

---

KEBIJAKAN DIVIDEN DAN HARGA SAHAM: MENGUJI TEORI  
IRELEVANSI MILLER-MADIGLIANI LQ45 DI INDONESIA

Dividend Policy And Stock Price: Testing The Miller-Modigliani  
Dividen Irrelevant Theory Lq45 In Indonesia

Boy Chandra Nababan<sup>1\*</sup>, Isfenti Sadalia<sup>2</sup>, Muhammad Dimas Prasetya<sup>3</sup>, Nurul  
Adelia<sup>4</sup>

<sup>1,2,3,4</sup>Universitas Sumatera Utara, Indonesia

\*E-mail: Boynababan.106@gmail.com

---

ABSTRAK

Teori irrelevansi dividen yang diajukan oleh Miller dan Modigliani menyatakan bahwa kebijakan dividen tidak memengaruhi nilai perusahaan di pasar yang sempurna tanpa biaya transaksi dan pajak. Namun, teori ini telah banyak diperdebatkan dalam penelitian empiris, dengan hasil yang beragam di berbagai pasar saham. Artikel ini bertujuan untuk menguji validitas teori irrelevansi dividen di Indonesia dengan memeriksa perusahaan-perusahaan yang terdaftar di indeks LQ45 Bursa Efek Indonesia (BEI) untuk periode 2020-2023. Data penelitian ini meliputi nilai dividen serta harga saham sebelum dan sesudah pengumuman dividen, dengan mempertimbangkan dampak biaya transaksi dan pajak pada perusahaan yang terindeks LQ45. Metode penelitian ini menggunakan kuantitatif dengan uji t dan nilai P. Berdasarkan Hasil uji T dan nilai P menunjukkan bahwa teori irrelevansi dividen tidak sepenuhnya berlaku di Indonesia, karena terdapat perbedaan yang signifikan antara harga saham sebelum dan sesudah pengumuman dividen. Hal ini menunjukkan bahwa kebijakan dividen tetap relevan bagi investor di pasar saham Indonesia.

*Kata kunci:* Dividen, LQ45, Bursa Efek Indonesia.

ABSTRACT

The dividend irrelevance theory proposed by Miller and Modigliani suggests that dividend policy does not affect firm value in a perfect market with no transaction costs and taxes. However, this theory has been widely debated in empirical research, with mixed results across different stock markets. This article aims to test the validity of dividend irrelevance theory in Indonesia by examining companies listed on the Indonesia Stock Exchange (IDX) LQ45 index for the period 2020-2023. The research data includes the value of dividends as well as stock prices before and after dividend announcements, considering the impact of transaction costs and taxes on LQ45 indexed companies. This research method used quantitative with t test and P value. Based on the results of the T test and P value, it shows that the dividend irrelevance theory does not fully apply in Indonesia, because there is a significant difference between stock prices before and after dividend announcements. This shows that dividend policy remains relevant for investors in the Indonesian stock market.

*Keywords:* Dividen, LQ45, Indonesian Stok Exchange.

A. INTRODUCTION

The Miller-Modigliani (M-M) dividend irrelevance theory, first introduced in 1961, has been a foundational concept in financial theory, arguing that under certain ideal market conditions, a firm's dividend policy should not affect its valuation or the wealth of its shareholders. According to this theory, in a perfect market with no transaction costs, taxes, or information asymmetry, investors would be indifferent to receiving dividends or realizing capital gains because they could create "homemade dividends" by selling a portion of their shares if they desired current income (Nurwulandari, 2022). Consequently, whether a company

**Southeast Asia Journal Of Graduate Of Islamic Business And Economics**  
**(SAJGIBE)**

Vol. 3 No.3, January 2025,

retains its earnings or distributes them as dividends is deemed irrelevant to its valuation, as investors can adjust their portfolios to meet their preferences for current or future income. Despite its theoretical rigor, the M-M theory has been widely debated, especially in light of practical considerations where real markets deviate significantly from the ideal conditions the theory assumes. In practice, real-world stock markets, particularly in emerging economies like Indonesia, deviate from the assumptions underpinning the M-M theory. Transaction costs, taxes, investor sentiment, and market imperfections can affect the relationship between dividend policy and stock prices. Emerging markets often have higher volatility, less market efficiency, and a greater influence of taxes and transaction costs than developed markets, potentially making dividend policies more relevant to investors. Additionally, in emerging markets, dividends can serve as an important signal to investors about a company's stability and profitability, as these markets often have less transparency and information availability than developed ones. Consequently, dividend announcements can influence investor perceptions, thereby impacting stock prices. Indonesia, with its dynamic and rapidly growing economy, represents a unique setting to examine the relevance of dividend policy.

