Indonesia, particularly in sectors with relatively stable valuations, such as blue-chip companies. Therefore, this study's findings reinforce the view that a combination of fundamental indicators (in this case, PBV, DY, and DPR) together is more effective in explaining variations in stock returns than if used separately. This aligns with modern portfolio theory, where investors tend to consider various risk and fundamental factors simultaneously to optimize returns.

CONCLUSION

Overall, this study demonstrates that investors in Indonesia place greater emphasis on dividend policy indicators than book value-based valuation indicators when determining stock returns, particularly for blue-chip stocks. The 2018–2024 global context, marked by the COVID-19 pandemic, geopolitical crises, and tight monetary policy, has reinforced investor preference for indicators that promise cash flow certainty, such as dividends. Consequently,

blue-chip companies need to balance their dividend distribution and profit reinvestment strategies to maintain investor confidence while supporting long-term growth. For investors, these findings can serve as a reference for developing more prudent portfolio strategies by simultaneously considering a combination of several fundamental indicators. Therefore, this study not only enriches the literature on dividend policy and market ratios in Indonesia but also provides practical input for investors and company management in navigating uncertain market dynamics.

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