



The Effect Of Profitability, Leverage, And Tax Avoidance On Stock Prices As Intervening Intervening Variables

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How to Cite :

Alfaiza, Y, N., Junaidi, A., Hernadianto., Sumarlan, A. (2026). The Effect Of Profitability, Leverage, And Tax Avoidance On Stock Prices As Intervening Intervening Variables. EKOMBIS REVIEW: Jurnal Ilmiah Ekonomi Dan Bisnis, 14(4). doi: <https://doi.org/10.37676/ekombis.v14i4>

ARTICLE HISTORY

Received [13 June 2026]

Revised [19 October 2026]

Accepted [22 October 2026]

KEYWORDS

Profitability, Leverage , Tax Avoidance , Stock Prices , Intervening.

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ABSTRACT

This study aims to analyze the effect of profitability, leverage, and tax avoidance on stock prices with dividend policy as an intervening variable in companies listed on the LQ45 Index for the period 2022–2024. This study was motivated by fluctuations in LQ45 stock prices and inconsistencies in previous studies regarding factors affecting stock prices and dividend policy. This study uses a quantitative approach with secondary data in the form of annual financial reports obtained from the Indonesia Stock Exchange website. The research population consists of all companies listed on the LQ45 Index for the period 2022–2024, with purposive sampling yielding 81 observations. The data analysis methods used include descriptive statistics, classical assumption tests, multiple linear regression analysis, and hypothesis testing. The results of the study indicate that profitability, leverage, and tax avoidance affect stock prices. In addition, profitability, leverage, tax avoidance, and stock prices also affect dividend policy. Indirectly, profitability, leverage, and tax avoidance through stock prices also influence dividend policy. This study is expected to contribute to companies in their financial decision-making, as well as serve as a reference for investors and future researchers in understanding the factors that influence stock prices and dividend policy.

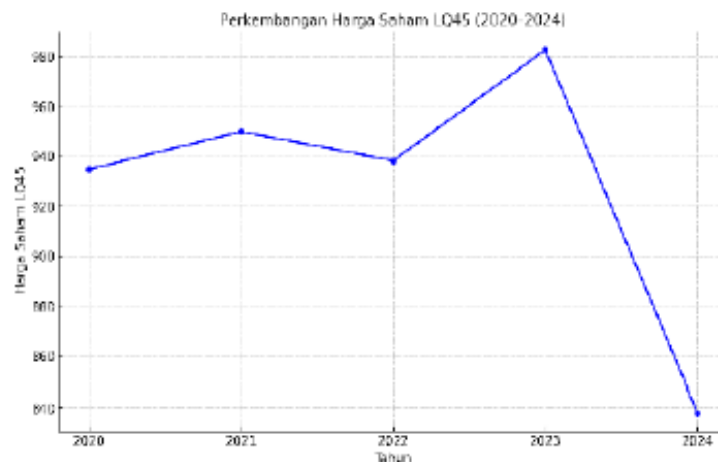
INTRODUCTION

In the era of globalization and modern economic development, the capital market plays a very important role as a means of connecting parties with excess funds (investors) with parties in need of funds (issuers). The capital market not only functions as a means of financing, but also as an indicator of a country's economic performance (Putri, 2020).

In the LQ45 index, which represents 45 companies with large market capitalization and high liquidity on the Indonesia Stock Exchange (IDX), financial performance is an important signal for investors, especially during the post-Covid-19 pandemic economic recovery period (2022–

2024). The following is a graph showing the development of LQ45 index stock prices from 2020 to 2024.

Figure 1. LQ45 Stock Price Development



Following fluctuations in the LQ45 index during 2020–2023 driven by retail investor dynamics, economic stability, and global pressures, the market experienced a significant decline of 15.6% in 2024 due to commodity normalization and domestic political uncertainty (Nurmatama & Priono, 2025).

Stock price movements are influenced by internal and external factors of the company. Internal factors that investors often pay attention to include profitability, leverage, tax avoidance, and dividend policy. Differences in information between management and investors can lead to uncertainty in assessing a company's prospects. To reduce this uncertainty, companies send signals to the market through various forms of information, such as earnings reports, dividend distributions, funding policies, and other financial information, which investors then use to assess the value of the company and influence stock prices.

Profitability reflects a company's ability to generate profits, which means that its performance and prospects are viewed favorably by investors and can increase its share price. However, this effect is also influenced by management's policy on profit management, such as dividend distribution. Meanwhile, leverage indicates the use of borrowed funds to finance company assets; if it is too high, it can increase risk and reduce investor confidence, but if it is managed optimally, it can increase profits for shareholders.

The practice of tax avoidance as a managerial strategy can increase short-term profits by reducing tax burdens, while dividend policy acts as a mediating variable that sends positive signals to investors, thereby strengthening or weakening the influence of internal financial factors such as profitability, leverage, and tax avoidance on stock prices.

