ABSTRACT

The research conducted examines the effect of company characteristics on the volatility of company stock prices. If a stock is labeled volatile, then the price of the stock will vary from time to time, and it is very difficult to say confidently regarding the prospect of the share price in the future (Hussainey & Mgbame, 2011). Research conducted by Tse (2005) shows that dividends are used by investors as a good signal to see the company's performance prospects in the future. With the existence of dividends, investors will increase interest in buying shares which will affect the volatility of the price of a stock. Dividend policy can be influenced by company characteristics such as size (market capitalization), leverage (DER), and profitability (ROE). The characteristics of the company can be a reason for companies to distribute dividends regularly, rarely, or not to distribute dividends, (Bae & Elhusseiny, 2017).

Based on this explanation, this study also discusses the role of dividend policy to mediate the relationship of company characteristics to stock price volatility. The data used in this study are secondary data from those derived from the annual financial statements for the 2014-2017 period obtained from the Indonesia Stock Exchange. The population in this study are companies that are listed in the LQ45 index in a row for 2014-2017 period. The research sample obtained was as many as 29 companies in 4 years so that the total number of samples became 116. The sampling used a purposive sampling method and must met the sample selection criteria in this study. The analytical method used in this analysis is path analysis to determine the effect of direct and indirect relationships between variables.

Based on the results of testing the hypothesis it is known that only the size variable has a significant negative effect with SPV. The DER variable is known not to have a significant relationship with SPV, and the effect of ROE on SPV cannot be identified due to the problem of multicollinearity with predictive values from the DPR that are derived from the limited data used in this study. Dividend policy measured by the DPR is also not able to mediate the effect of independent variables (size, DER, and ROE) on the dependent variable (SPV).

Keywords: size, DER, ROE, DPR, SPV

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