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The Role of Dividend Policy as Mediating the Effect of Leverage and Profitability on Stock Prices in Food and Beverage Subsector Companies Listed on the Indonesian Stock Exchange

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ABSTRACT

Stock price fluctuations are a common phenomenon in the capital market. One of the internal factors that affect stock price fluctuations is the company's dividend distribution decision. Dividends distributed to shareholders can affect investors' perceptions of the company's value and share price. In determining the amount of dividends to be distributed, companies need to consider several factors such as leverage ratio, liquidity ratio, and profitability. The leverage ratio describes the extent to which the company uses borrowed funds. The use of high leverage can limit the company's ability to pay dividends. Conversely, low leverage provides greater financial flexibility to pay higher or consistent dividends. Leverage has a significant effect on stock price fluctuations. Companies with high leverage tend to be more risky for investors due to large interest obligations. As a result, their share prices are more volatile than companies with low leverage. In addition, high profitability indicates the company's ability to generate large profits. This allows the company to pay dividends more consistently or in large amounts. Conversely, low profitability may lead to withholding dividend payments. High profitability also supports stock price stability as it attracts investors. So it is necessary to analyse the effect of financial ratios and dividend policy on stock price volatility of food and beverage companies.

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INTRODUCTION

Stock price fluctuations are a common phenomenon in the capital market. One of the internal factors that can affect stock price fluctuations is the dividend distribution decision. The dividend distribution decision is a strategic decision of the company in distributing a portion of its profits to shareholders. Dividends distributed to shareholders can affect investors' perceptions of the company's value and, consequently, can affect the stock price. Companies need to consider various factors in determining the amount of dividends to be distributed. Some factors that are often considered are the leverage ratio, liquidity ratio, and profitability.

The leverage ratio describes the extent to which a company uses borrowed funds in its capital structure. The use of leverage, or the use of borrowed funds to finance operations and investments, can affect

a company's decisions regarding dividend policy. Conversely, companies with lower leverage may have more financial flexibility to pay larger or more consistent dividends.

The relationship between leverage and stock price fluctuations of food and beverage companies is significant. Companies with high leverage levels tend to be perceived as riskier by investors due to high interest payment obligations and greater financial stress, especially in unstable markets. As a result, fluctuations in the share price of such companies may be greater than those of companies with low leverage.

Return on Equity, as a measure of firm profitability, has a significant influence on dividend policy and stock price fluctuations. Companies with high profitability tend to have more financial resources to pay dividends to shareholders consistently or in larger amounts. On the other hand, companies with low profitability may withhold dividend payments to strengthen profits or support growth. In addition, high profitability also favours share price stability as it demonstrates the company's ability to pay dividends. generating large profits, attracting investor interest, while low profitability or losses can be considered a risky investment, causing greater stock price fluctuations.

Stock price fluctuations in food and beverage industry companies attract attention because they are related to investment and business development (Utama et al, 2018). Based on IDX data (2022), there was an increase in sector share purchases in the food and beverage sector by 12.7% amid post-Covid-19 pandemic conditions due to increased demand for primary needs. But on the other hand, the company's financial performance has decreased as seen from the leverage ratio, and profitability (Nyoman, 2020). So it needs to be analysed whether this financial performance and dividend policy affect the volatility of the share price of manufacturing corporations in the consumption sector listed on the IDX.

Previous research has not comprehensively analysed financial ratio variables and dividend policy in one model related to fluctuations in the share prices of manufacturing companies in the consumer goods sector on the Indonesia Stock Exchange (IDX) such as research conducted by (Utama et al, 2018), (Ghozali, 2019), (Nyoman, 2020). So this research will fill the research gap by conducting empirical testing through the SEM PLS model to analyse the direct and indirect effects of Leverage, Profitability and dividend policy on the share price of food and beverage industry companies listed on the IDX.

Literature review

Leverage

According to Perangin-angin et al, (2022) Leverage is the use of assets and sources of funds by companies that have fixed costs (fixed expenses) with the aim of increasing potential profits that can increase potential profits for shareholders. According to Cashmere (2016) this ratio is used to assess debt with equity so that this ratio is useful for knowing the amount of funds provided by loans (creditors) with company owners. The formula used to find the debt to equity ratio.

