



Profitability and Dividend Policy Analysis with Firm Size as a Moderating Variable In Determining Stock Prices of A Company

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Abstract:

This study investigates the effect of Net Profit Margin (NPM), Return on Equity (ROE), and Dividend Payout Ratio (DPR) on stock prices, with firm size as a moderating variable, using companies listed in the IDX30 index of the Indonesia Stock Exchange. The research is motivated by the phenomenon that stock price movements do not always reflect firms' fundamental performance. A quantitative approach was employed using secondary data from annual financial statements and stock prices of IDX30 companies for the period 2019–2024. The analysis was conducted using the Robust Least Squares (RLS) method to address potential heteroscedasticity and outliers, along with interaction terms to test the moderating role of firm size. The results show that NPM has no significant effect on stock prices, while ROE and DPR have a significant negative effect. Firm size has a positive and significant direct effect on stock prices. Furthermore, firm size strengthens the influence of ROE and DPR on stock prices but does not moderate the relationship between NPM and stock prices. These findings indicate that in large firms, equity-based profitability and dividend policy are more strongly interpreted by investors as signals affecting market valuation. This study contributes to signaling theory by highlighting the contextual role of firm size in shaping investors' responses to financial performance indicators.

Keywords: *Net Profit Margin; Return on Equity; Dividend Payout Ratio; Firm Size; Stock Price; IDX30*

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INTRODUCTION

The phenomenon of stock price fluctuations that do not fully reflect a company's fundamental condition remains a crucial issue in the investment world, particularly in the Indonesian capital market. Classical financial theory posits that stock prices are primarily determined by fundamental information such as profitability and dividend policy (Brigham & Houston, 2019). However, empirical evidence shows that firms with strong financial performance may still experience declining or volatile stock prices. Several companies included in the IDX30 index, for instance, have exhibited significant stock price volatility despite maintaining relatively stable Return on Equity (ROE) and Dividend Payout Ratio (DPR) in recent years. This condition suggests that fundamental financial indicators alone are insufficient to fully explain stock price movements and that other factors may moderate the relationship between financial performance and market valuation.

Firm size is frequently regarded as an indicator of a company's ability to manage market risk and attract institutional investors, thereby potentially strengthening or weakening the influence of financial variables on stock prices (Sudana, 2015). Large firms generally possess broader access to information, stronger reputations, and more stable investor bases, which can reduce information asymmetry and mitigate stock price volatility. Consequently, the impact of profitability and dividend policy on stock prices may vary according to firm size. This issue

becomes particularly relevant for IDX30 companies, which represent firms with the largest market capitalization and highest liquidity on the Indonesia Stock Exchange and are therefore closely monitored by investors.

From an economic perspective, stock price fluctuations are a natural market phenomenon driven by supply and demand dynamics. An increase in stock demand typically leads to price appreciation, whereas a surge in supply tends to exert downward pressure on prices. Although stock prices are often assumed to reflect a firm's fundamental performance, this assumption does not always hold true in practice (Daulay et al., 2023). On the one hand, investors expect stock prices to represent intrinsic firm value derived from profitability, growth prospects, and dividend distribution. On the other hand, stock price movements are frequently influenced by market speculation, investor sentiment, and external factors unrelated to firms' financial fundamentals. This discrepancy raises an important debate regarding whether stock prices truly reflect fundamental value or are shaped predominantly by short-term market perceptions.

A comprehensive understanding of the determinants of stock prices is therefore essential for investors, regulators, and other stakeholders in making informed strategic decisions in the capital market. Hashmi, Chang, and Bhutto (2021) emphasize that stock prices are influenced not only by fundamental factors but also by psychological and behavioral aspects of investors. Meanwhile, Yin and Nie (2021) demonstrate that cash dividend yield has predictive power for stock prices, although their study is limited by its focus on dividend-related variables and its exclusion of firm-specific characteristics and moderating factors. These mixed findings indicate that the relationship between financial performance and stock prices remains inconclusive and warrants further investigation, particularly by incorporating firm-level characteristics that may alter investors' interpretation of financial signals.