The Indonesia Stock Exchange (IDX) has gained attention from both domestic and international investors, and its LQ45 index a selection of 45 highly liquid stocks with significant market capitalization is often used as a benchmark for the Indonesian market. Companies in the LQ45 index are typically large, well-established firms with substantial investor interest. However, they still operate within an emerging market characterized by specific regulatory frameworks, investor behavior, and economic conditions that differ from those in developed markets. Given the unique characteristics of the Indonesian market, it is essential to assess whether the dividend irrelevance theory holds under these conditions or whether dividends play a more pronounced role in influencing stock prices and investor behavior. In Indonesia, dividends are often seen as a positive signal of corporate health and a reliable income source for shareholders, particularly in a market where information asymmetry can be significant. Many investors in Indonesia may value dividends not only for the immediate income but also as a reflection of management's confidence in the company's financial position and long-term profitability. Thus, a company's dividend announcement may serve as a signal that influences investors' expectations and, consequently, stock prices. For example, investors might perceive dividend-paying companies as more stable or profitable, particularly when these companies can consistently pay dividends even during economic downturns or periods of market uncertainty. This signaling effect is particularly relevant in Indonesia, where a high proportion of retail investors may prioritize immediate income and view dividends as a tangible benefit of their investment. The aim of this study is to explore the applicability of the M-M dividend irrelevance theory in the context of the Indonesian stock market by examining the behavior of companies within the LQ45 index (Kurnia dkk., 2022). This index includes companies with high trading volumes and market capitalization, providing a representative sample of established firms in Indonesia.

The Theory of dividends irrelevance proposed by M-M in which they defended the irrelevance of the payment of dividends, as the transfer of the full amount of net profits to the reserves would increase the value of the company over time and thus the share of value in the markets (Silva, 2024). This means that if dividend are paid, the transfer of profits to the reserves will be lower and the value of the company will increase at a lower rate as compared to the entire profit when dividend are not paid, which would imply a much faster growth of the

**Southeast Asia Journal Of Graduate Of Islamic Business And Economics**  
**(SAJGIBE)**

Vol. 3 No.3, January 2025,

value of the company (Silva, 2024). Specifically, this study seeks to determine whether there is a significant difference in stock prices around the dividend announcement dates for these companies, considering both the presence and absence of transaction costs and taxes. By comparing stock prices before and after dividend announcements, this research will provide insights into whether the M-M theory applies in the Indonesian market or whether dividends hold significant relevance to investors in this context. Furthermore, this study contributes to the broader literature on dividend policy in emerging markets by focusing on the Indonesian context, where few studies have systematically examined the applicability of the dividend irrelevance theory.

This research also aims to bridge the gap in understanding how dividend policies affect investor behavior and stock prices in emerging markets with different market dynamics and investor characteristics than those found in developed markets (Mulyadi Mulyadi dkk., 2020). As Indonesia continues to develop its financial market infrastructure and attract foreign investment, understanding the role of dividends in investor decision-making will be crucial for policymakers, corporate managers, and investors (Puspitaningrum & Septina, 2022). This study will analyze stock prices and dividend announcements from 2020 to 2023 to provide a comprehensive view of how dividends influence stock prices in Indonesia. By using a time-series analysis of dividend-paying companies in the LQ45 index, the study seeks to test two hypotheses: (1) the classical M-M dividend irrelevance theory holds in a market without transaction costs and taxes, and (2) the theory remains applicable when transaction costs and taxes are included. The results of this research will offer valuable insights into whether the M-M dividend irrelevance theory holds in Indonesia or if dividends carry significant implications for stock prices and investor behavior in this emerging market (Oktafiani dkk., 2022).