The results of the study (Maharani, 2025) show that ROE has a significant negative effect on stock prices but not on dividend policy, DER has a significant positive effect on stock prices and dividend policy, and dividend policy has a positive effect on stock prices but does not mediate the effect of ROE and DER. While research (Rahmatika, 2023) found that profitability and leverage do not affect dividend policy, dividend policy does not affect stock prices, only profitability affects stock prices, and dividend policy is unable to mediate the influence of profitability and leverage on stock prices.

The results of the study (Aryanti & Jayanti, 2020) show that ROE has a positive effect on stock prices and DER has a negative effect on stock prices with DPR as a moderating variable. While research (Bagya, 2016) found that EPS, ROE, and PER have a significant simultaneous effect on stock prices, but partially only EPS and ROE are significant while PER is not significant.

LITERATURE REVIEW

Signalling Theory

Signaling theory introduced by Spence (1973) explains that one party sends information as a credible signal to another party to reduce information asymmetry, but the interpretation of the signal may differ among market participants. Therefore, this study uses this theory to analyze the ability of financial ratios to predict stock prices.

Stock Price

The share price is the market price formed through the mechanism of supply and demand in the capital market, reflecting investors' sacrifices in investing and expectations of profits, cash flows, and rates of return influenced by internal company conditions as well as macroeconomic and global conditions (Firdaus, 2018).

Profitability

Profitability is a company's ability to utilize resources or assets to generate profits, whereby the higher the profitability ratio, the better the productivity of assets in generating profits, while a decline in asset utilization can reduce operations, profits, and company performance.

Leverage

Leverage is a measure of how much a company is financed by debt, which in this study is measured by the Debt to Equity Ratio (DER), namely the ratio of total debt to equity that reflects the level of risk of the company, where a high DER indicates greater risk that can lower the share price, while a low DER indicates lower risk and the potential to increase the share price (Aryanti & Jayanti, 2020).

Tax Avoidance

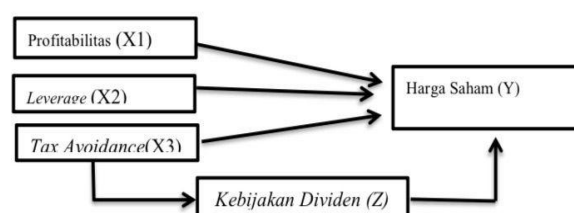
According to (Suandy, 2011:7), tax avoidance is an effort by taxpayers to reduce their tax burden by exploiting loopholes or weaknesses in applicable tax regulations, so that such actions remain within the corridor of the law. Tax avoidance is a legal effort by companies to minimize their tax burden in accordance with tax regulations in order to increase profits, which can be a signal to investors regarding the company's performance and liquidity, where a low level of tax avoidance indicates good performance and increases investor confidence in the share price.

Dividend policy

Dividend policy is a decision related to the distribution of company profits, namely whether the profits will be distributed to shareholders as dividends or retained for reinvestment to increase company growth (Brigham and Houston, 2010). Dividend policy is a decision on whether the profits earned by a company will be distributed to shareholders as dividends or retained for financing future investments (Aryanti & Jayanti, 2020).

Conceptual Framework

Figure 1 Conceptual Framework



Hypothesis Development

The Effect Of Profitability On Stock Prices

Good profitability levels send a positive signal to investors that the company has strong growth prospects and relatively low business risk. According to signal theory, increasing profits become valuable information that encourages investors to increase demand for shares. This increase in demand will cause share prices to rise. Thus, the higher the company's profitability, the greater the market's tendency to value the company's shares positively. This is in line with research (Rahmatika, 2023), (Aryanti & Jayanti, 2020) and (Bagya, 2016)) which shows that profitability has a significant effect on stock prices because investors tend to choose companies that are able to generate stable profits and provide better potential returns.

H1 : profitability affects stock prices

The Effect of Leverage on Stock Prices

Well-managed leverage can be a positive signal. An increase in debt accompanied by profit growth or business expansion indicates that management is confident about the company's future prospects. The use of debt to fund productive projects signals that the company has opportunities for profitable growth. This positive signal can increase investor interest in buying shares, thereby driving up share prices. This is in line with (Maharani, 2025), (Deliana, 2024) and (Rahmawati & Hadian, 2022) which shows that leverage (DER) has a positive effect on share prices.

H2 : Leverage Affects Stock Prices

The Effect of Tax Avoidance on Stock Prices

Tax avoidance is a corporate strategy to minimize tax burdens through tax planning that remains within the provisions of tax regulations. This is in line with signaling theory, which refers to the importance of information in the form of financial reports, activities, and so on. It also suggests that the more tax avoidance a company engages in, the more it can reduce an investor's decision-making level or become bad news. Therefore, companies are required to produce good corporate performance so that their stock prices can be maintained (Fattah et al., 2023). This is in line with research by (Mulatsari et al., 2020), (Zalsabilla & Rahmiati, 2024) and (Fattah et al., 2023), which proves that tax avoidance affects stock prices.

