Article Type: Research Paper

Do financial signals matter? The influence of profitability, stock price, and dividend policy on investment decisions in Indonesian manufacturing firms

Zeri Puspitae*, Tatik Zulaika, Christina Fransiska, Rahmiati and Leliana Maria Angela

AFFILIATION:
Department of Accounting, Faculty of Economic and Business, Universitas Palangka Raya, Central Kalimantan, Indonesia

***CORRESPONDENCE:**
zeripuspitae@gmail.com

DOI: 10.18196/jai.v26i1.20353

CITATION:
Puspitae, Z., Zulaika, T., Fransiska, C., Rahmiati, R., & Angela, L., M. (2025). Do financial signals matter? The influence of profitability, stock price, and dividend policy on investment decisions in Indonesian manufacturing firms. *Journal of Accounting and Investment, 26*(1), 298-313.

ARTICLE HISTORY
Received:
28 Oct 2023
Revised:
01 Dec 2023
28 Oct 2024
29 Jan 2025
Accepted:
31 Jan 2025

Abstract
Research aims: This study aims to determine investment decisions made by investors based on the performance of manufacturing companies listed on the Indonesia Stock Exchange in 2018-2021 based on an analysis of the influence of financial ratios.
Design/Methodology/Approach: Profitability, stock price, and dividend policy ratios were employed in this analysis. This study employed a quantitative approach and relied on the usage of secondary data sources in the form of yearly reports to compile its findings. This research used a purposive sampling population of manufacturing companies listed on the IDX in 2018-2021.
Research findings: The results of this study state that profitability does not affect investment decisions because companies employ profits generated in certain periods for other things, such as paying debts and distributing dividends. While the stock price has a positive and significant effect on investment decisions, the higher the stock price, the higher investor confidence in the company. This applies because the dividend policy is considered by investors, and the company has a responsibility to fulfill its obligations for the funds that investors have invested.
Theoretical contribution/ Originality: This research contributes to signal theory, which states that every corporate action related to a company has the potential to produce information content as a signal. Information released as an announcement will give signals to investors to make investment decisions. Investors need information because it paints a picture of the company's history, its current state, and the effect the market crisis is having on its future.
Practitioner/Policy implication: This research is expected to be useful as additional information for companies and investors. It can
Research limitation/Implication: For investors, they should pay attention to other aspects of the risk company's performance that are generally disclosed, for example the company's capital structure obtained from debt, the company's ability to pay taxes.
Keywords: Dividend Policy; Investment Decision; Profitability; Stock Price

Introduction

According to Anjani (2012), putting money into something with the expectation of future profit is an example of an investment choice. The greater the risk borne by the company through investment activities, the greater the expected level of profit. Investing in shares has high risks, but on the other hand, it can also provide high profits (high risk – high return) (Sugiarto, 2011). According to Anjani (2012), putting money into something with the expectation of future profit is an example of an investment choice. The greater the risk borne by the company through investment activities, the greater the expected level of profit. Investing in shares has high risks, but on the other hand, it can also provide high profits (high risk – high return) (Sugiarto, 2011).

Poor investment decisions can cause planning to fail. This failure took the form of a decline in financial performance or a decline in the company's market value, as reported by www.cnbcindonesia.com (2022). PT Unilever Indonesia Tbk (UNVR) posted a profit of IDR 5.76 trillion in 2021, down 19.6% compared to IDR 7.16 trillion in 2020. Based on this phenomenon, at that time, Covid-19 was occurring, which had a negative impact on almost all parts of life. One of them is investing. If the information received is not good, it will have an impact on investment decisions and vice versa. However, the UNVR company actually makes a profit. This increase in profits occurred because UNVR is one of the largest consumer goods companies, where every human need will require consumer goods in everyday life. The investment decision made is an action to determine the use of funding sources within the company for the desired time with the hope of making a profit during that period (Brealey, 2008). Kamsir (2012) explains that investment is an activity with a lengthy time horizon in a variety of commercial contexts. Before making an investment decision, investors will pay attention to several important aspects to observe before investing. Based on this phenomenon, it can be seen that PT Unilever Indonesia Tbk (UNVR)'s profits have fallen, which is a signal to investors that the company's performance is not good. So, investors choose not to invest in this company. However, some investors believe that share prices will increase in the future. So, when share prices are low, investors will choose to invest in that company. As more investors invest, the company's share price will increase. However, investors will continue to put money into the firm even if earnings are falling as long as dividends are being paid out.