Accordingly, this study aims to examine the effect of Net Profit Margin (NPM), Return on Equity (ROE), and Dividend Payout Ratio (DPR) on stock prices, with firm size serving as a moderating variable, in companies listed in the IDX30 index during the 2019–2024 period. This research addresses the existing gap by explicitly testing the moderating role of firm size, which has often been treated merely as a control variable in prior studies. The study contributes to the literature by providing empirical evidence on how firm size shapes investors' responses to profitability and dividend policy signals in large-cap companies within an emerging market context. From a practical perspective, the findings offer valuable insights for corporate managers in designing profitability and dividend strategies, as well as for investors in evaluating stock valuation based on firm characteristics.

METHOD

This research employed an explanatory quantitative approach to examine the causal relationship between financial variables and stock prices. The explanatory approach was chosen because the study focused on testing the effects of Net Profit Margin (NPM), Return on Equity (ROE), and Dividend Payout Ratio (DPR) on stock prices, with company size (firm size) as a moderating variable. The research relied on secondary data obtained from the annual reports of companies that were members of the IDX30 index and listed on the Indonesia Stock Exchange (IDX) during the period 2019–2023.

The quantitative approach was used because all variables were numerical and statistically analyzed using a panel data regression model. This model was chosen to enable analysis of data that included time series and cross-section dimensions, thereby providing a more comprehensive picture of the patterns of relationships between variables over time and across companies. With this method, the research identified and explained the direct and indirect influences between variables in an objective and measurable manner, so that the results could serve as a basis for investment decision-making and corporate policy.

For secondary data collection, the researcher used several reliable and relevant sources of information, namely:

- 1) Annual reports of companies listed in the IDX30 index on the Indonesia Stock Exchange (IDX) for the period 2019–2023.
- 2) Company share price data published through the official IDX website or other reliable secondary sources.
- 3) Information regarding company size, such as total assets or annual revenue, obtained from the annual reports.

Data were collected through a documentation approach by downloading the companies' financial statements and annual reports from the official website of the Indonesia Stock Exchange (www.idx.co.id) and/or the official websites of each company, then recording and organizing the data into a panel format (data across time and across companies) for regression analysis.

The researcher tested the basic assumptions of the regression model used, including normality, multicollinearity, and heteroscedasticity tests, to ensure the validity and reliability of the analysis results. The moderating effect of firm size was tested using interaction methods.

The population consisted of all companies included in the IDX30 index on the Indonesia Stock Exchange (IDX) during the period 2019–2024. The IDX30 is a stock index comprising 30 companies with high liquidity, large market capitalization, and strong financial fundamentals, making it an important reference for investors in assessing the performance of leading stocks in the Indonesian capital market. The selection of IDX30 companies as the population was based on their reflection of active and competitive stock market conditions.

In addition, the diversity of industry sectors in the IDX30 provided an opportunity for a more comprehensive analysis of the influence of financial ratios on stock prices. By using a population of high-performing companies with consistently available financial data, the study provided relevant, objective, and scientifically accountable results.

The data used were secondary data collected through documentation from official sources, including:

- 1) Companies' annual financial reports, obtained through the official websites of each company or the IDX platform.
- 2) Historical data on companies' stock prices, obtained from the official website of the Indonesia Stock Exchange (www.idx.co.id) or reliable secondary sources such as Yahoo Finance, RTI Business, or Bloomberg.
- 3) Annual dividend announcements published through annual reports or company information disclosures.

RESULT AND DISCUSSION

Descriptive Statistical Analysis

The descriptive statistical analysis in this study aims to provide an overview of the characteristics of the data of the variables used, namely NPM, ROE, DPR, company size, and stock price. The results show that there is considerable variation in profitability variables and dividend policies between companies. The average value and standard deviation reflect the difference in financial performance between IDX30 issuers. In addition, the distribution of stock price data tends to be normal, supporting the feasibility of using the panel regression model. The following is a description of the research data in table 4.2 below

Table 4.2 Statistical Description

Variable	N	Minimum	Maximum	Mean	Std. Dev
NPM	90	0,005	0,746	0,183	0,145
ROE	90	0,010	1,567	0,229	0,328
DPR	90	0.101	5,356	0,662	0,598
Size	90	0,304	0,354	0,327	0,015
Stock Price	90	830	26.600	5.937,88	5.422,95

Source : Data processed using EViews12

Note: NPM, ROE, and DPR are presented in the form of ratios, Size is the natural logarithm of total assets in rupiah, and stock prices are presented in rupiah.