## B. METHODS

This study utilizes daily stock prices and dividend announcement data from companies listed in the LQ45 index over the 2020-2023 period. Stock prices before and after dividend announcements are analyzed to compute stock returns. Two hypotheses are tested: (1) whether the classical dividend irrelevance theory holds in a perfect market without transaction costs and taxes, and (2) whether the results remain consistent when transaction costs and taxes are included. For each dividend-paying company, returns are calculated using the following formula:

$$R1 = \frac{(P_t - P_{t-1}) + D_t}{P_{t-1}}$$

Where  $P_t$  is the stock price on the dividend payment date (Ex-dividend),  $P_{t-1}$  is the stock price on the day before the dividend payment (Cum-dividend), and  $D_t$  is the dividend per share. Statistical tests using the t-test at a 5% significance level assess whether significant differences exist between cum-dividend and ex-dividend stock prices.

The number of companies that paid dividend for period 2020 – 2023 are listed in table below:

**Table 1. Companies that paid dividend year-wise**

**Southeast Asia Journal Of Graduate Of Islamic Business And Economics**  
**(SAJGIBE)**

Vol. 3 No.3, January 2025,

Year	Number of Companies that paid dividend
2020	28
2021	27
2022	33
2023	23

Source: <https://www.idx.co.id/id/data-pasar/ringkasan-perdagangan/ringkasan-saham>

For H2, Pt was adjusted by 2% ( $Pt \times 0.98$ ) to reflect the transaction costs of the sale, and Pt-1 was adjusted by 2% ( $Pt-1 \times 1.02$ ). In the event that the difference between the current and previous periods' values exceeded zero, indicating a capital gain, the post-tax value (85%) was calculated, along with the corresponding tax liability at the 15% marginal tax rate. Conversely, when the difference was negative, the value was deemed to be 100%.

### C. RESULT AND DISCUSSION

This study examines the applicability of the Miller-Modigliani (M-M) dividend irrelevance theory within the Indonesian stock market, specifically focusing on companies in the LQ45 index. The LQ45 index represents 45 of the most liquid and high-capitalization stocks in Indonesia, making it an ideal sample for observing investor responses to dividend policy in a key subset of the market. The companies included in the LQ45 index for the period 2020 to 2023 span various sectors, such as finance, consumer goods, infrastructure, and natural resources.

**H1: The classical M-M dividend irrelevance theory without transaction costs and taxes to the LQ45 companies**

Table 2. Result of Student's T-Test Statistic Considering M-M Classical Dividend Irrelevance Theory

Year	Student T-Test	P-Value	Accept Null Hypothesis?
2020	1.346094	0.18624808	Accept
2021	2.395147	0.02263799	Reject
2022	2.104265	0.04153058	Reject
2023	0.412996	0.68299574	Accept

The results of testing hypothesis H1 show that there is significant variation in the application of the Modigliani-Miller (M-M) dividend irrelevance theory based on annual data. In 2020, with a t-statistic of 1.346 and a p-value of 0.186, the p-value  $> 0.05$  indicates that the null hypothesis (H0) is accepted, which means that dividend distribution does not significantly affect stock value under the classical condition of no taxes and brokerage fees. However, in 2021 and 2022, the p-values of 0.023 and 0.042 respectively ( $p < 0.05$ ) indicate that H0 is rejected. This shows a significant effect of dividend distribution on stock value in both years. On the other hand, the year 2023 shows similar results to 2020, where the p-value of 0.683 indicates that H0 is accepted, corroborating the M-M theory under the specified conditions.

**Southeast Asia Journal Of Graduate Of Islamic Business And Economics**  
**(SAJGIBE)**

Vol. 3 No.3, January 2025,

In general, these results reflect that the M-M dividend irrelevance theory may not always be universally applicable, especially when there are factors that affect the stock market externally. The rejection of the null hypothesis in 2021 and 2022 could be due to certain economic conditions or company policies that affect investors' perception of dividends as a financial signal. However, the acceptance of H0 in 2020 and 2023 suggests that under certain market conditions, stock values are more stable due to the influence of dividend payouts. Therefore, these results support the view that the relevance of dividends is highly contextual and depends on market dynamics and external factors that influence investor sentiment. Further tests considering additional factors such as economic policies and market volatility may provide deeper insights.