The decision regarding whether the profits or gains (benefits) obtained or achieved by a company in one year of the company's operations will be circulated or not. Research conducted by Rahmiati (2015) shows that dividend policy, investment opportunities, and profitability influence investment decisions. Kusumadewi's (2016) results of this research show that liquidity, dividend payout ratio, investment opportunities, and leverage influence investment decisions as measured using PER, and Vabiola's (2021) research results show that simultaneously and partial dividend policy, investment opportunities, and profitability influence investment decisions. Meanwhile, research conducted by Inna (2010), Rahmawati (2017), and Yunita (2020) states that the Dividend Policy does not affect Investment Decisions. In previous research conducted by Muqmiroh (2022), investment decisions were measured using stock returns. Then, different from previous research conducted by Rahmiati (2015), investment decisions were measured using asset growth. Nur (2017) Investment decisions are measured using the market-to-book value of equity (MVEBVE). Fitriatty et al. (2022) Investment decisions are measured using the size of the trading volume.

Investment decisions are measured using a comparison ratio, namely the comparison between the price of shares owned by a company and the profit that investors will obtain as parties who own funds or are also known as company shareholders (Sutrisno, 2012). This is also called the Price Earning Ratio (PER), where this comparison Investors usually use it to see how market assessments can assess the performance of a company. The company has a high level of growth, which can be seen in the large value of its price-earning ratio.

This research uses the Price Earning Ratio to see the growth rate of a company. In a company that is expected to grow and continue to experience continuous growth at a high company growth rate, the company is said to have good growth prospects, which will follow the value of price-earnings and have a high value. However, in a company that is expected to be able to obtain the ability to grow at a growth rate that tends to be low or even does not experience growth and even experiences setbacks, this will be followed by a low Price Earning Ratio value (Hanafi, 2016), Sadar (2010), (Kusumadewi (2016), Yunus (2017), Ardiyanti (2017), Rahmawati (2017).

Literature Review and Hypotheses Development

Signaling Theory

Capital market reactions occur due to information entering the market, which is ultimately responded to by investors. The financial reports and other data that affect the company's health are the sources of this response. According to Fahmi (2013), signaling theory states that every event or corporate action related to a company has the potential for information content as a signal. Jogiyanto (2014) claims that the dissemination of news in the form of an announcement will serve as a signal for investors to act on the basis of. Signaling Theory explains that a company must provide signals to users of financial reports for their interests. Investors rely on information because it paints a picture of the past, present, and future of a business and the securities sold on the market, all of which are crucial to the firm's and investors' success. As a critical part of their analysis and decision-making, investors want comprehensive, timely, and reliable data. Because it is used as a tool in carrying out analysis in terms of decision-making, financial reports must provide positive and useful information for their users. The financial reports provided and provided will be useful for users of financial reports as a basis for making decisions regarding what decisions will be taken based on the existing information by shareholders. Companies that provide this signal have better opportunities in the future and have little potential for bankruptcy because profitability describes the ability of a company in terms of its ability to generate profits (good news). So, the greater the company's profitability, the greater the investment decisions of investors will also increase. On the other hand, for companies that have a low profile or negative profits (bad news), the investment decisions made by investors choose not to make investment decisions on companies that have profits with values that tend to be low. Because investors are of the opinion that if the performance of a company is poor, even a company that has a minus or negative profit or profile will have the potential to experience bankruptcy. Then, the connection between stock prices and signal theory is that investors believe that the high value of a company's stock price will influence investment decisions. The greater the share price, the greater the expenditure incurred by investors to determine investment decisions. High share prices also illustrate that many investors, in their investment decisions, choose to invest in the company they want. Many investors choose Investment Decisions to be able to invest their capital from the funds they own in the company so that they will be able to indicate that the company is in good condition (good news).

Hypotheses Development

Investment decisions are measured using the ratio between the company's share price and the profits obtained by its shareholders (Sutrisno, 2012). The use of the Price Earning Ratio (PER) is to see how the market evaluates the company's performance so that it is reflected in Earning Per Share. Research conducted by Rahmiati (2015) shows that investment decisions are measured using asset growth. Nur (2017) measured investment decisions using the Market-to-book value of equity (MVEBVE). Fitriatty et al. (2022) state that investment decisions are measured using the size of the trading volume.

In this research, investment decisions are measured from the growth rate of a company, which can be seen from the Price Earning Ratio. Companies that are expected to grow at a high growth rate, namely companies with good prospects, usually have a high price earnings ratio. On the other hand, companies that are expected to grow at a low growth rate has a low Price Earning Ratio (Hanafi, 2016). The lower the Price Earning Ratio, the better or cheaper it is to invest. The price Earning Ratio is recognized as a good stock valuation method that determines the value of shares over the next period and how potential investors can be offered investments from the market.

The Influence of Profitability on Investment Decisions

According to Hery (2015), A company's profitability ratio quantifies its capacity to turn a profit from its whole resource pool, including revenue, asset utilization, and capital expenditures. Profitability defines a firm's capacity to make profits (good news). Therefore, a company with a history of high earnings has a greater chance of succeeding in the future and avoiding insolvency. When profits are high, investors are more likely to put money into the firm. On the other hand, if a company has a low profile or has negative profits (bad news), investors choose not to invest in that company. This is supported by research conducted by Rahmiati (2015), Nur (2017), Yunus (2017), and Vabiola (2021), stating that Profitability influences Investment Decisions. However, research conducted by Ulfah (2019), Yunita (2020), and Muqmiroh (2022) states that profitability does not affect investment decisions.