Profitability

Profitability is the ability of a company to generate profit or profit in a certain period. Profitability is one of the important indicators to assess the financial performance and operational success of the company. Profitability ratios are used to measure a company's efficiency in using assets and managing its operations to generate profits (Gitman & Zutter, 2015). High profitability indicates that the company is able to generate substantial profits from its business activities, while low profitability may indicate a problem in the company's financial management or business strategy (Brigham & Houston, 2019).

Dividend Policy

According to Mananta, (2019) Dividend Payout Ratio (DPR) is the percentage of profit distributed in the form of cash dividends, meaning that the size of the DPR value will affect the investment decisions of shareholders and on the other hand also affect the company's financial condition. The determination of policies related to the Dividend Payout Ratio (DPR) is often related to the company's financial performance. If the company's financial performance is at a satisfactory level, then the company can design a DPR policy that is oriented towards the interests of shareholders, without ignoring the interests of the company to continue to advance (Marlina and Danica, 2009).

Share Price

According to Jogiyanto (2017: 143) the share price is the price that occurs on the stock exchange market at a certain time and the share price is determined by market participants. The high and low share price is determined by the demand and supply of these shares in the capital market. Meanwhile, according to William Hartanto (2018: 22), share price is a unit of value or bookkeeping in various financial instruments that refers to a share of ownership of a company or a form of ownership of a company in the capital market. According to Zulfikar (2016: 91-93) stock prices can be influenced by several internal and external factors of the company.

METHODOLOGY

This research uses quantitative methods that focus on testing and proving hypotheses through data collection. A quantitative approach is an approach that uses statistical numbers to help explain, describe, and

answer problems in research (Curwin & Slater, 2007). In a quantitative approach, theory testing is carried out by measuring research variables using statistical procedures (Jogiyanto, 2011). Experimental research focuses on manipulating one or more independent variables that affect the response of the test unit or what is often referred to as participants. This research belongs to the type of true experiment, which is where researchers explicitly manipulate one or more independent variables and group subjects or participants into experimental groups generally to achieve randomisation (Ghozali, 2011).

Experimental research consists of two types, namely laboratory experiments where researchers can control conditions according to their wishes and avoid the presence of confounding variables, and field experiments where researchers conduct experiments in actual actual conditions without controlling for factors that are not studied. This study uses a laboratory experimental design (Sekaran, 2009). The population in this study are all food and beverage industry companies listed on the Indonesia Stock Exchange (IDX) during the observation period 2018-2023. The food and beverage industry was chosen because this sector is one of the stable and growing sectors, and makes a significant contribution to the Indonesian economy. Based on data obtained from the official IDX website, there are a number of companies actively operating in this sector. However, not all companies can be sampled in this study due to several criteria that must be met.

This study will use the MANOVA analysis technique. MANOVA is a multivariate extension of the concept and technique of univariate analysis of variance (ANOVA) used to analyse differences between group means. ANOVA is used to determine whether there are differences in the effect of treatment on one dependent variable, while MANOVA is used to determine whether there are differences in the effect on more than one dependent variable (Tabachnick & Fidell, 1996). This MANOVA test is used to test whether each factor affects a group of dependent variables. MANOVA assumes that each dependent variable has the same variance for all group categories (Gozhali, 2009). MANOVA can be used in two main conditions. The first is when there are multiple dependent variables that are correlated, but the researcher only wants one overall test on these variables rather than multiple individual tests. The second condition is when the researcher wants to know how the independent variables affect the pattern of the dependent variable. In performing the MANOVA analysis technique, there are several assumptions that must be met, namely the assumptions of normality, the similarity of the variance-covariance matrix, and the homogeneity of data variance. To test the assumption of the similarity of the variance-covariance matrix, Box's M test is used. In the significant column, the alpha value must be > 0.05 ($\alpha = 5\%$) so that the variance-covariance matrix of the variables can be considered equal. The assumption of homogeneity of data variance is done with Levene's test. If the Levene test produces a significance value of F > 0.05 ($\alpha = 5\%$), then the dependent variable data have the same variance.