**H2: The classical M-M dividend irrelevance theory considering transaction costs and taxes to the LQ45 companies**

**Table 3. Result of Student's T-Test Statistic Considering M-M Classical Dividend Irrelevance Theory with Transaction Cost and Taxes**

Year	Student T-Test	P-Value	Accept Null Hypothesis?
2020	-1.366403	1.798439e-01	Accept
2021	-8.684924	6.339024e-10	Reject
2022	-7.923277	8.463661e-10	Reject
2023	-4.564458	1.061261e-04	Reject

Hypothesis H2 analysis examines the effect of taxes and transaction costs on the relevance of the Modigliani-Miller (M-M) dividend irrelevance theory. Based on the results of the t test using data from 2020-2023, the p value in 2020 shows  $p > 0.05$ , so the null hypothesis (H0) is accepted. This means that in that year, there is no significant evidence that taxes and transaction costs affect the relationship between dividend distribution and stock value. However, for 2021, 2022, and 2023, the p value is below 0.05, so the null hypothesis is rejected. This indicates that in these years, taxes and transaction costs play a significant role in influencing stock returns after dividend distribution.

This result indicates that the M-M dividend irrelevance theory does not always apply under market conditions that consider taxes and transaction costs. In 2020, this impact may be less significant due to the unstable market conditions caused by the pandemic, leading to unusual stock fluctuations. In contrast, in 2021 to 2023, a more stable market shows how taxes and fees affect stock returns. These findings reinforce the importance of considering external factors in stock value and dividend analysis. As such, investors need to understand the impact of taxes and fees to make wiser investment decisions.

#### **D. CONCLUSION**

This study explored the applicability of the Miller-Modigliani (M-M) dividend irrelevance theory within the context of the Indonesian stock market by examining companies in the LQ45 index. The results of testing hypothesis H1 indicate that the Modigliani-Miller (M-M) dividend irrelevance theory does not universally apply, as there are variations in results by year. In 2020 and 2023, dividend distribution was found to have a negligible impact on stock value, in accordance with the M-M theory. However, in 2021 and 2022, there is a notable

impact of dividends on stock value, which may be influenced by economic conditions or company policies. In conclusion, the relevance of dividends is contextual and contingent upon market dynamics and external factors. Consequently, further testing is required to gain a deeper understanding of their influence. The analysis of hypothesis H2 demonstrates that the Modigliani-Miller (M-M) dividend irrelevance theory is not wholly applicable when taxes and transaction costs are taken into account. In 2020, no significant effect was found, potentially due to market instability caused by the pandemic. However, from 2021 to 2023, taxes and transaction costs were found to have a significant effect on stock returns after dividend distribution. These results confirm the importance of considering external factors such as taxes and fees in the analysis of stock value and dividends, so that investors can make more informed investment decisions.