H_1: *Profitability has a positive and significant effect on investment decisions.*

The Influence of Share Prices on Investment Decisions

According to Jogiyanto (2010), the stock market price is the price of a share of stock at a given moment in time, as set by market participants in response to the supply and demand for those shares on the capital market. Investors believe that high stock prices will influence investment decisions. The greater the share price, the greater the expenditure incurred by investors to invest. This is supported by research conducted by Ardiayani (2017), Rahmawati (2017), and Rahman (2022), stating that share prices influence investment decisions. However, research conducted by Fahrozi (2021) states that share prices have no effect on investment decisions.

H*$_2$*: Share prices have a positive and significant effect on investment decisions.

The Influence of Dividend Policy on Investment Decisions

According to Sutrisno (2012), management must establish a dividend policy to determine how the company's earnings for a certain period will be distributed, whether they will all be distributed as dividends or if some of the earnings will be kept. In general, it is a positive sign for a company's health and future prospects if it can increase dividend payments to its shareholders. However, the market will send a negative signal to the company's prospects (bad news) if it is unable to deliver dividends. Because investors believe the company is facing financial difficulties and cannot distribute dividends to its shareholders. This is supported by research conducted by Rahmiati (2015), Kusumadewi (2016), and Vabiola (2021), stating that Dividend Policy influences Investment Decisions. However, research conducted by Inna (2010), Rahmawati (2017), and Yunita (2020) stated that Dividend Policy on Investment Decisions.

H*$_3$*: Dividend policy has a positive and significant effect on investment decisions.

The Influence of Profitability, Share Prices, and Dividend Policy on Investment Decisions

An investment decision is a policy carried out by an investor to choose or determine where his investment funds will be placed (invested). Kamsir (2012) explains that investment is an activity with a lengthy time horizon in a variety of commercial contexts. Investors and owners use a company's profitability as a yardstick of its success since it indicates the company's capacity to make a profit and the efficiency with which it uses its assets.

Research conducted by Rahmiati (2015), Nur (2017), Yunus (2017), and Vabiola (2021) states that profitability influences investment decisions. However, research conducted by Ulfah (2019), Yunita (2020), and Muqmiroh (2022) states that profitability has no effect on investment decisions. The share price is the agreed-upon price between a buyer and a seller of shares, or the price at which shares are trading on a stock exchange at a given moment. Ardiayani (2017), Rahmawati (2017), and Rahman (2022) state that share prices influence investment decisions. However, research conducted by Fahrozi (2021) states that share prices have no effect on investment decisions.

***H₄**: Profitability, Share Prices, and Dividend Policy together have a positive and significant effect on Investment Decisions.*

Based on the previous hypothesis, Figure 1 explains the conceptual framework of this study:

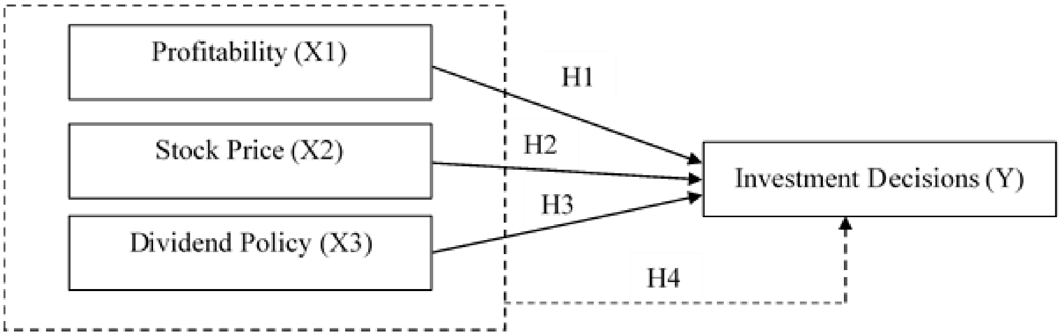

Figure 1 Conceptual Framework

Research Method

Two manufacturing companies were chosen as research samples because they were related to the phenomenon that occurred at PT HM Sampoerna Tbk (HMSP), as reported by www.cnbcindonesia.com (2022). Announced a dividend of IDR 72.8 per share for 2020. This value represents 98% of the company's net profit last year, which was IDR 8.58 trillion. This profit decreased by 37.95% compared to the previous year's IDR 13.72 trillion. As reported by www.cnbcindonesia.com (2022), PT Unilever Indonesia Tbk (UNVR) posted a profit of IDR 5.76 trillion in 2021, down 19.6% compared to IDR 7.16 trillion in 2020. Investors will make an investment decision later. It is an action or response from investors regarding the funds used to determine how the sources of funds owned are used for a long time or within a certain time, desired or wanted by wanting and hoping to obtain a profit in the future from the investment (Brealey, 2008 in Vabiola, 2021).