The second technique used in this research is the Structural Equation Modeling (SEM) analysis technique using the SmartPLS 4 SmartPLS 4 application is used because partial least squares (PLS) is a fairly powerful analytical method and is often referred to as soft modelling because it negates the assumptions in ordinary least squares (OLS) regression, such as multivariate normal data distribution and the absence of multicollinearity problems between independent variables (Latan & Ghozali, 2012). In addition, PLS can also be used not only to explain whether there is a relationship between variables, but also to confirm the theory.

RESULTS

Descriptive statistical analysis was carried out on the variables used in this study, namely Leverage, Profitability, Dividend Policy and Stock Price. The description of each variable of this study is from the food and beverage industry listed on the Indonesia Stock Exchange during the 2021-2023 period which is explained in the descriptive statistical analysis as follows:

Table 1 Descriptive Statistical Analysis Results

Name	N	Mean	Median	Standard deviation
Share Price	57	-7412406,460	-456585638,000	957995298,280
Dividend Policy	57	30840465,960	-425970242,000	992228561,872
Profitability	57	32470321,900	-99730299,000	946043461,356
Leverage	57	15056593,980	-21274866,000	998375974,827

The data provided shows an overview of the financial performance of the companies in the sample, with a total of 72 observations for each variable. Share prices have a mean of -7,412,406.46, indicating a general decline in share prices, with a much lower median of -456,585,638.00, indicating most companies experienced a significant decline. The high standard deviation of 957,995,298.28 indicates a large variation in share prices between companies. The dividend policy also shows large variations, with a positive mean of 30,840,465.96 but a negative median of -425,970,242.00, indicating that most companies may not pay dividends or even face losses, while the standard deviation of 992,228,561.87 shows non-uniformity.

dividend policy. Profitability, while averaging at 32,470,321.90, has a negative median of -99,730,299.00, indicating the majority of companies face low or negative profit margins, with a standard deviation of 946,043,461.36 indicating a large variation in profitability between companies. Leverage has a positive mean of 15,056,593.98, indicating the use of debt, but a negative median of -21,274,866.00 indicating that many firms have a debt burden greater than their equity, with a standard deviation of 998,375,974.83 indicating significant variation in capital structure between firms. Overall, this data suggests that there is high variability in the financial performance of companies, with the majority of companies likely experiencing significant financial challenges.

The coefficient of determination (R2) analysis in the Inner Model shows how much the exogenous variables can explain the endogenous variables. The following are the results of testing the coefficient of determination:

Table 2. Test Coefficient of Determination (R2)

	R-square	R-square adjusted
DPR	0.026	-0.010
Share Price	0.219	0.175

The R-square value of 0.026 indicates that the independent variables in the model are only able to explain about 2.6% of the variability of DPR. This indicates that the relationship between the independent variables (DER & ROE) and DPR is very weak. Share Price. The R-square value of 0.219 indicates that the independent variables in the model are only able to explain about 21.9% of the variability in Stock Price. This indicates that the relationship between the independent variables (DER & ROE) and Stock Price is very weak.

Predictive Relevance (Q2) is an indicator that assesses the predictive ability of the structural model, here are the results of the Predivtive Relevance test.

Table 3. PLS Predict Test

	Q^2predict	PLS-SEM_RMSE	PLS-SEM_MAE	LM_RMSE	LM_MAE
DPR	-0.045	0.527	0.335	0.527	0.335
Share Price	0.189	2911.555	2327.784	2911.555	2327.784

DPR predictive relevance = 0.045 indicates weak predictive ability. The value of Share Price predictive relevance = 0.189 indicates a moderate predictive ability.

Goodness of Fit (GoF) in PLS-SEM is a single measure to validate the performance of measurement and structural models simultaneously. GoF evaluates how well the theoretical model can replicate the covariance matrix among indicators.