H3 : Tax Avoidance Affects Stock Prices

The Effect of Profitability on Dividend Policy

Based on signal theory, dividend policy is used by companies as a means of conveying information about the company's financial condition and prospects to investors. Companies with high profitability tend to distribute larger or more stable dividends as a positive signal that the company is in a healthy financial condition and has good growth prospects in the future. This signal is expected to increase investor confidence and attract investment interest. This is in line with research (Maharisht, 2022) and (Haya & Riduwan, n.d.) showing that profitability affects dividend policy.

H4 : Profitability Affects Dividend Policy

The Effect of Leverage on Dividend Policy

According to signal theory, leverage affects dividend policy because management uses dividend distribution decisions to convey information about the company's financial condition. This is in line with research (Jao et al., 2022) showing that leverage affects dividend policy.

H5 : Leverage Affects Dividend Policy

The Effect of Tax Avoidance on Dividend Policy

According to signaling theory, dividend policy serves as a signal regarding the company's financial condition and future prospects. Companies that are able to avoid taxes efficiently will demonstrate better financial performance through increased net income. This condition may encourage management to distribute stable or increasing dividends as a positive signal to investors that the company has strong cash flow and relatively low financial risk. The level of tax avoidance practiced by a company can influence management's decision in determining the amount of dividends to be distributed, either through an increase in dividend payment capacity due to tax efficiency or through a tendency to retain profits due to the increased risk posed by tax avoidance practices. This is in line with research (Sunengsih & Kusumawardani, 2021) showing that tax avoidance affects dividend policy.

H6 : Tax Avoidance Affects Dividend Policy

The Influence of Stock Prices on Dividend Policy

Based on signaling theory, dividend policy is used by management as a means of conveying positive information to the market. When stock prices are high, companies seek to maintain this positive momentum by distributing consistent dividends. Dividend payments are perceived as a signal that the company has strong financial performance and adequate cash flow, enabling it to maintain its stock value in the market. High and stable stock prices encourage companies to establish more consistent dividend policies in an effort to maintain investor confidence. This is in line with research (Fatimah, 2022) showing that stock prices influence dividend policy. Based on the above explanation, the hypothesis is as follows:

H7 : Stock Prices Affect Dividend Policy

The Influence of Profitability Through Share Prices on Dividend Policy

Based on signaling theory, high profitability is a positive signal sent by management to investors regarding the company's financial condition and future prospects. The market responds to this signal by increasing demand for shares, thereby driving up share prices. Thus, profitability plays an important role in influencing a company's share price. Profitability has a direct effect on dividend policy. High profitability increases stock prices, which in turn encourages companies to establish better dividend policies in an effort to maintain investor confidence and the stability of the company's value. This is in line with research (Irdiana et al., 2021) showing that profitability directly influences dividend policy through stock prices. Based on the above explanation, the hypothesis is as follows:

H8 : Profitability Through Stock Prices Influences Dividend Policy

The Effect of Leverage on Stock Prices on Dividend Policy

Based on signaling theory, the level of leverage sends certain signals to the market regarding a company's financial condition. High leverage is often interpreted as a negative signal because it reflects an increased risk of default and uncertainty in future cash flows. This negative signal can reduce investor confidence, which in turn leads to a decline in stock demand and a drop in the company's stock price. This is in line with research (Rohmatika & Sumiati, 2022) showing that leverage through stock prices affects dividend policy. Based on the above explanation, the hypothesis constructed is:

H9 : Leverage Through Stock Prices Affects Dividend Policy

The Effect of Tax Avoidance on Stock Prices on Dividend Policy

Tax avoidance is a corporate strategy to minimize tax burdens through tax planning that remains within the provisions of tax regulations. Tax avoidance practices can increase after-tax profits and cash flow, thereby potentially improving financial performance as perceived by investors. According to signaling theory, management's actions in managing tax burdens send certain signals to the market regarding the efficiency and performance of the company. Effective

and non-aggressive tax avoidance can be perceived as a positive signal because it demonstrates management's ability to optimize profits. This positive perception can increase investor interest and drive up the company's share price. This is in line with research (Wenten & Khasanah, 2024) showing that tax avoidance through share prices affects dividend policy. Based on the above explanation, the hypothesis is as follows:

H10 : Tax Avoidance Through Stock Prices Influences Dividend Policy

METHODS

The type of research conducted in this study is quantitative research. The purpose of quantitative research is to develop and use mathematical models, theories, and/or hypotheses related to the phenomena investigated by researchers. The data used in this study is quantitative data, namely data in the form of numbers or qualitative data that has been converted into numbers. Secondary data in the form of companies' annual financial reports is used. Secondary data in this study can be obtained by accessing the website www.idx.co.id. The objects in this study are companies listed on the LQ45 Index for the 2022-2024 period. The variables analyzed in this study include profitability, leverage, and tax avoidance.