It is known that company profits are declining, but companies prefer to continue distributing dividends from their profits to capital owners or shareholders because company profits are still positive. It is known that when profits fall, to attract investors' interest in investing, the company chooses to distribute dividends. With the company's decision to choose to pay dividends, investors, based on the information they receive, will choose where they will invest in the company that is performing well. From this, it will also be possible to increase the value of a company's share price. This is closely related to what is called High risk - high return, which means that the greater the costs that investors will incur in acquiring company shares, the greater the profits will be because high risk is also accompanied by greater profits that still will be obtained.

Method of collecting data

The information spanned 2018-2021 and was gathered from the annual reports of manufacturing firms trading on the Indonesia Stock Exchange (BEI). The information was gathered from the BEI of the Indonesian Stock Exchange (www.idx.co.id). This research uses documentation techniques, namely by collecting several documents that are needed for later analysis, such as written documents, images, or electronic documents.

Population and Sample

For this study, we gathered data from the websites of all 182 manufacturing businesses listed on the Indonesia Stock Exchange between 2018 and 2021 (www.idx.co.id and the individual company websites). Use or choose manufacturing companies as research objects because manufacturing companies have diverse sectors, a very broad scope, and a larger scale. This can be generalized so that the test can be compared between one company and another. This research used a purposive sampling strategy. The population used was all manufacturing companies listed on the Indonesia Stock Exchange from 2018-2021. According to the sampling criteria in Table 1, there were 156 samples.

Table 1 Research Sample Criteria

Sample Criteria	Number
The population of manufacturing companies on the IDX 2018–2021	182
Sampling-based on criteria (purposive sampling):	
1. Companies that are not listed on the IDX consecutively from 2018–2021	(11)
2. Companies that do not earn profits in 2018–2021	(84)
3. Companies that don't pay dividends regularly during 2018–2021	(48)
Research sample	39
Total sample (n × study period) (39 × 4 years)	156

Data Analysis Methods

In analyzing the data, researchers used multiple regression analysis methods and residual tests with the help of the SPSS program. The research models used in hypothesis testing were:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e \text{........(1)}$$

Where the explanation of Y is Investment Decision; X_1 is Profitability; X_2 is Share Price; X_3 is Dividend Policy; α is Constant; ans $\beta_{1,2,3}$ are Regression coefficient; and e is an error.

Analysis Data

The t-statistical test was used to test and find out the results of the partial hypothesis test, namely whether the independent variable partially has a significant effect on the dependent variable (Ghozali, 2018). The statistical testing using multiple linear regression. Moreover, the statistical test F is carried out with the aim of showing that all free variables are included in the model that have a mutual effect on the bound variables (Ghozali, 2018). There is a mutual effect between the independent and dependent variables if the significance value is < 0.05.

The coefficient of determination (R^2) measured the ability of a model in research to explain the variation in the dependent variable. The magnitude of the value of the determination coefficient is between zero (0) and one (1). If the value of R2 is small, then it can be interpreted that the ability of independent variables to explain the variation of dependent variables is very limited. The magnitude of the R^2 value that is close to one (1) means that the independent variable provides almost all the information needed to predict the variation of the dependent variable. The fundamental weakness of the use of the determination coefficient is the bias toward the number of independent variables included in the research model. Therefore, the use is done by using the value of adjusted R^2 when evaluating which regression model is the best. The adjusted value of R^2 can go up, or the adjusted value of R^2 can go down if one independent variable is added to the research model (Ghozali, 2018).

Result and Discussion

Descriptive statistical analysis was used in this research to provide an overview of the minimum value, maximum value, average value (mean), and standard deviation of each research variable, namely profitability, stock prices, dividend policy, and investment decisions. The results of descriptive statistical analysis in this research were as follows:

Table 2 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Profitability	156	1.06	92.10	11.1318	10.81724
Stock Price	156	96	45400	4095.44	6038.240
Dividend Policy	156	.17	251.76	51.4194	41.09980
Investor Decision	156	1.66	256.38	20.2950	24.00905

Based on the results of Table 2, descriptive statistics can be seen for each research variable. The number of samples for each variable is 182 samples from 39 manufacturing companies listed on the Indonesia Stock Exchange in 2018-2021. The following is an explanation from Table 2 of the results of descriptive statistical tests.