Based on Table 4.2, the Net Profit Margin (NPM) has an average value of 0.183 (18.3%) with a standard deviation of 0.145 (14.5%). This figure shows that in general the IDX30 company is able to generate a net profit of about one-fifth of its revenue. A moderate standard deviation indicates a variation in profitability between firms, although not too extreme. The wide range of NPM values (0.005–0.746) illustrates the difference in performance between sectors, for example banking which tends to have more stable margins than the volatile energy sector. In the perspective of Signaling Theory (Spence, 1973), high profitability is a positive signal for investors. This result is in line with the findings of Setiawan & Hapsari (2021) which stated that NPM has a significant positive effect on stock prices in leading issuers.

Return on Equity (ROE) has an average of 0.229 (22.9%) with a standard deviation of 0.328 (32.8%). This average value is quite high, but the standard deviation greater than the average shows that there is a very striking difference between companies in the use of their own capital. Some companies have low or even negative ROEs, while others have extreme highs, as reflected in the maximum value of 1,567 (156.7%). This variation indicates an efficiency gap between IDX30 members. According to Return Maximization Theory, investors are more interested in issuers with high ROE. These findings are consistent with Nugroho's (2020) research which found a significant positive relationship between ROE and stock prices in leading indices.

Dividend Payout Ratio (DPR) has an average of 0.662 (66.2%) with a standard deviation of 0.598 (59.8%). The relatively high mean value indicates the tendency of IDX30 issuers to distribute most of their net profit to shareholders. However, a standard deviation that

is almost equivalent to the average signals a sharp difference in dividend policy: some companies distribute very small dividends, while others even exceed 100% of their annual profits (e.g. a maximum value of 5.356 or 535.6%). This phenomenon confirms the heterogeneity of the company's strategy in maintaining a balance between dividends and retained profits. This is in accordance with the Bird in the Hand Theory (Lintner, 1962) which states that high dividends reduce investor uncertainty, and is supported by Rahayu (2022) who found that high DPR in major index companies increases the market's positive response.

The company size (Size) has an average of 0.327 (log natural total assets) with a standard deviation of 0.015 (1.5%). A high average with a low variation indicates that IDX30 companies are relatively homogeneous in terms of asset scale, as they are both large companies (blue chips). However, a small difference in logarithmic value can mean a very significant difference in the value of real assets (trillions of rupiah). This is in line with the Economies of Scale Theory, where large size provides a competitive advantage through cost efficiency and wider access to funding.

The stock price has an average of IDR 5,937.88 with a standard deviation of IDR 5,422.95 (about 91% of the average), indicating a very high variation between IDX30 companies. The minimum price range of IDR 830 to a maximum of IDR 26,600 reflects a fairly wide market valuation disparity, which is influenced by differences in financial fundamentals, growth prospects, and investor sentiment towards each sector. In accordance with the Efficient Market Hypothesis (Fama, 2001), the stock price reflects the available fundamental information as well as market expectations regarding the company's future performance.

Overall, the descriptive statistical results show that the Size variable has a relatively small standard deviation compared to the mean, as well as a narrow range of minimums. This shows that the IDX30 members in this study have a relatively homogeneous business scale. On the other hand, the variables of profitability (NPM, ROE) and dividend policy (DPR) actually display a fairly high standard deviation with a wide range of values, thus reflecting differences in performance and policies between companies. This variation is important to be further investigated in regression analysis, in order to test whether these differences in characteristics have a significant effect on stock prices.

Model Estimation Analysis

The selection of models in the panel data regression begins with the Chow Test to determine whether the Common Effect or Fixed Effect model is more suitable. This test is carried out by comparing variability between individuals (companies) to see if the difference is statistically significant.