Table 1. Sampel Criteria Determination Table

No.	Kriteria	Amount
1.	The scope of research is only on companies listed in the LQ45 index for the 2022-2024 period	45
2.	Companies listed in the LQ45 index for the 2022-2024 period that do not publish their annual reports and complete financial statements	(1)
3.	Companies that suffered losses during 2022-2024.	(2)
4.	Companies that do not present variable completeness during the year 2022-2024.	(3)
5	Companies that serve foreign currencies during 2022-2024.	(12)
Number of final samples		27
Year of observation		3
Number of observation		81

Source : Secondary data, ptocessed 2026

RESULTS

Table 2. Descriptive Statistical Test

	N	Minimum	Maximum	Mean	Std. Deviation
X1	81	.00318	.29724	.0831471	.07432866
X2	81	.12953	56177	2.3043993	2.78593216
X3	81	.01304	.38325	.2018789	.06027813
Z	81	.00033	2.03997	.5308457	.37384771
Y	81	-.73547	4.60547	.0317396	.58810894
Valid N (listwise)	81				

Source : Secondary data, ptocessed 2026

Based on the table, the results of the descriptive analysis above show that the number of observations (N) in this study is 81 observations. The first independent variable is profitability,

which is obtained from net income after tax divided by total assets. The minimum value for the profitability variable is held by the company with the code MTEL in 2022, which is 0.00318. The maximum value is held by the company coded SIDO in 2024, which is 0.29724. The mean value is 0.0831471 and the standard deviation is 0.07432866.

The second independent variable is leverage, which is obtained from the ratio of total liabilities divided by total equity. For the leverage variable, the minimum value is held by the company coded SIDO in 2024, which is 0.12953. The maximum value is held by the company coded BBTN in 2022, which is 13.56177. The mean value is 2.3043993 and the standard deviation is 2.78593216.

The third independent variable is tax avoidance, which is obtained from the comparison of tax expenses divided by profit before tax. The minimum value for the tax avoidance variable is held by the company with the code TOWR in 2022, which is 0.01304. The maximum value is held by the company with the code SMGR in 2024, which is 0.38325. The mean value is 0.2018789 and the standard deviation is 0.06027813.

The intervening variable is dividend policy, which is obtained from the ratio of dividend per share to earnings per share. The minimum value for the dividend policy variable is held by the company coded AKRA in 2022, which is 0.00033. The maximum value is held by the company coded PTBA in 2023, which is 2.03997. With a mean value of 0.5308457 and a standard deviation of 0.37384771.

The dependent variable is the stock price obtained from the ratio of the stock price in period t minus the stock price in period t-1 divided by the stock price in period t-1. For the stock price variable, the minimum value is held by the company coded ISAT in 2024, which is -0.73547. The maximum value is held by the company coded ACES in 2022, which is 4.60547. The mean value is 0.0317396 and the standard deviation is 0.58810894.

Classic Assumption Test

Table 3. Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		66
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.15295186
Most Extreme Differences	Absolute	.056
	Positive	.046
	Negative	-.056
Test Statistic		.056
Asymp. Sig. (2-tailed)		.200 ^{c,d}

Source : Secondary data, ptocessed 2026

If the Kolmogorov-Smirnov significance probability value is less than the 5% significance level (0.05), then the data distribution is said to be non-normal. If the Kolmogorov-Smirnov significance value is greater than the 5% significance level (0.05), then the data distribution is said to be normal.

The results in Table 4.3 show that the Kolmogorov-Smirnov significance probability value for the regression model residuals in this study is 0.200, which is greater than 0.05. Therefore, it can be concluded that the residual values are normally distributed in this study.

Autocorrelation Test

Table 4. Autocorrelation Test Results

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.155 ^a	.024	.230	.15661	2.024

Source : Secondary data, ptocessed 2026

Based on the table, it can be seen that the equation model is free from autocorrelation problems, because in the equation model the dW value is greater than dL and lower than 4-dU, namely $dU < dW < 4-dU$, so it can be concluded that the data is free from autocorrelation. The results of the regression equation autocorrelation test on the independent variable model with 66 observations obtained a dL value of 1.5079, a dU value of 1.6974, and a Durbin-Watson value of 2.024, so it can be concluded that the data is free of autocorrelation.

Multicollinearity Test

Table 5. Multicollinearity Test Results

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	X1	.819	1.221
	X2	.843	1.186
	X3	.968	1.033

Source : Secondary data, ptocessed 2026

Based on the table above, it can be seen that the profitability value (X1) has a significance value of $0.551 > 0.05$, so the regression model for variable X1 is free of heteroscedasticity. The leverage value (X2) has a significance value of $0.203 > 0.05$, so the regression model for variable X2 is free of heteroscedasticity. The tax avoidance value (X3) has a significance value of $0.092 > 0.05$, so the regression model for variable X3 is free of heteroscedasticity. It can therefore be concluded that the overall model in this study is free from heteroscedasticity issues.

Based on the table, it can be seen that there are no equation models affected by multicollinearity. The first independent variable, profitability (X1) in hypothesis 1, has a tolerance value of 0.819, which is > 0.1 , and a VIF value of 1.221, which is < 10 , so profitability is free from multicollinearity.

- For the second variable, leverage (X2) in hypothesis 2, the tolerance value is 0.843, which is > 0.1 , and the VIF value is 1.186, which is < 10 , so leverage is free from multicollinearity problems.
- For the third variable, tax avoidance (X3) in hypothesis 3, the tolerance value is 0.968, which is > 0.1 , and the VIF value is 1.033, which is < 10 , so tax avoidance is free from multicollinearity issues.