The Profitability variable has the smallest (minimum) value of 1.06, the largest (maximum) value of 92.10, the average value (mean) of 11.131, and the standard deviation of 10.817. This means that the average company profitability is 11.131%. The standard deviation is 10.817, which means that the Profitability data tends to have a deviation level of 10.817%. From these data, it can be seen that the standard deviation value is smaller than the average value, namely 10.817 < 11.131. The magnitude of the standard deviation value is smaller than the mean (average), which indicates that the distribution of the data variables is small or there is no gap in the data, which is quite large between the lowest and highest Profitability data, so the data deviation in the Profitability variable can be said to be good. The company with the lowest profitability occurred at PT. Trias Sentosa Tbk

(TRST) in 2019 was 1.06%. Meanwhile, the company with the highest profitability was the company PT. Merck Tbk (MERK) in 2018 amounted to 92.10%.

The Stock Price variable has the smallest (minimum) value of 96, the largest (maximum) value of 45,400, the average (mean) value of 4095.44, and a standard deviation of 6038.24. This means that the average company share price is IDR. 4,095.44. The standard deviation is 6038.24, which means that the stock price data tends to have a deviation level of Rp. 6,038.24. From these data, it can be seen that the standard deviation value is greater than the average value, namely 6,038.24 > 4,095.44. The magnitude of the standard deviation value, which is greater than the mean (average), indicates that the spread in the data variable is large or there is a fairly large gap between the lowest and highest share price data so that the data deviation in the share price variable can be said to be less good. The company with the lowest share price was the company PT. Budi Starch & Sweetener Tbk (BUDI) in 2018 amounted to Rp. 96. Meanwhile, the company with the highest share price was the company PT. Unilever Indonesia Tbk (UNVR) in 2018 amounted to Rp. 45,400.

The Dividend Policy variable has the smallest (minimum) value of 0.17, the largest (maximum) value of 251.86, the average (mean) value of 51.419, and the standard deviation of 41.099. This means that the average company Dividend Policy is 51.419%. The standard deviation is 41.099, which means that the Dividend Policy data tends to have a deviation level of 41.099%. From these data, it can be seen that the standard deviation value is smaller than the average value, namely 41.099 < 51.419. The magnitude of the standard deviation value, which is greater than the mean (average), indicates that the spread in the data variable is large or there is a fairly large gap between the lowest and highest Dividend Policy data so that the data deviation in the Dividend Policy variable can be said to be good. The company with the lowest Dividend Policy occurred at PT. Multi Bintang Indonesia Tbk (MLBI) in 2020 amounted to 0.17%. Meanwhile, the company with the highest Dividend Policy was PT. Delta Djakarta Tbk (DLTA) in 2020 amounted to 251.86%.

The Investment Decision Variable has the smallest (minimum) value of 1.66, the largest (maximum) value of 256.38, the average (mean) value of 20.295, and the standard deviation of 24.009. This means the average Investment Decision is 20.295%. The standard deviation is 24.009, which means that the Investment Decision data tends to have a deviation level of 24.009%. From these data, it can be seen that the standard deviation value is greater than the average value, namely 24.009 > 20.295. A standard deviation value that is greater than the mean (average) indicates a large distribution of data variables or a fairly large gap between the lowest and highest Investment Decision data so that the data deviation in the Investment Decision variable can be said to be less good. The company with the lowest investment decision occurred at PT. Merck Tbk (MERK) in 2018 amounted to 1.66%. Meanwhile, the company with the highest investment decision occurred at PT. Buyung Poetra Sembada Tbk (HOKI) in 2020 amounted to 256.38%.

Table 3 Classical Assumption Test

Type of Test	Test Result		Description
Normality	Asymp, sig (2-Tailed) = 0.200 > 0.05		Normally distributed
Autocorrelation	Durbin Watson value = 1.991 Between -2 dan +2 (-2< 1.991 <+2)		No autocorrelation
Multicollinearity	Profitability	VIF = 1.119 < 10 Tolerance 0.894 > 0.10	No multicollinearity
	Stock Price	VIF = 1.143 < 10 Tolerance 0.875 > 0.10	No multicollinearity
	Dividend Policy	VIF = 1.109 < 10 Tolerance 0.902 > 0.10	No multicollinearity
Heteroscedasticity	Profitability	Sig = 0.139 > 0.05	No heteroscedasticity
	Stock Price	Sig = 0.983 > 0.05	No heteroscedasticity
	Dividend Policy	Sig = 0.652 > 0.05	No heteroscedasticity

The classical assumption test is one of the absolute and mandatory requirements for statistics that must be met at the time before using linear regression analysis. The classical assumption test needs to be done to reduce bias in multiple linear regression tests. This study uses 4 classical assumption tests, namely the normality test, autocorrelation, multicollinearity, and heteroscedasticity testing. The following is a test assumption test from the SPSS output 25 presented in Table 3. Based on the result, the data is free from classical assumption criteria, and hypothesis testing can be carried out.