This study aims to test and analyze the influence of financial variables such as Net Profit Margin (X1), Return on Equity (X2), Dividend Payout Ratio (X3), and Company Size (Z), as well as their moderation interaction on stock prices. Based on the results of regression analysis using the Robust Least Squares method, several important findings were obtained which are explained as follows:

The Effect of Net Profit Margin on Stock Price

The first hypothesis (H1) that states that Net Profit Margin (NPM) has a positive effect on the stock price is rejected, because the regression results show that the NPM coefficient has a positive value ($\beta = 5.4351$) but is not statistically significant ($p = 0.2309 > 0.05$). This means that the increase in NPM has not been proven to conclusively encourage an increase in stock prices in this study sample. Theoretically, NPM is indeed expected to have a positive effect on stock prices because it reflects the company's efficiency in generating net profit from revenue. However, the insignificance of these results suggests that investors do not always make NPM the main indicator in investment decision-making, especially when other factors such as leverage levels, operational risks, or more dominant dividend policies affect market perception. These results are not entirely in line with the Signaling Theory (Spence, 1973), which states that high profitability is a positive signal for investors regarding the prospects and financial health of the company. In the context of this study, profitability signals through NPM do not appear to be strong enough to influence stock prices, likely because the variation in NPM between companies is not very large or because investors are more considering other profitability indicators such as ROE.

This finding is different from the research of Marlina (2024) and Albart, Purnomo, & Suherman (2023) which found that NPM has a significant positive effect on stock prices in the infrastructure sector and IDX30 companies. However, the results of this study are more in line with the findings of Pawulandari & Nurasik (2024) in the manufacturing sector, which shows that NPM does not always have a positive effect on stock prices due to differences in cost structure and profit policies between industries. Thus, the results of this study show that NPM is not yet the main factor influencing stock prices in sample companies, and investors are likely to pay more attention to return-to-capital-based profitability indicators such as ROE in assessing the company's financial performance.

The Effect of Return on Equity on Stock Price

The second hypothesis (H2) that the Return on Equity has a positive effect on the stock price is rejected, because the regression results show that the ROE coefficient has a significant negative value ($\beta = -46.6336$; $p = 0.0000$). This means that each increase in ROE is correlated with a decrease in the share price of 46.63 points, *ceteris paribus*. Conceptually, ROE is an important indicator that reflects a company's ability to generate profits from the capital invested by shareholders. Based on Signaling Theory (Spence, 1973), a high ROE should give a positive signal to investors regarding the efficiency and growth potential of the company. However, the results of this study actually show the opposite direction of influence, where an increase in ROE is followed by a decrease in stock prices.

This phenomenon can be explained based on the general view in the financial literature that high ROE does not always reflect the efficiency of a company's operational performance. According to Brigham and Houston (2019), sharply increased ROE ratios are often due to high debt utilization, not solely due to increased management effectiveness in generating profits. The excessive use of leverage can indeed increase net profit in the short term, but on the other

hand it adds to the burden of interest and financial risks that companies must bear. This condition can cause uncertainty in future cash flows, so investors assess the increase in ROE not as a positive signal, but as an indication of potential risks. As a result, the market tends to respond negatively by lowering demand for shares of companies that have high ROE due to debt financing.

The results of this study are different from the findings of Brigham & Houston (2019) which stated that high ROE increases stock prices because it reflects the efficiency of using one's own capital. However, these findings are consistent with the results of Agustina et al.'s (2024) research which shows that although ROE has a significant effect on the share price of LQ45 companies, the direction of its influence depends on the leverage structure. Nugroho et al. (2024) also found similar results in the banking sector, where increased ROE is not always positively responded to by the market because it is considered to come from debt expansion, not increased operational efficiency. Furthermore, Cahyani & Hendra (2022) prove that financial ratios such as ROE can negatively impact stock prices in the coal mining sector when commodity price volatility is high, and Melinda & Ompusunggu (2022) also show that in the manufacturing sector, ROE does not always provide a consistent positive influence. Thus, the results of this study strengthen the empirical evidence that the influence of ROE on stock prices is contextual. In high-leverage conditions, ROE is no longer considered an efficiency signal, but rather an indicator of financial risk, so investors tend to respond negatively to an increase in ROE.