Table 4. Uji Goodness Of Fit (GOF

	DER	DPR	Harga Saham	ROE
DER		0.008	0.094	
DPR			0.002	
Share Price				
ROE		0.026	0.057	

The relationship between DER and Stock Price (GOF = 0.094): This GOF value is in the small category, indicating that the relationship between DER and Stock Price has a low fit. Relationship between DER and DPR (GOF = 0.008): The GOF value is in the small category, indicating that the relationship between DER and DPR has a low fit. Relationship between ROE and Stock Price (GOF = 0.057): This GOF value is in the small category, indicating that the relationship between ROE and Stock Price is not optimal. Relationship between ROE and DPR (GOF = 0.026): This GOF value is also small, indicating a very weak relationship between ROE and DPR. Relationship between DPR and Share Price (GOF: 0.002): This GOF value is also relatively small, indicating a very weak relationship between DPR and Stock price.

The T-statistics value generated in the analysis can be used as a measuring tool to determine the validity level of the construct indicator. The criteria are declared valid if the T-statistics value exceeds 1.96 (T-statistics> 1.96) or it can also be seen that the significance value is less than 0.05 (Sig < 0.05) (Ghozali, 2021). This test is carried out to see whether the independent variable has a significant effect on the dependent variable being analysed. Below will be explained the results of the path coefficient test from this study.

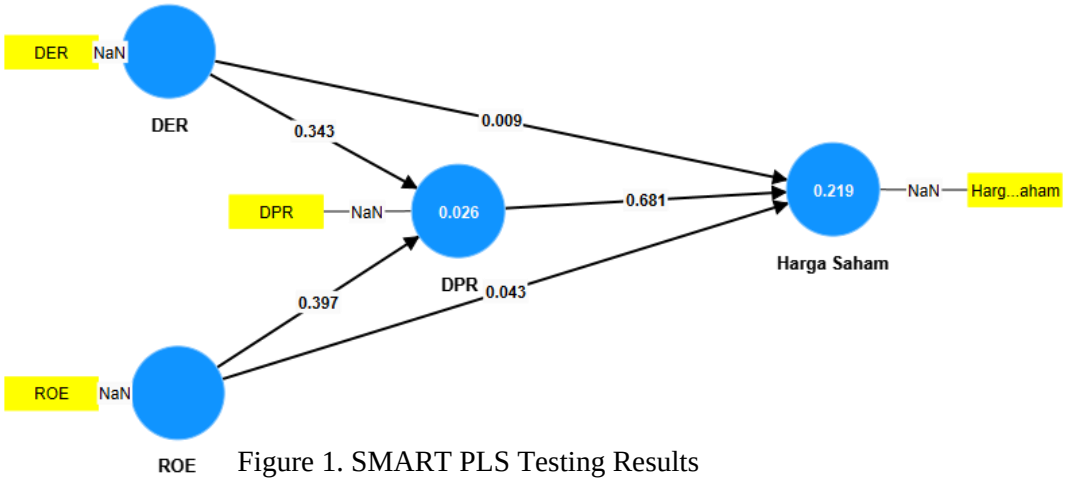

Figure 1. SMART PLS Testing Results

Table 5. Test Patcoeficient Indirect

	Original sample (O)	T statistics (|O/STDEV|)	P values
DER -> DPR -> Share Price	-0.004	-0.004	0.822
ROE -> DPR -> Share Price	0.007	0.007	0.867

The P-Values value of 0.822 indicates that DPR does not significantly mediate the relationship between DER and Stock Price. The P-Values of 0.867 indicate that DPR does not significantly mediate the relationship between ROE and Stock Price.