Table 4 Hypothesis Testing

Type of Test	Test Results		Description
Constant			0.649
Partial Test (t-test)	Profitability	t = -1.112 B = -0.064 Sig. = 0.268 > 0.05	hypothesis is rejected
	Stock Price	t = 3.753 B = 0.137 Sig. = 0.000 < 0.05	hypothesis accepted
	Dividend Policy	t = 6.086 B = 0.310 Sig. = 0.000 < 0.05	hypothesis accepted
Uji Simultan (Uji F)	F = 22.069 Sig. = 0.000 < 0.05		
Adjusted R^2	Adjusted R^2 Square = 0.295		

The hypothesis that will be proposed in this research relates to whether or not there is a significant influence between the independent variables (Profitability, Share Prices, and Dividend Policy) on the dependent variable (Investment Decisions) either partially or simultaneously. The following is a hypothesis test from SPSS 25 output presented in Table 4. Base on the result, profitability show an insignificant result (sig. = 0.268), moreover stock price (sig. = 0.000) and dividend policy show a significant result. So it can be concluded that Hypothesis one is rejected, and hypothesis two and three are accepted.

The Influence of Profitability on Investment Decisions

The first hypothesis (H_1) is rejected on the basis of the statistical data analysis. This study found that manufacturing firms listed on the Indonesia Stock Exchange in 2018-2021 did not use profitability as a factor in their investment choices. Profitability is generated by a company through its capabilities and resources, both from sales activities and investment income. High profitability cannot affect the investment decisions made by investors. In this study, profitability is measured using Return on Assets (ROA), which means that if profitability is viewed from the capital side, it will not be attractive to investors. Because if the profit obtained by the company is high and the capital is also high, the profit obtained by investors is only small. High company profits will result in the amount of taxes paid by the company so that the profit obtained by investors will be reduced. As a result, the use of company profits for the benefit of paying debts or dividends will be reduced. Profitability has no effect on Investment Decisions in this study.

A business may profit from its sales and investment operations because of its competencies and resources. Investors' preferences will not change because of strong profitability. Since Return on Assets (ROA) is the metric of choice in this study, a focus on capital-based measures of profitability is misleading. The reason for this is that investors will only get a tiny return on their investment if the company's earnings are large and the capital is high as well. High company profits will result in large taxes paid by the company. So, the profits obtained by investors will decrease. As a result, the use of company profits for paying debts or dividends will decrease.

Profitability does not influence investment decisions in this research due to the investor's perception. From the research results, it can be concluded that investors not only look at the company's ability from the internal side of the company to generate profits, but investors also look at the company's external risks and market conditions that occur when they determine the decisions they take. Information about tariff rises, inflation, and changes in economic and political policies are all examples of external dangers that investors may perceive. Apart from that, the number of requests and offers for investment will influence investors' decisions to buy shares. As a result, there are fluctuations in stock prices, which will also affect stock returns and have an impact on investment decisions made by investors. The results of this research are in line with research conducted by Ulfah (2019), Yunita (2020), and Muqmiroh (2022), stating that Profitability does not affect Investment Decisions. However, contrary to research conducted by Rahmiati (2015), Nur (2017), and Yunus (2017), Vabiola (2021) stated that profitability influences investment decisions.

The Influence of Stock Prices on Investment Decisions

The statistical examination of the data supports the second hypothesis (H_2); hence, this conclusion stands. Based on the findings of this study, manufacturing businesses trading on the Indonesia Stock Exchange in the years 2018-2021 should expect share prices to have a favorable and statistically significant impact on their investment choices. The reason behind this is that as the share price of a firm increases, so will the investors' earnings. The company's share price, which always changes all the time, is used by investors as the right time to sell or buy company shares. Risk is closely related to benefits or advantages. The greater the risk, the greater the potential benefits or profits that can be generated (high risk, high return). Conversely, low-risk tends to have low profit potential. Although we cannot avoid risks, we can minimize them with adequate planning and understanding.

The rise and fall of share prices are common because the forces of supply and demand drive them. This price can be formed as a result of a demand for a share offering, which can occur at any time. Investors can see the high and low demand for shares from various sources of information, both internal and external. Internally, investors look at financial report information such as solvency ratios. Meanwhile, external factors that influence a company's share price come from outside the company, for example, exchange rate increases, political turmoil, and government regulations. One of them is the COVID-19 pandemic, during which stock prices decreased due to information (signals) from news received by investors and uncertain economic conditions.

The results of this research are in line with research conducted by Ardiayani (2017), Rahmawati (2017), and Rahman (2022), stating that stock prices influence investment decisions. However, contrary to research conducted by Fahrozi (2021), it is stated that share prices have no effect on investment decisions.

The Influence of Dividend Policy on Investment Decisions

The statistical examination of the data allows us to infer that the third hypothesis (H_3) is correct. Having a high dividend rate is an award given by the company to shareholders. The large dividends are distributed because investors are considered the most important part of the company. This shows that the more investors have shares, the greater the amount of dividends they will receive.