The Effect of Dividend Payout Ratio on Stock Price

The third hypothesis (H3) that states that the Dividend Payout Ratio has a positive effect on the stock price is rejected, because the regression results show a significant negative coefficient in the X3 variable ($\beta = -0.4433$; $p = 0.0010$). This means that every increase in the House of Representatives is followed by a decrease in the share price by 0.44 points, *ceteris paribus*. Theoretically, this result can be explained through Residual Dividend Theory (Lintner, 1962), which emphasizes that dividend policy should be implemented after all profitable investment needs have been met. The high DPR can be interpreted that the company has limited investment and expansion opportunities, so the prospect of future profit growth is considered to be declining. Although high dividends provide direct cash flow to shareholders, the market can respond negatively as it assesses the potential for long-term capital gains to be reduced.

Companies that prefer to share profits rather than hold them for reinvestment are often considered not to make optimal use of internal funding potential. According to Brigham and Houston (2019), an excessively high dividend policy can reduce the funds available to finance profitable investment projects, thus slowing down the company's future growth. Thus, the company's decision to share profits in large proportions can be interpreted by investors as a signal that the prospects for future expansion or development of the business are relatively limited. The findings of this study are in line with the results of research by Handayani, Kuntadi, and Pramukty (2025) which found that the DPR had a negative effect on the share price of LQ45 companies for the 2019–2023 period. Similar results were shown by Karmawan

and Dewi (2024) who reported that the DPR had a negative impact on the share prices of banking companies in the 2020–2022 period. Meanwhile, Gunawan and Sugara (2024) also found a significant influence of the House of Representatives on stock prices in the banking sector, although the direction of influence differs depending on the industry context and company policies.

However, this result is different from the findings of Mahardika, Maya, and Prapanca (2025) which show that the DPR has no significant effect on the company's share price IDXHIDIV20 the 2021–2023 period. Likewise, Zacky, Sitepu, and Anhar (2024) found that the DPR has no significant effect on the volatility of ISSI companies' share prices, so its influence can vary depending on market characteristics and observation periods. Thus, the results of this study confirm that in the IDX30 company sample, the market tends to value companies that hold profits for reinvestment more than those that distribute high dividends. The large DPR is actually perceived as a signal of limited growth opportunities, thus encouraging a decline in stock prices.

Influence of NPM interaction and company size (X1Z)

The fourth hypothesis (H4) that states that company size (Size) strengthens the influence of Net Profit Margin (NPM) on stock price is rejected, because the regression results show a negative but insignificant coefficient on the interaction variable X1Z ($\beta = -16.3358$; $p = 0.1999$). This suggests that the size of a company is not able to significantly moderate the relationship between profitability and stock price. In other words, in both large and small companies, the influence of NPM on stock prices is relatively the same and does not experience significant strengthening. These results show that the size of the company's assets or scale does not necessarily strengthen investors' perception of the net profit generated. According to Brigham and Houston (2019), large companies tend to face higher market expectations, so an increase in net profit does not necessarily provide a strong stock price response. Investors in large companies usually judge prospects in terms of market growth, product innovation, efficiency, and expansion policies, not just profitability ratios.

These findings are in line with the results of Akbar's (2023) research which found that company size does not moderate the influence of NPM on stock prices in companies in the Food & Beverage sector, which means that the role of company size moderation is not significant. Similar results were also reported by Fuadi, Wulandari, and Chairunnisa (2024) that company size did not have a significant effect as a moderation variable between profitability and stock performance, indicating that the effect of size moderation was weak and inconsistent between sectors. Nevertheless, some studies find different directions in the relationship. Santoso and Dewi (2020) reported that company size can strengthen the influence of profitability on stock prices in the consumer goods sector, because large companies with high profits are considered more stable in dividend distribution and financial management. In addition, Chen and Chen (2011) found that the size of a company can increase investors' sensitivity to profit signals in the Asian market. Thus, the results of this study confirm that in the IDX30 company sample, the size of the company did not play a significant role in

strengthening the influence of NPM on stock prices. In large companies, the increase in net profit does not necessarily respond positively to the market because investors tend to judge performance based on long-term growth prospects, rather than short-term profitability alone.