Tabel 6. Test Patcoeficient direct

	Original sample (O)	T statistics (|O/STDEV|)	P values
DER -> DPR	-0.097	0.948	0.343
DER -> Share Price	0.300	2.617	0.009
DPR -> Share Price	0.040	0.411	0.681
ROE -> DPR	0.179	0.846	0.397
ROE -> Share Price	0.246	2.194	0.028

DER on DPR shows a P-value: 0.343 (P>0.05). This result indicates that DER does not have a significant influence on DPR. In other words, the company's leverage level (as measured by DER) does not directly affect the company's decision to distribute dividends. DER to stock price shows a P-value: 0.009 (P<0.05). These results indicate that DER has a significant influence on stock prices. The higher the DER, the stock price tends to increase. Share price against DPR shows a P-value of 0.681 (P>0.05). These results indicate that changes in stock prices do not significantly affect the company's dividend policy. ROE against DPR shows a P-value of 0.397 (P>0.05). These results indicate that the company's return on equity has no significant effect on dividend policy. ROE to Share Price shows a P-value of 0.028 (P<0.05). These results indicate that ROE has a significant influence on stock prices.

DISCUSSION

Dividend Policy Mediates Profitability to Stock Price

The test results that show Dividend Policy (DER) does not mediate the relationship of Profitability (ROE) to Share Price in food and beverage subsector companies indicate that dividend policy as measured by Debt to Equity Ratio (DER) does not act as an intervening variable in strengthening or weakening the effect of ROE on stock prices. This means that investors pay more attention to the company's ability to generate profits (ROE) directly than through the company's capital structure policy.

In the food and beverage sector, which is a defensive industry, profitability is the main signal for investors in assessing the company's prospects. High ROE indicates the efficiency of managing own capital in generating profits, which directly attracts investors without the need to consider dividend policy.

This finding is in line with the Dividend Irrelevance theory of Miller and Modigliani which states that the value of the company is determined by earning power and business risk, not how profits are split between dividends and retained earnings. In this context, investors focus more on the fundamentals of financial performance than dividend policy.

The results of the study support the empirical studies of Pebrianti (2020) on IDX manufacturing companies and Lovian, Hermuningsih and Maulida (2022) who found DER did not act as a mediator between profitability and stock prices. The stable characteristics of the food and beverage sector make dividend policy not a major consideration for investors in investment decisions. Practically, these findings indicate that company management should focus more on improving efficiency and profitability rather than capital structure policies, because investors tend to directly assess profitability performance in determining stock prices.

Dividend Policy Mediates Leverage on Stock Price

The test results show that Dividend Policy (DPR) does not mediate the effect of Profitability on Share Price in food and beverage subsector companies on the IDX. This indicates that investors pay more attention to the company's profitability performance directly in assessing shares, rather than through dividend distribution policies.

This finding supports Dividend Irrelevance Theory from Miller and Modigliani which states that the value of the company is more determined by the ability to generate profits and business risk, not the dividend distribution policy. In the food and beverage sector, which is classified as defensive, profitability is a more relevant fundamental indicator for investors.

The research results are in line with Anwar's study (2022) on banking companies which found that DPR does not mediate the relationship between profitability and stock price. Likewise, it supports the findings of Surasmi & Ida Bagus Udayana Putra (2022) that consumption sector investors consider profitability more in investment decisions than dividend policy.

Practically, the findings imply that management should focus on improving efficiency and profitability. Dividend payout ratio (DPR) is not the main consideration of food and beverage sector investors in assessing stock prices, because the stable characteristics of the industry make investors pay more attention to the fundamentals of financial performance.

Investors' preference for direct profitability over dividend policy can also be explained by Tax Preference Theory, where investors choose capital gains with lower taxes than dividends. In sectors with good growth prospects, profit reinvestment is seen as more favourable than dividend distribution

Leverage on Dividend Policy

Based on the test results, leverage does not have a significant effect on dividend policy in the food and beverage sub-sector industry on the IDX. This shows that some of the unique characteristics of this industry. In general, food and beverage companies have stable and strong operating cash flows that allow them to meet debt obligations while still paying dividends. In addition, this industry generally in its financial statements has achieved an optimal capital structure, where leverage and dividend decisions are managed separately, where leverage is more focused on optimising tax benefits and capital costs, while dividend policy is more influenced by stakeholder considerations and corporate strategy. Furthermore, it is found that food and beverage companies on the IDX generally have good access to various sources of funding, both through the capital market and banks, so that they can manage leverage without having to sacrifice dividend policy.