The bigger the payout, the more secure investors may feel that the firm has the financial resources to continue paying dividends. When a company's debt is less than its revenue or earnings, it may afford to pay out significant dividends to its shareholders. Firstly, the corporation's responsibilities, such as debt repayment and shareholder dividends, will be met out of the corporation's earnings.

With the help of the theory of signals, investors can rest assured that the company in which they have invested will continue to thrive and produce profits for years to come if it is able to increase dividend payments to its shareholders.

This is supported by research conducted by Rahmiati (2015), Kusumadewi (2016), and Vabiola (2021), stating that Dividend Policy influences Investment Decisions. However, this contradicts research conducted by Inna (2010), Rahmawati (2017), and Yunita (2020) on Dividend Policy toward Investment Decisions. The greater the dividend that is distributed, the higher the profit obtained by the investor. The high profit obtained by investors will make investors make decisions in the form of decisions to invest.

The Influence of Profitability, Share Prices, and Dividend Policy on Investment Decisions

The statistical examination of the data supports the acceptance of the fourth hypothesis (H_4). Signal theory explains that a company must be able to provide signals from the information it provides to users of financial statements for their benefit. Information provides a picture of conditions in the past, present, and future, which will be useful for the sustainability of the company in the future for users of financial reports. The existence of complete, relevant, and accurate information will be very necessary and needed by investors because it is used as a tool in carrying out analysis in terms of decision-making. In this research, the information used by investors is profitability, share prices, and company policy when distributing dividends. This study's findings suggest that prospective investors can evaluate the company's financial statements with relative ease. The high combined effect of the independent variables (Profitability, Share Prices, and Dividend Policy) on the dependent variable (Investment Decisions) is shown by the Adjusted R2 value of 0.295. Investment decisions are impacted by factors such as leverage, economic growth, liquidity, firm size, and other variables by a total of 70.5%, with only 29.5% attributable to the findings provided by the Profitability, Stock Price, and Dividend Policy variables.

Conclusion

The results of this study state that Profitability does not affect Investment Decisions made by investors. This is because the profit earned by the company uses the profit earned or the profit generated in a certain period for other things that are much more important for the company, such as paying debts and distributing dividends. Investors' investment choices are influenced positively and significantly by share prices. A higher stock price indicates that investors have more confidence in the company, which in turn increases the likelihood that those investors decide to put money into the business. The higher the share price, the higher investor confidence in the company, which will have an impact on investors who will be interested in investing capital in the company and will lead to investment decisions made by investors.

The results of this research state that the dividend policy has a positive and significant effect on investors' investment decisions. This happens because investors assess the dividend policy, meaning that the company has a responsibility to fulfill every obligation it has based on investors' trust in investing the funds it has. Profitability, share price, and dividend policy influence investment decisions made by investors. An investor's decision to buy shares will result in fluctuations in share prices, so share returns will also have an impact on investment decisions made by investors.

Suggestions should be given to companies to pay more attention to several important aspects that can affect the Company's Performance, one of which is the profit obtained and the use of the company's profit. Prospective investors who are interested in investing in shares should look for more in-depth information regarding the profits obtained and the risks that will be faced in the future before starting to invest. Investors should pay attention to other aspects of the company's performance, risks that are generally disclosed, for example, the company's capital structure obtained from debt, the company's ability to pay taxes, and the potential for bankruptcy that may occur.

The limitation of this research is that it is even better to add other variables that influence investment decisions so that a better regression model is formed because the adjusted R Square value in this research is only 29.5%. The rest are determined by other variables such as leverage, economic growth, liquidity, and firm size. It can also be done in other sectors on the Indonesian Stock Exchange, such as the mining sector, financial sector, property and real estate sector, and the year of research.

References

Anjani, B. B. (2012). Analysis of factors influencing investment decisions in food and beverage companies on the Indonesia Stock Exchange [Undergraduate thesis, Diponegoro University]. http://eprints.undip.ac.id/37317/

Ardiayani, F. (2017). The effect of economic growth and stock prices on investment decisions in construction and building sector companies listed on the Indonesia Stock Exchange [Doctoral dissertation, Indonesian Computer University]. https://repository.unikom.ac.id/57666/

Brigham, E. F., & Houston, J. F. (2018). *Fundamentals of financial management*. Salemba Empat.

Fitriaty, F., Saputra, M. H., & Elliyana, D. (2022). Analysis of factors influencing investment decisions during Covid-19 on the Indonesian Stock Exchange. *Journal of Applied Management and Finance, 11*(2), 324–334. https://doi.org/10.22437/jmk.v11i2.18604

Ghozali, I. (2018). *Multivariate analysis application with IBM SPSS 25 program*. Diponegoro University Publishing Agency.

Hanafi, M. (2016). *Financial management*. BPFE Yogyakarta.

Inna, B. S. (2010). Analysis of the effect of dividend policy and debt policy on investment decisions [Doctoral dissertation, Gadjah Mada University].