#### REFERENCES

- Cahyani, C. P., Permadhy, Y. T., & Aziz, A. (2021). Analisis Return Saham Lq45 Di Bursa Efek Indonesia. *Konferensi Riset Nasional Ekonomi Manajemen Dan Akuntansi*, 2(1), Article 1.
- Dama, M. R., Mus, A. R., & Alam, N. (2022). Pengaruh Faktor Fundamental Terhadap Harga Saham Perusahaan Lq45 Di Bursa Efek Indonesia. *Jurnal Ekonomi Global*, 1(1), Article 1.
- F, A. R. (2022). *Relationship Between Dividend Policy And Stock Price Volatility In Emerging Market: Evidence From Indonesia* [Universitas Gadjah Mada]. <https://Etd.Repository.Ugm.Ac.Id/Penelitian/Detail/211916>
- Haningrum, V., & Sukoco, Y. D. (2022). Reaksi Saham Lq 45 Terhadap Peristiwa Pengumuman Pasien Pertama Virus Varian Omicron Di Indonesia. *Jurnal E-Bis*, 6(2), Article 2. <https://Doi.Org/10.37339/E-Bis.V6i2.999>
- Hidayat, W. W. (2023). Determinan Harga Saham Perusahaan Terindeks Lq 45. *Kreatif: Jurnal Ilmiah Prodi Manajemen Universitas Pamulang*, 11(1), Article 1. <https://Doi.Org/10.32493/Jk.V11i1.Y2023.P1-7>
- Kurnia, W., Subhan, M., & Ahmad, D. (2022). The Effect Of Dividend Policy On Stock Prices Of Lq-45 Company In The Indonesia Stock Exchange. *Rangkiang Mathematics Journal*, 1(2), Article 2. <https://Doi.Org/10.24036/Rmj.V1i2.12>
- Laturauw, K., & Garnia, E. (2019). Analisis Perbandingan Return Dan Risiko Saham Lq45 Dan Saham Non Lq45. *Jemper (Jurnal Ekonomi Manajemen Perbankan)*, 1(2), 81–85. <https://Doi.Org/10.32897/Jemper.V1i2.226>
- Lestari, E., & Sulistyawati, A. I. (2017). Kebijakan Deviden Pada Indeks Saham Lq45 Di Bursa Efek Indonesia. *Jurnal Akuntansi Indonesia*, 6(2), Article 2. <https://Doi.Org/10.30659/Jai.6.2.113-130>
- Mulyadi Mulyadi, Ustadi, N., Rimbano, D., Martini, M., & Djohan, H. A. (2020). Analisis Kinerja Saham Lq45 Sebelum Dan Selama Pandemi Coronavirus Disease (Covid-19) Di Indonesia. *Jurnal Interprof*, 6(2), Article 2. <https://Doi.Org/10.32767/Interprof.V6i2.1195>
- Nurjanah, A., Zamzam, I., & Zainuddin, Z. (2023). Mengungkap Gejolak Pasar: Analisis Volatilitas Saham Dan Volume Perdagangan Lq45 Sebelum Dan Selama Pandemi Covid-19. *Jurnal Ekonomi Bisnis, Manajemen Dan Akuntansi (Jebma)*, 4(1), Article 1. <https://Doi.Org/10.47709/Jebma.V4i1.3533>

**Southeast Asia Journal Of Graduate Of Islamic Business And Economics**  
**(SAJGIBE)**

Vol. 3 No.3, January 2025,

- Nurwulandari, A. (2022). The Effect Of Dividend Policy On Stock Prices In Lq 45 Companies In Indonesia. *Jurnal Ekonomi*, 11(02), Article 02.
- Oktafiani, F., Irdiana, S., Moridu, I., Latuni, F., & Sesario, R. (2022). Effect Of Dividend Policy On Stock Price In Lq45 Companies. *Budapest International Research And Critics Institute-Journal (Birci-Journal)*, 5(2), Article 2. <https://doi.org/10.33258/Birci.V5i2.4801>
- Puspitaningrum, G., & Septina, F. (2022). Analisis Kinerja Keuangan Dan Harga Saham Lq45 Pada Periode Sebelum Dan Selama Pandemi Covid-19. *Jurnal Perspektif*, 20(2), Article 2. <https://doi.org/10.31294/jp.V20i2.12937>
- Rokhimah, R., Mufti, D., & Sofia, S. (2022). Perbandingan Kewajaran Harga Saham Lq-45 Dengan Pendekatan Dividend Discount Model (Ddm) Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia (Bei). *Jurnal Cakrawala Ilmiah*, 1(12), Article 12. <https://doi.org/10.53625/jcijurnalcakrawalailmiah.V1i12.3428>
- Silva, Amandio F. C. (2024). Does the Miller-Modigliani Dividend Irrelevance Theory Apply to Portuguese Companies?. *Journal of Ecohumanism* Vol. 3 No. 5 pp1153 -1159
- Sinaga, S. R., Brahmana, L. B., Sinaga, L. D., Silaban, I. J. H., Siallagan, H., & Sipayung, R. C. (2023). Pengaruh Roa, Roe, Dan Der Terhadap Harga Saham Perusahaan Lq45 Di Bei. *Jurnal Bisnis Dan Kewirausahaan*, 12(3), Article 3. <https://doi.org/10.37476/jbk.V12i3.4043>
- Valiant, K., Lukito, Y., & Santosa, R. G. (2019). Sistem Prediksi Harga Saham Lq45 Dengan Random Forest Classifier. *Jurnal Terapan Teknologi Informasi*, 3(2), Article 2.