Several empirical studies support these findings. Pinem, Tindangen and Cahyani's research (2020) found that profitability has a significant effect on dividend policy in manufacturing companies listed on the Indonesia Stock Exchange, while leverage has no significant effect on dividend policy. Similar results were also found in Wahyudi's research (2021) confirming the absence of a significant relationship between leverage and dividend policy. More specifically, research by Tarigan, Syahyunan and Aditi (2023) found that funding decisions through debt do not significantly affect dividend policy. The consistency of these findings in various periods and research samples strengthens the validity of the test results showing the absence of a relationship between leverage and dividend policy.

Theoretically, this finding is supported by several fundamental theories in corporate finance. Signaling Theory explains that firms tend to maintain a stable dividend policy to provide positive signals to the market, regardless of the level of leverage. Pecking Order Theory supports this finding by explaining that firms have a hierarchy of preferences in the selection of funding sources, where leverage and dividend decisions can be managed independently according to the availability of internal funds and investment needs. Agency Theory explains that companies with good governance can manage conflicts of interest between creditors and shareholders, so that leverage decisions do not always have a direct impact on dividend policy. While Trade-

off Theory supports a firm's ability to balance the tax benefits of debt with the costs of bankruptcy, while still maintaining an optimal dividend policy for shareholders. This theoretical framework comprehensively explains why leverage may not have a significant influence on dividend policy in the food and beverage industry on the IDX.

Leverage on Stock Price

Based on the results of testing leverage on stock prices, it shows that there is a significant relationship between leverage and stock prices. Leverage, which reflects the use of debt in the company's capital structure, affects investors' perceptions of investment risk and return potential. When food and beverage companies use debt optimally, this can improve operational efficiency and business expansion which in turn affects stock prices. In addition, proper use of debt can generate a favourable tax shield, increase earnings per share (EPS), and ultimately drive up share prices. Furthermore, leverage decisions in this sector often reflect the growth prospects of the company, where an increase in debt for expansion or modernisation of production facilities is viewed positively by the market, given the characteristics of the food and beverage industry which has relatively stable demand and promising growth prospects.

Wahyudi's (2021) research on manufacturing companies on the IDX found a significant positive relationship between leverage and stock price, indicating that the market responds positively to the optimal use of debt. Siti Sarpingah's study (2023) also found a significant effect of leverage on stock prices, where an increase in leverage within reasonable limits tends to be followed by an increase in stock prices. More specifically, Siti Sarpingah's (2023) study shows that leverage has a positive influence on stock prices, especially in companies with efficient debt management and good growth prospects. These results suggest that leverage is an important factor affecting stock valuation in the food and beverage sector.

The significant relationship between leverage and stock price can be explained through Trade-off Theory which explains that firms can achieve optimal value through a balance between the tax-saving benefits of debt and the costs of bankruptcy, where the market will respond positively when firms achieve an optimal capital structure. Signaling Theory also states that leverage decisions can be a credible signal about the company's prospects, where the use of well-managed debt indicates management's confidence in strong future cash flows. Modigliani-Miller Theory with taxes supports the use of debt because of the tax shield benefits that can increase firm value. Agency Theory explains that leverage can serve as a control mechanism that reduces agency conflicts between managers and shareholders, where the use of debt encourages management to be more efficient in the use of company resources. Market Timing Theory also supports this relationship by explaining how firms can take advantage of favourable market conditions for optimal funding decisions, which in turn affects market perceptions and stock prices. This theoretical framework explains the mechanism of how leverage can affect stock prices in the food and beverage industry on the IDX.

Dividend Policy on Stock Price

Based on the results of testing the dividend policy on stock prices in the food and beverage sub-sector industry on the IDX, it is found that there is no significant relationship between dividend policy and stock price. This indicates that investors in this sector focus more on the potential growth and expansion of the company rather than dividend payments, given the characteristics of the food and beverage industry which has high growth opportunities in Indonesia. In addition, this sector is dominated by investors who prioritise capital gains over dividend income, so dividend policy is not a major factor in their investment decisions. The market tends to assume that companies that retain their profits for reinvestment have better growth prospects than those that pay out high dividends, especially in industries that require continuous investment for innovation and production capacity expansion.