Heteroscedasticity Test

Table 6. Heteroscedasticity Test Results

Model		Sig.
1	(Constant)	.178
	X1	.551
	X2	.203
	X3	.092

Source : Secondary data, ptocessed 2026

Based on the table above, it can be seen that the profitability value (X1) has a significance value of $0.551 > 0.05$, so the regression model for variable X1 is free of heteroscedasticity. The

leverage value (X2) has a significance value of $0.203 > 0.05$, so the regression model for variable X2 is free of heteroscedasticity. The tax avoidance value (X3) has a significance value of $0.092 > 0.05$, so the regression model for variable X3 is free of heteroscedasticity. It can therefore be concluded that the overall model in this study is free from heteroscedasticity issues.

Hypothesis Testing

Table 7. Model Feasibility Test (F) F Test Results

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.038	3	.013	.512	.043 ^b
	Residual	1.521	62	.025		
	Total	1.558	65			

Source : Secondary data, ptocessed 2026

Based on the F test results table, it shows that the F value in the ANOVA table is 0.512 with a significance value smaller than the 5% probability, which is 0.043. Thus, it can be concluded that the regression model in this study fits and has a simultaneous or joint effect from all independent variables, namely profitability, leverage, and tax avoidance on stock prices.

Coefficient Of Determination Test (R2)

Table 8. Coefficient Of Determination Test Results

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.155 ^a	.024	.230	.15661	2.024

Source : Secondary data, ptocessed 2026

Based on the data above, the multiple determination analysis shows that the percentage of influence of the independent variables on the dependent variable is indicated by an Adjusted R Square value of 0.230, so the coefficient of determination is $0.230 \times 100\% = 23\%$. This means that the fluctuations in the dependent variable, namely stock prices, are influenced by the independent variables, namely profitability, leverage, and tax avoidance, by 23%. Meanwhile, the remaining 77% is influenced by other variables that were not examined in this study.

Pertial Test

Table 9. Hypothesis Test Results Path Analysis Equation 1

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.098	.075		-1.306	.196
	X1	.038	.269	.020	.141	.032
	X2	-.006	.006	-.129	-.946	.348
	X3	.140	.292	.061	.481	.633

Source : Secondary data, ptocessed 2026

Table 10. Hypothesis Test Results Path Analysis Equation 2

Coefficients ^a						
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Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.366	.158		2.314	.024
	X1	2.872	.557	.584	5.153	.000
	X2	-.005	.013	-.038	-.340	.735
	X3	-.080	.606	-.014	-.132	.896
	Y	-.264	.263	-.104	-1.003	.320

Source : Secondary data, ptocessed 2026

The following is an interpretation of the results of the path analysis hypothesis test for equations 1 and 2:

1. Hypothesis Testing 1

Based on the table of results from the first hypothesis test, the profitability regression coefficient is 0.038, the t-value is 0.141, and the significance value is 0.032 (significance level < 0.05). Furthermore, profitability affects stock prices, as indicated by a significance value of 0.032, which is less than 0.05. Therefore, it can be concluded that hypothesis 1 in this study is accepted.

2. Hypothesis 2 Testing

Based on the table of the second hypothesis testing results, the leverage regression coefficient is -0.006, the t-value is -0.946, and the significance value is 0.348 (significance level < 0.05). Furthermore, leverage affects stock prices, as indicated by a significance value of 0.348, which is greater than 0.05. Therefore, it can be concluded that hypothesis 2 in this study is rejected.

3. Hypothesis Testing 3

Based on the table of results from the third hypothesis test, the tax avoidance regression coefficient is 0.140, the t-value is 0.481, and the significance value is 0.633 (significance level < 0.05). Furthermore, tax avoidance affects stock prices, as indicated by a significance value of 0.633, which is greater than 0.05. Therefore, it can be concluded that hypothesis 3 in this study is rejected.

4. Testing Hypothesis 4

Based on the table of results from testing the fourth hypothesis, the profitability regression coefficient is 2.872, the t-value is 5.153, and the significance value is 0.000 (significance level < 0.05). Furthermore, profitability has a direct effect on dividend policy, as indicated by a significance of 0.000, which is less than 0.05. Therefore, it can be concluded that hypothesis 4 in this study is accepted.

5. Testing Hypothesis 5

Based on the table of results for testing the fifth hypothesis, the leverage regression coefficient is -0.005, the t-value is -0.340, and the significance value is 0.735 (significance level < 0.05). Furthermore, leverage does not have a direct effect on dividend policy, as indicated by a significance value of 0.735, which is greater than 0.05. Therefore, it can be concluded that hypothesis 5 in this study is rejected.

6. Hypothesis Testing 6

Based on the table of results from the sixth hypothesis test, the tax avoidance regression coefficient is -0.080, the t-value is -0.132, and the significance value is 0.896 (significance level < 0.05). Furthermore, tax avoidance does not have a direct effect on dividend policy, as indicated by a significance value of 0.896, which is greater than 0.05. Therefore, it can be concluded that hypothesis 6 in this study is rejected.