Influence of ROE and company size (X2Z) interactions

The fifth hypothesis (H5) that states that the size of the company reinforces the influence of Return on Equity (ROE) on the stock price is accepted, because the regression results show a significant positive coefficient on the interaction variable X2Z ($\beta = 5.5702$; $p = 0.0000$). This means that in large companies, the increase in ROE has a stronger impact on the increase in stock prices than in small companies. In other words, company size serves as a variable that reinforces the positive relationship between equity-based profitability and stock market value. These results show that high profits in large companies are perceived by the market as a reflection of management efficiency and the company's ability to generate consistent returns on capital. According to Brigham and Houston (2019), large-scale companies generally have a more stable financial structure and better managerial capacity in managing equity, so high profitability in large companies provides greater confidence for investors. In addition, Ross, Westerfield, and Jordan (2018) stated that the large size of a company strengthens the credibility of financial signals in the eyes of the market because it is considered to have a stronger track record, access to funding, and reputation.

This finding is in line with the results of research by Rizki and Yovita (2022) which found that in the telecommunications sector on the IDX for the 2017–2022 period, firm size and profitability (including ROE) partially had a positive effect on stock returns, showing that company size can strengthen the impact of profitability on market response. Similar results were also shown by Romansyah, Zakaria, and Yulianti (2021) who concluded that in the consumer goods sector, ROE and company size simultaneously have a significant effect on company value (measured by PBV), which means that the combination of the two strengthens market perception of company performance. The study, Putri Widiati, Yudhawati, & Suharti (2023) also found that profitability (including ROE) affects stock prices in manufacturing companies in the Food & Beverage subsector for the period 2017–2021, although the size of the company is not taken into account as a moderator. However, other studies have shown different results. For example, Nugraha (2019) found that in small-medium companies, ROE is actually more appreciated by the market because it is considered a growth signal, while in large companies, investor expectations for performance are already high so that price responses tend to be more moderate. Thus, the results of this study confirm that in the IDX30 company sample, the size of the company acts as a positive moderator that strengthens the relationship between ROE and stock price. Large companies with high ROE are perceived by the market as entities that have credibility, capital management efficiency, and stronger sustainable profit prospects, thus being able to increase the valuation of shares in the market.

The Influence of Interaction of the House of Representatives and the size of the company (X3Z)

The sixth hypothesis (H6) which states that the size of the company (Size) moderates the relationship between the Dividend Payout Ratio (DPR) and the stock price is accepted, because the regression results show a significant positive coefficient on the interaction variable X3Z ($\beta = 1.8509$; $p = 0.0041$). These results indicate that the size of the company reinforces the influence of dividend policy on stock prices. In other words, in large companies, the increase in the DPR has a stronger impact on the increase in stock prices than in small companies. Empirically, these results show that the market values high dividend policies in large companies as a signal of stability and the ability to maintain consistent cash flows. According to Brigham and Houston (2019), large companies generally have a higher reputation and market trust, so the dividend distribution decision is responded positively by investors because it is considered to reflect fundamental strength and good governance. In addition, Ross, Westerfield, and Jordan (2018) explain that large-scale companies have stronger access to funding and liquidity, so high dividend distributions are not considered a sacrifice to investment opportunities.

This result is in line with research by Santoso and Dewi (2020) which found that company size strengthens the influence of the House of Representatives on stock prices in the consumer goods sector, because large companies are considered more able to maintain a stable dividend policy. Similar findings were also obtained by Chen and Chen (2011) who stated that in Asian markets, institutional investors value the combination of large corporate scale and consistent dividend policies, as both reflect the sustainability of profits and long-term financial credibility. However, these results are different from the findings of Darmayanti and Yadnyana (2023) who found that company size does not moderate the positive relationship between DPR and stock prices, as well as Ontoraël et al. (2024) who report that firm size does not play a significant role in the relationship between financial performance and dividend policy in the property and real estate sectors. These differences in results show that the effect of company size moderation is sectoral and can be influenced by industry characteristics and investor preferences.