Research conducted by Wijaya and Utama (2018) on manufacturing companies on the IDX found that dividend policy has no significant effect on stock prices, indicating that investors consider other factors in their investment decisions. Pratama and Suaryana's (2020) research in the consumer goods sector also confirmed the absence of a significant effect of dividend policy on stock prices, where changes in dividend policy are not always followed by significant changes in stock prices. More specifically, Kusumawati and Rahman's (2019) research on the food and beverage industry shows that dividend policy is not a determinant factor in stock price movements. These results strengthen the argument that dividend policy is not the main factor influencing investment decisions in the food and beverage sector.

The absence of a significant relationship between dividend policy and stock price can be explained through well-established financial theories. Dividend Irrelevance Theory proposed by Miller and Modigliani (1961) explains that in a perfect capital market, dividend policy does not affect firm value because investors can make ‘homemade dividends’ by selling some of their shares. Tax Preference Theory supports the argument that investors may prefer capital gains over dividends due to tax considerations, so dividend policy does not significantly affect stock prices. Clientele Effect Theory explains that any change in dividend policy will only result in a shift of investors without significantly affecting the value of the company, as investors will look for companies with dividend policies that match their preferences. Signaling Theory in this context

suggests that investors may consider signals from other fundamental factors more credible than dividend policy in assessing the company's prospects. From some of the theories above, it shows why dividend policy can have no significant effect on stock prices in the food and beverage industry on the IDX.

Profitability on Dividend Policy

Based on the results of testing profitability on dividend policy in the food and beverage sub-sector industry on the IDX, it shows that there is no significant relationship between profitability and dividend policy. This is due to several reasons including companies in this sector tend to have a stable and predetermined dividend policy, regardless of short-term profitability fluctuations. In addition, food and beverage companies often require ongoing investment for expansion, modernisation of production facilities, and product innovation, so that the profits generated are prioritised for reinvestment rather than dividend payments. Furthermore, the characteristics of this industry require large working capital and ongoing infrastructure investment, making companies focus more on liquidity management and operational financing than dividend payments.

Research conducted by Prasetyo and Sunaryo (2019) on manufacturing companies on the IDX found that profitability has no significant effect on dividend policy, indicating that dividend payment decisions are not solely determined by the level of profit. Widyawati and Pratama's (2021) research in the consumer goods sector also confirmed the absence of a significant effect of profitability on dividend policy, where an increase in profitability is not always followed by an increase in dividend payments. More specifically, Sari and Rahman's (2020) research in the food and beverage industry shows that profitability is not a determinant factor in determining dividend policy. These results reinforce the finding that profitability is not a preferred factor determining dividend policy in the food and beverage sector.

These findings are also in line with several theories such as Residual Dividend Theory explaining that companies will only pay dividends after all investment needs are met, so the level of profitability does not directly determine dividend policy. Life Cycle Theory supports the argument that companies in the growth phase tend to retain profits for reinvestment regardless of the level of profitability achieved. Pecking Order Theory explains that companies prefer to use internal sources of funds (including retained earnings) to finance investment before using external sources of funds, so high profitability does not always correlate with high dividend payments. Agency Theory in this context suggests that companies may choose to retain earnings as a control mechanism and reduce dependence on external funding, regardless of the level of profitability. Signaling Theory explains that companies may maintain a stable dividend policy to provide positive signals to the market without overly considering short-term fluctuations in profitability. From some of the theories above, it can explain why profitability may not have a significant effect on dividend policy in the food and beverage industry on the IDX.