7. Testing Hypothesis 7

Based on the table of results for testing the seventh hypothesis, the stock price regression coefficient is -0.264, the t-value is -1.003, and the significance value is 0.320 (significance level < 0.05). Furthermore, stock prices do not have a direct effect on dividend policy, as indicated by a significance value of 0.320, which is greater than 0.05. Therefore, it can be concluded that hypothesis 7 in this study is rejected.

8. Hypothesis Testing 8

The direct effect of profitability on stock price is 0.584. Meanwhile, the indirect effect of profitability on dividend policy through stock price is the multiplication of the beta value of profitability on stock price and the beta value of stock price on dividend policy, which is: $0.020 \times -0.104 = -0.00208$. Therefore, the total effect of profitability on dividend policy is the direct effect plus the indirect effect, which is $0.584 + (-0.00208) = 0.58192$. Based on the above calculation, it is known that the direct effect value is 0.584 and the indirect effect value is -0.00208, which means that the indirect effect value is smaller than the direct effect. These results indicate that, indirectly, profitability through stock price does not have a significant effect on dividend policy.

9. Hypothesis Testing 9

The direct effect of leverage on stock price is -0.038, while the indirect effect of leverage on dividend policy through stock price is the product of the beta value of leverage on stock price and the beta value of stock price on dividend policy, which is: $-0.129 \times -0.104 = 0.013416$. Therefore, the total effect of leverage on dividend policy is the direct effect plus the indirect effect, which is $-0.038 + 0.013416 = -0.024584$. Based on the above calculation, it is known that the direct effect value is -0.038 and the indirect effect value is -0.024584, which means that the indirect effect value is smaller than the direct effect. This result shows that indirectly, leverage through stock prices does not have a significant effect on dividend policy.

10. Hypothesis Testing 10.

The direct effect of tax avoidance on stock price is -0.014. Meanwhile, the indirect effect of tax avoidance through stock price on dividend policy is the multiplication of the beta value of tax avoidance on stock price by the beta value of stock price on dividend policy, which is: $0.061 \times -0.104 = -0.006344$. Therefore, the total effect of tax avoidance on dividend policy is the direct effect plus the indirect effect, which is $-0.014 + (-0.006344) = -0.020344$. Based on the above calculation, it is known that the direct effect value is -0.014 and the indirect effect is.

DISCUSSION

The Effect of Profitability on Stock Prices

Profitability has an effect on stock prices. The higher the profitability, the better the company's performance. Investors believe that the company can manage its resources optimally to generate profits. This will increase investor interest in investing in the company, thereby increasing the stock price (Notama, 2021).

This study is in line with the signaling theory, which shows that as profitability increases, so does the company's ability to generate profits, which sends a positive signal. The higher the profitability, the better the company's performance, so the company will be considered good by investors, causing stock prices to move up and increase. High profits will increase investor interest, so the company will be considered to have a high return.

This is in line with the research (Rahmatika, 2023), (Aryanti & Jayanti, 2020) and (Bagya, 2016) which shows that profitability has a significant effect on stock prices because investors tend to choose companies that are able to generate stable profits and provide better potential returns.

The Effect of Leverage on Stock Prices

Based on the results of hypothesis testing, the leverage variable does not affect stock prices. This shows that the level of a company's debt is not a major consideration for investors in making investment decisions, so it does not affect changes in stock prices. The lack of effect of leverage on stock prices may also be due to the view that the use of debt is normal in company operations, especially if the debt is still at an optimal level. As long as the company is able to meet its interest and principal debt payment obligations, the leverage level is not considered a significant risk by investors. Thus, the results of this study indicate that a company's funding structure does not necessarily influence market perceptions of stock prices.

According to signaling theory, capital structure can essentially serve as a signal to investors regarding a company's prospects. However, in this study, information about leverage is not captured as a positive signal by the market. Investors tend to focus more on other factors such as profitability, company growth, and dividend policy, which better reflect a company's ability to generate profits and provide returns.

This is not in line with the studies by (Maharani, 2025), (Deliana, 2024) and (Rahmawati & Hadian, 2022), which show that leverage (DER) has a positive effect on stock prices.

The Effect of Tax Avoidance on Stock Prices

These results show that the level of tax avoidance practices carried out by companies does not directly influence the market's response to company stocks. In other words, investors do not consider the level of tax avoidance as a major factor in their investment decisions. According to (Brigham and Houston, 2019), stock prices are more influenced by fundamental factors such as profitability, growth prospects, and company risk. If tax avoidance practices do not have a direct impact on cash flow or the risks perceived by investors, then the market tends not to respond significantly to such information.

The results of this study indicate that investors place more consideration on performance indicators that are more transparent and easier to analyze, such as net income, dividends, and company growth, compared to tax avoidance practices, which are relatively difficult to observe directly.