In addition, the Robust Least Squares model used in this study yielded an Adjusted R-squared of 0.567, which means that the variables in the model were able to explain about 56.7% of stock price variations. The advantage of the robust approach lies in its ability to provide stable estimates despite outliers or violations of classical assumptions (Gujarati & Porter, 2020). This approach is relevant for panel data-driven financial analysis, particularly in large companies such as IDX30 members that have heterogeneous characteristics and high market volatility. Thus, the results of this study confirm that in large companies, a high dividend policy is perceived by investors as a signal of financial strength and long-term stability, thus strengthening the positive relationship between the DPR and the stock price.

Managerial/Research Coherence Aspects

Based on the results of regression analysis with the Robust Least Squares approach, several relevant managerial implications can be taken for companies and stakeholders, especially in the context of decision-making related to increasing company value through stock prices. The managerial aspects that can be highlighted include the following:

1) Strengthening Net Profit Margin (NPM)

The company's management needs to pay attention to operational efficiency and cost control to increase net profit margins. High NPM has been proven to have a positive influence on stock prices, so the management of operating expenses, raw material costs, and sales strategies must be directed to maximize net profits. This effort will create a positive perception from investors of the company's financial performance.

2) Optimization of Capital Structure in ROE

The finding that ROE has a significant negative effect on stock prices indicates that high profitability does not necessarily reflect performance efficiency. This can happen when the increase in ROE is more due to the use of debt (leverage) than operational performance. Management needs to review the funding composition so that the ROE generated truly reflects the company's ability to generate profits from its own equity. A healthy capital structure will increase market confidence in the quality of the company's profitability.

3) Dividend Policy Evaluation

The results of the study show that the Dividend Payout Ratio (DPR) has a significant negative effect on stock prices, which indicates that the dividend distribution that is too high actually reduces the positive perception of investors. Investors believe that over-distributed profits will reduce the company's ability to reinvest and expand. Therefore, management needs to balance between dividend distribution and profit retention, so that dividend policies remain attractive without sacrificing long-term growth.

4) Scalability and Reputation of Large Companies

Company size has been proven to strengthen the influence of ROE on stock prices and have a positive impact directly. Companies that have large assets or a large market share tend to be considered more stable and able to survive fluctuating economic conditions. Therefore, the development of business scale, both through market expansion and asset efficiency, is a strategy that can increase investors' perception of the company.

5) Strategic Management of Company Size Moderation

Although company size plays an important role, the results of the study also show that the interaction between Size and NPM and DPR is not significant. This means that the size of a company does not always strengthen the influence of profit efficiency or dividend policy on stock prices. This shows the need for a more comprehensive management approach, especially in large companies that focus not only on financial efficiency, but also on product innovation, sustainability, and the implementation of good corporate governance.

Overall, the results of this study provide a deeper understanding of how financial indicators and company size can be strategically managed to influence market perception and increase the company's value in the eyes of investors. These findings are also important inputs in the formulation of financial policy and corporate communication in public companies.

CONCLUSION

The analysis revealed that Net Profit Margin (NPM) had a positive but insignificant effect on stock prices of IDX30 companies (2019–2024; coefficient = 5.4352, $p = 0.2309 > 0.05$), while Return on Equity (ROE) and Dividend Payout Ratio (DPR) exerted significant negative effects (ROE: coefficient = -46.6337 , $p = 0.0000 < 0.05$; DPR: coefficient = -0.4433 , $p = 0.0010 < 0.05$), suggesting investors prioritize growth prospects and reinvestment over high profitability or dividends amid perceived risks like leverage. Firm size significantly moderated the ROE–stock price (coefficient = 5.5702, $p = 0.0000$) and DPR–stock price relationships (coefficient = 1.8509, $p = 0.0041$), strengthening positive market responses in larger firms due to enhanced credibility and stability, but not the NPM relationship (coefficient = -16.3358 , $p = 0.1999$). These findings, grounded in signaling theory, underscore context-dependent, non-linear influences of financial indicators on stock prices, offering insights for managers and investors while limited to IDX30 firms and internal metrics. For future research, studies should expand to diverse indices or sectors, incorporate macroeconomic variables like inflation or sentiment, and use extended periods to better capture dynamic market interactions.

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