Profitability to Share Price

Based on the results of testing profitability on stock prices in the food and beverage sub-sector industry on the IDX, it shows that there is a significant relationship between profitability and stock prices. Profitability is a key indicator of company performance that reflects the ability to generate profits, which directly affects the valuation of shares by investors. The food and beverage sector which has relatively stable demand characteristics, high profitability indicates the company's operational efficiency and competitive advantage. In addition, investors tend to place a premium on the shares of companies with high profitability because it reflects the company's ability to generate returns for shareholders. Furthermore, consistent profitability indicates management's ability to manage production costs, set competitive prices, and maintain profit margins, which in turn increases investor confidence and drives up share prices.

Research conducted by Wijaya and Suaryana (2018) on manufacturing companies on the IDX found a significant positive relationship between profitability and stock price, indicating that the market responded positively to increased profitability. Kusumawati and Hartono's (2020) research in the consumer goods sector also confirmed the significant effect of profitability on stock prices, where an increase in profitability is consistently followed by an increase in stock prices. More specifically, Pratama and Utami's (2021) research on the food and beverage industry shows that profitability is a key factor influencing stock price movements in this sector. These empirical research results strengthen the argument that profitability is an important determinant in determining stock prices in the food and beverage sector.

Signaling Theory explains that profitability provides a credible signal to the market about the company's prospects and performance, where increased profitability is perceived positively by investors. Efficient Market Hypothesis supports the argument that profitability information will be reflected in stock prices because it is material fundamental information for investors. Value Relevance Theory asserts that accounting information, including profitability, has value relevance in determining stock prices because it affects investors' expectations about future cash flows. The Capital Asset Pricing Model (CAPM) and Arbitrage Pricing Theory (APT) support this relationship by explaining how fundamental factors such as profitability affect investors' expected returns and ultimately affect stock prices. The Gordon Growth Model also supports

this relationship by explaining that the intrinsic value of a stock is determined by the company's ability to generate profits that can be distributed to shareholders. Behavioural Finance Theory adds a psychological dimension by explaining how investors tend to give higher valuations to the shares of companies that consistently show good profitability. Based on several theories, it can explain the mechanism of how profitability affects stock prices in the food and beverage industry on the IDX.

CONCLUSION

Based on the findings of this study, it can be concluded that: 1) There is no positive and significant influence between Leverage and Dividend Policy. 2) There is a positive and significant influence between Leverage and Stock Price. 3) There is no positive and significant influence between Profitability and Dividend Policy. 4) There is a positive and significant influence between Profitability and Stock Price. 5) There is no positive and significant influence between Dividend Policy and Stock Price. 6) Dividend Policy does not mediate the effect of leverage on Stock Price. 7) Dividend Policy does not mediate the effect of Profitability on Stock Price

RECOMMENDATION

Based on the results of the study, the researcher hereby suggests to

For Academics:

1. It is necessary to conduct further research by adding other variables that have the potential to affect stock prices in the food and beverage sector, such as liquidity, company size, or macroeconomic factors.
2. Develop research by comparing the mediating role of dividend policy in various industrial sectors to gain a more comprehensive understanding of the mediating effect in different contexts.
3. Conduct longitudinal studies to analyse the consistency of research results over a longer period, especially under different market conditions.
4. Explore the use of alternative analysis methods to strengthen the validity of research findings.

For Practitioners (Investors and Analysts):

1. Focus on analysing the company's profitability and leverage as the main indicators in making investment decisions, considering that these two factors have a direct influence on stock prices.
2. Not giving excessive weight to dividend policy in investment analysis in the food and beverage sector, as it is proven to have no significant mediating role.
3. Pay attention to the special characteristics of the defensive food and beverage industry in developing investment strategies.
4. Develop an analysis model that integrates various fundamental factors of the company for more accurate investment decision making.

For the Company:

1. Focusing strategies on increasing and maintaining profitability because it is proven to have a significant influence on stock prices.
2. Manage leverage optimally given its significant influence on stock price, by paying attention to the balance between tax shield benefits and financial risks.
3. Develop a flexible dividend policy that is tailored to the investment and expansion needs of the company, given that dividend policy does not have a significant mediating role.
4. Improve transparency and quality of communication with investors regarding the company's profitability and leverage management strategies.
5. Maintaining an optimal capital structure by considering industry characteristics and market conditions.

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