According to the signaling theory proposed by Spence (1973), any information published by a company can serve as a signal to investors regarding the company's prospects and performance. Tax avoidance practices can theoretically be viewed as a positive signal because they can increase after-tax profits, but they can also be perceived negatively because they have the potential to cause legal and reputational risks. However, the results of this study show that information related to tax avoidance is not strong enough to influence investor perceptions of company value as reflected in stock prices.

This is not in line with the research by (Mulatsari et al., 2020), (Zalsabilla & Rahmiati, 2024) and (Fattah et al., 2023), which proves that tax avoidance affects stock prices.

The Effect of Profitability on Dividend Policy

Profitability has a direct and significant effect on dividend policy. These results show that the higher a company's profitability, the greater the likelihood that it will distribute dividends to shareholders. High profitability reflects a company's ability to generate profits, meaning that it has sufficient funds to distribute without disrupting its operational and investment needs. The results of this study indicate that profitability is a fundamental factor that management considers when determining dividend policy. In other words, a company's ability to generate profits is the main determinant in the decision to distribute dividends to shareholders.

According to signaling theory, high profits and dividend distribution decisions can be positive signals to investors about the company's future prospects. When a company is able to generate stable profits, management tends to distribute dividends as a form of confidence in the company's continued performance. This signal then increases investor confidence and

strengthens the company's image in the capital market. This is in line with research by (Maharisht, 2022) and (Haya & Riduwan, n.d.) which shows that profitability affects dividend policy.

The Effect of Leverage on Dividend Policy

Leverage does not have a direct and significant effect on dividend policy. These results show that the level of a company's debt does not directly determine the company's decision to distribute dividends to shareholders. In other words, the company's debt financing structure is not necessarily the main factor considered by management in determining dividend policy. According to Brigham and Houston (2019), dividend policy is more influenced by profit stability, cash flow, and investment opportunities than by debt levels alone. As long as a company is able to meet its interest and principal payment obligations, the existence of leverage does not necessarily limit the company's ability to distribute dividends.

According to the signaling theory proposed by Spence (1973), financing and dividend distribution decisions can signal to investors about the company's condition and prospects. Theoretically, a high level of leverage can be perceived as an increase in financial risk, so companies tend to retain earnings to meet their debt obligations. However, the results of this study show that leverage does not sufficiently influence dividend policy, which means that neither the market nor management directly associates debt levels with profit distribution decisions.

These results are in line with research (Haya & Riduwan, n.d.), showing that leverage does not directly affect dividend policy.

The Effect of Tax Avoidance on Dividend Policy

Tax avoidance does not have a direct and significant effect on dividend policy. These results indicate that the level of tax avoidance practices carried out by companies does not directly determine management's decision to distribute dividends to shareholders. According to (Brigham and Houston, 2019), dividend policy is generally influenced by factors such as profit stability, cash flow, investment opportunities, and company funding policy. If tax avoidance practices do not significantly increase free cash flow, then their effect on dividend policy becomes insignificant. Furthermore, within the framework of the dividend theory proposed by Franco Modigliani and Merton Miller (1961), dividend policy is considered irrelevant to company value under certain conditions. Thus, as long as tax avoidance does not substantially affect the company's fundamental factors, dividend distribution decisions tend to remain unaffected.

According to the signaling theory proposed by Spence (1973), every corporate policy, including taxation strategy, can signal investors about the company's prospects and performance. Theoretically, tax avoidance can increase after-tax profits, thereby potentially increasing the company's ability to pay dividends. However, the results of this study show that this practice does not directly encourage an increase in dividend distribution. This may be because management prioritizes the use of profits for operational needs, expansion, or maintaining liquidity over dividend distribution.

These results are in line with research (Chandra & Trinawati, 2019) which shows that tax avoidance does not have a significant effect on dividend policy.

The Effect of Stock Prices on Dividend Policy

Stock prices do not have a direct and significant effect on dividend policy. These results indicate that high or low stock prices in the market are not the main basis for management in determining the amount of dividends to be distributed to shareholders. In other words, dividend distribution decisions are based more on the company's fundamental conditions than on stock price fluctuations in the capital market. Stock price fluctuations in the market reflect investors' perceptions of available information rather than being a variable that directly determines a

company's internal policy. Thus, the results of this study indicate that company management considers financial conditions and long-term strategies more than stock price movements in determining dividend policy.

According to the signaling theory proposed by Spence (1973), dividend policy actually functions as a signal that influences stock prices, not the other way around. This means that, theoretically, the stronger direction of the relationship is from dividend policy to stock prices. Therefore, when this study found that stock prices do not affect dividend policy, this is in line with the theory that management does not use market prices as the main determinant in making profit distribution decisions.

These results are in line with research (Isnasaputri 2022), showing that dividend policy has no effect on stock prices.

The Effect of Profitability Through Stock Prices on Dividend Policy

Profitability indirectly through stock prices does not have a significant effect on dividend policy. These results indicate that although profitability can affect stock prices, changes in stock prices cannot be a significant mediating variable in determining dividend policy. Thus, stock prices do not play a role as an intervening variable in the relationship between profitability and dividend policy. Dividend policy is an internal company decision that does not depend on changes in stock prices. Thus, the results of this study indicate that the relationship between profitability and dividend policy is direct, without going through the intermediary of stock prices. Stock prices reflect the market's response to information published by the company, rather than being a determining factor in dividend distribution policy.