Jogiyanto, H. (2014). *Portfolio theory and investment analysis* (9th ed.). BPFE Yogyakarta.

Kasmir, & Jakfar. (2012). *Study business feasibility* (8th ed.). Kencana.

Kusumadewi, D. G. S., & Sudiartha, G. M. (2016). Effect of liquidity, dividend payout ratio, investment opportunity, and leverage on price earning ratio. *Unud Management E-Journal, 5*(9), 156–166. https://www.neliti.com/id/publications/255296/pengaruh-likuiditas-dividend-payout-ratio-kesempatan-investasi-dan-leverage-terh

Muqmiroh, F. (2022). The influence of financial performance on investment decisions in manufacturing companies listed on the Indonesia Stock Exchange 2017–2021 [Doctoral dissertation, UIN KH Achmad Siddiq Jember].

Nur, T., & Novitasari, W. (2017). The effect of capital structure, liquidity, profitability, and firm size on investment decisions. *Journal of Business Management, 20*(3). https://ibn.e-journal.id/index.php/ESENSI/article/view/22

Prihadi, T. (2020). *Concept and application financial statement analysis*. PT Gramedia Pustaka Utama.

Rahman, M. D. A. (2022). The effect of price, overconfidence, and risk on gold investment decisions during the Covid-19 pandemic in Surakarta [Doctoral dissertation, Muhammadiyah University of Surakarta]. https://eprints.ums.ac.id/98369/

Rahmiati, R., & Huda, P. N. (2015). The effect of dividend policy, investment opportunity, and profitability on investment decisions. *Journal of Business Management Studies, 4*(2). https://ejournal.unp.ac.id/index.php/jkmb/article/view/6193

Satria, G. A., Artini, L. G. S., & Rahyuda, H. (2017). Market reaction to China's Black Monday on the Indonesia Stock Exchange. *Udayana University Economics and Business E-Journal, 6*(7). https://ojs.unud.ac.id/index.php/EEB/article/view/30029

Sugiarto, A. (2011). Analysis of the effect of beta, company size, DER, and PBV ratio on stock returns. *Journal of Accounting Dynamics, 3*(1), 8–14. https://journal.unnes.ac.id/nju/index.php/jda/article/view/1939

Sugiyono. (2019). *Quantitative qualitative research methods and R&D*. CV. Alphabet.

Sutrisno. (2012). *Financial management*. Econesia.

Ulfah, C. (2019). The effect of profitability ratios on investment decisions (Study of manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange in 2014–2017) [Doctoral dissertation, STIE YKPN]. http://repository.undha.ac.id/1361/

Vabiola, D. M. (2021). The effect of dividend policy, investment opportunity, and profitability on investment decisions in property and real estate companies listed on the IDX [Doctoral dissertation, Riau Islamic University]. https://repository.uir.ac.id/17894/

Yunita, M. D. (2020). Analysis of investment decisions in manufacturing companies listed on the Indonesian Stock Exchange. *Cakrawala Management Business Journal, 3*(1), 536–546. https://doi.org/10.30862/cm-bj.v3i1.63

Yunus, R. S. (2017). The influence of leverage and profitability on investment decisions. *Accounting E-Journal "EQUITY", 3*(2).

Zulaika, T., & Sihombing, G. (2019). The influence of corporate social responsibility and profitability on company value. *Journal of Accounting and Governance Andalas, 2*(2), 135–165. https://doi.org/10.25077/jaga.v2i2.27

About the Authors

Zeri Puspitae (Z.P.) is is a student at Department of Accounting, Faculty of Economic and Business, Universitas Palangka Raya; email address: zeripuspitae@gmail.com

Tatik Zulaika (T.Z.) is a lecturer at Department of Accounting, Faculty of Economic and Business, Universitas Palangka Raya; email address: tatikzlk19@gmail.com

Christina Fransiska (C.F) is a lecturer at Department of Accounting, Faculty of Economic and Business, Universitas Palangka Raya; email address: christina.fransiska@feb.upr.ac.id

Rahmiati (R) is a lecturer at Department of Accounting, Faculty of Economic and Business, Universitas Palangka Raya; email address: rahmiati@feb.upr.ac.id

Leliana M Angela (LMA.) is a lecturer at Department of Accounting, Faculty of Economic and Business, Universitas Palangka Raya; email address: lelianamaria@akt.upr.ac.id

Author Contributions

Conceptualisation, Z.P.; Methodology, Z.P.; Investigation, Z.P.; Analysis, Z.P.; Original draft preparation, Z.P. and T.Z.; Review and editing, Z.P., T.Z., C.F., R., and L.M.A.; Visualization, Z.P.

Conflicts of Interest

The authors declare no conflict of interest. The funders had no role in the design of the study; in the collection, analyses, or interpretation of data; in the writing of the manuscript, or in the decision to publish the results.