According to the signaling theory proposed by Spence (1973), high profitability should send a positive signal to investors, thereby increasing stock prices. Furthermore, a rise in stock prices could theoretically encourage management to set certain dividend policies in order to maintain the company's reputation in the market. However, the results of this study show that this mechanism does not occur significantly. This means that dividend distribution decisions are more directly influenced by the company's ability to generate profits than by market perceptions reflected in stock prices.

These results are not in line with the research (Irdiana et al., 2021) which shows that profitability directly influences dividend policy through stock prices.

The Effect of Leverage Through Stock Prices on Dividend Policy

Leverage indirectly through stock prices does not significantly affect dividend policy. These results indicate that changes in leverage levels are unable to influence dividend policy through market mechanisms reflected in stock prices. Thus, the results of this study indicate that leverage does not affect dividend policy either directly or through stock prices. Dividend distribution decisions are determined more by the company's ability to generate profits and maintain financial stability than by stock price fluctuations due to changes in capital structure.

According to the signaling theory proposed by Spence (1973), capital structure can signal investors about the risk and prospects of a company. Theoretically, a high level of leverage can influence market perceptions, thereby affecting stock prices. However, the results of this study show that even though leverage is perceived by the market, changes in stock prices are not strong enough to influence management's decisions in determining dividend policy.

These results are not in line with the research (Rohmatika & Sumiati, 2022) which shows that leverage through stock prices affects dividend policy.

The Effect of Tax Avoidance Through Stock Prices on Dividend Policy

Tax avoidance indirectly through stock prices has a significant effect on dividend policy. These results indicate that although tax avoidance does not always have a direct impact on dividend policy, this practice can influence market perceptions as reflected in stock prices, which

in turn affects dividend distribution decisions. Thus, stock prices are proven to act as an intervening variable in the relationship between tax avoidance and dividend policy. The results of this study indicate that tax avoidance can affect dividend policy through stock prices. Tax avoidance practices that increase profits and are perceived positively by investors will be reflected in an increase in stock prices, which ultimately encourages management to set certain dividend policies in order to maintain investor confidence and company value.

According to the signaling theory proposed by Spence (1973), information about tax efficiency can signal to investors the company's ability to optimize after-tax profits. When tax avoidance practices increase net profits and are perceived positively by the market, stock prices tend to increase. The increase in stock prices reflects increased investor confidence in the company's prospects.

This is in line with research (Wenten & Khasanah, 2024) showing that tax avoidance through stock prices affects dividend policy.

CONCLUSION

Based on the results of the research and discussion described in the previous chapter, the conclusions drawn from this research are as follows:

1. Profitability affects stock prices. This shows that investors tend to choose companies that are able to generate stable profits and offer better potential returns.
2. Leverage affects stock prices. This shows that the level of a company's debt is not a major consideration for investors in making investment decisions, so it does not affect changes in stock prices.
3. Tax avoidance affects stock prices. This shows that the level of tax avoidance practices carried out by companies does not directly affect the market's response to stock prices.
4. Profitability has a direct effect on dividend policy. This shows that the higher a company's profitability, the greater the likelihood that the company will distribute dividends to shareholders. High profitability reflects a company's ability to generate profits, meaning that the company has sufficient funds to distribute without disrupting its operational and investment needs.
5. Leverage does not directly affect dividend policy. This shows that the level of a company's debt does not directly determine the company's decision.
6. Tax avoidance does not directly influence dividend policy. This indicates that the extent of a company's tax avoidance practices does not directly determine management's decision to distribute dividends to shareholders.
7. Stock price does not directly influence dividend policy. This indicates that the market price of shares is not the primary basis for management in determining the amount of dividends to be distributed to shareholders. In other words, dividend distribution decisions are based more on the company's fundamentals than on stock price fluctuations in the capital market.
8. Profitability, through stock price, does not indirectly influence dividend policy. This indicates that while profitability can influence stock prices, changes in stock price are not a significant intermediary variable in determining dividend policy. Therefore, stock price does not act as an intervening variable in the relationship between profitability and dividend policy. Dividend policy is an internal company decision that is independent of changes in stock price.
9. Leverage, through stock price, does not indirectly influence dividend policy. This indicates that changes in leverage levels do not influence dividend policy through market mechanisms reflected in stock prices. Thus, stock price does not act as an intervening variable in the relationship between leverage and dividend policy.
10. Tax avoidance indirectly, through stock prices, has a significant influence on dividend policy. This indicates that although tax avoidance does not always have a direct impact on dividend

policy, the practice can influence market perception, which is reflected in stock prices, which in turn impacts dividend distribution decisions.

SUGGESTION

1. For further research, it is recommended to extend the research period.
2. For further research, it is recommended to expand the research sample to include not only LQ 45 companies but also companies in other sectors.

Future research is expected to use other independent variables that may be more closely related to and influence stock prices, such as capital structure, firm value, and other variables not yet known to the researcher

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