

# **CHAPTER I**

## **INTRODUCON**

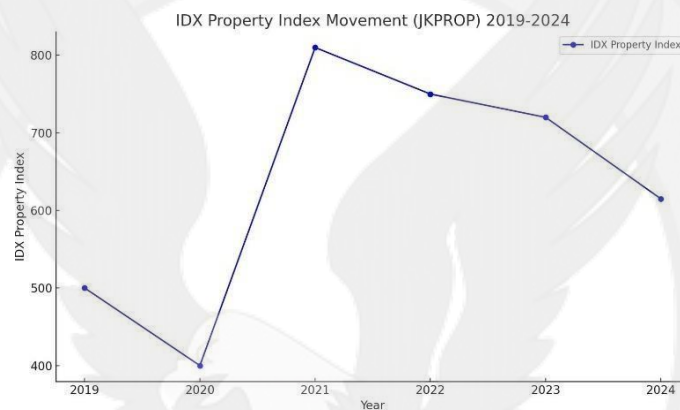
### **1.1 Background of Study**

Entering the current era of globalization, characterized by rapid technological and informational developments, competition in the business world has become extremely fierce. The only way to survive, compete, and maintain one's presence in the business world is to continuously grow and develop. The role of the capital market is currently seen as very important in relation to its function, which is to connect those who need funds with those who want to invest their capital in the market. The capital market is a marketplace for various long-term financial instruments that can be traded, including debt securities (bonds), equity (stocks), mutual funds, derivative instruments, and other financial instruments. The capital market serves as a funding source for companies and other institutions, such as the government, and as a platform for investment activities.

Consequently, the capital market facilitates various infrastructure and activities related to buying and selling transactions and other related activities. One of the places to invest is the capital market. One of the key elements in capital market investment is the stock price. The stock price also reflects the value of a company. Stock prices constantly fluctuate, necessitating approaches to predict stock prices for making investment decisions. Stock price represents

the current value at which a share of a company's stock can be bought or sold in the market. The stock price serves as a critical measure for investors, reflecting the collective assessment of the company's value and prospects. It is also a key indicator of market trends and economic conditions.

There are various stock issues that can arise, such as those in the property and real estate sectors, where some companies experience continuous stock price declines year after year. This can be observed from the figure below:



**Figure 1.1 Property and Real Estate Stock Price**

Sources: Indonesia Stock Exchange, 2024

Based on the image above, in general, the graph depicts fluctuation of the stock price particularly on property sector. The price shows a dramatic rise on the period 2020-2021 and then decrease steadily over the past 4 years. Moreover, the graph above is influenced by its company sector as well. In 2023, shares of PT Modernland Realty Tbk (MDLN) fell 2.94% daily to IDR66/share and minus 4.35% in a week. MDLN had flown 4.41% on October 24 to IDR71/share. Similar to MDLN shares, shares of PT Summarecon Agung Tbk (SMRA) also fell 2.56% daily and corrected 0.87% in a week. Investors appear to be waiting

for further catalysts from property issuers that have long been in a downtrend (Hermanto, 2023).

**Table 1. 1 Table of Phenomenon**

Year	Company	ROA (%)	Sustainability Report	DPS (Rp)	Stock Price at the end of the year (Rp)
2020	BKDP	-1,3	No	0	50
2020	LIPP	-2	No	0	174
2020	BSDE	5,2	Yes	20	950
2021	BKDP	-0,9	No	0	51
2021	LIPP	1,5	Yes (minimum)	0	190
2021	BSDE	6,1	Yes	25	1.020
2022	BKDP	-1,1	No	0	50
2022	LIPP	0,3	No	0	176
2022	BSDE	6,5	Yes	28	1.090
2023	BKDP	-0,8	No	0	51
2023	LIPP	2,1	Yes	0	200
2023	BSDE	7	Yes	30	1.150

Source : Prepared by Author (2025)

An analysis of three property and real estate firms (BKDP, LIPP, and BSDE) from 2020 to 2023 demonstrates notable differences in financial performance, ESG disclosure, and dividend policy. BKDP repeatedly exhibited negative ROA, failed to publish sustainability reports, and distributed no dividends, leading to a stagnant stock price of IDR 50–51. LIPP had a marginal enhancement in profitability; nonetheless, it exhibited deficiencies in consistent sustainability reporting and dividend disbursement, accompanied by minimal stock price appreciation. Conversely, BSDE exhibited robust profitability, consistent sustainability disclosures, and regular dividend distributions, correlating with a continually rising stock price.

The disparities suggest that stock price fluctuations are affected by both profitability and a company's dedication to sustainability and dividend strategy. Nevertheless, within the Indonesian context, studies investigating these relationships, especially the moderating influence of dividend policy which are scarce. This gap underscores the necessity for additional empirical research, which prompts this study.

On the other side, the decline in stock prices can still occur even though the government has launched a program to build 3 million houses due to various economic and market factors that influence investor sentiment. Moreover, if the demand for property does not increase in line with the growing supply, the property and construction sectors may face pressure, affecting the profitability of companies in the industry. This paper also tries to find out factor that contribute to set up the price of the stock.

Dividends can impact stock prices, often leading to a temporary decline in stock value after the dividend payout date. This drop, commonly known as the "ex- dividend effect," occurs because the company's assets decrease by the amount paid out in dividends. Investors adjust their expectations accordingly, and the stock price typically falls by an amount roughly equal to the dividend. While dividends are attractive to income-focused investors, the price decline may deter others, especially if the company's growth prospects are limited. Over time, this adjustment can contribute to a gradual reduction in stock price, particularly if the company relies heavily on dividends rather than reinvesting in growth.

Profitability is crucial for stock prices because when profitability declines, stock prices often follow suit as investors reassess the company's future earning potential. However, if a company has a stable or generous dividend policy, this can moderate the impact of declining profitability on stock prices. Dividends signal financial stability and provide returns even during challenging times, which can attract income-focused investors and support the stock price. Still, if profitability continues to weaken and threatens the sustainability of dividend payments, investor confidence may wane, leading to a stock price drop despite the dividend policy. In essence, a steady dividend policy can buffer stock prices in the short term, but sustained profitability is crucial for long-term value.

The factor above is a general factor, since sustainability development become essential nowadays. The price not only set up either by the performance of the company or corporate action. The novelty factor is the implementation of a sustainability report, particularly one covering Environmental, Social, and Governance (ESG) practices, can have complex effects on a company's stock price. For some investors, robust ESG practices signal long-term resilience, improving the company's appeal and potentially supporting stock prices.

However, the costs associated with implementing ESG initiatives such as investing in cleaner technologies or improving labor practices can temporarily reduce profits, which may lead to a short-term stock price decline. When a strong dividend policy is in place, it can moderate the impact of these ESG-related costs on stock price. Investors may view steady dividend payments as a sign of

financial health and stability, even as the company allocates resources toward sustainable practices. Thus, while the initial investment in ESG initiatives may lead to a temporary stock price dip, a consistent dividend policy can maintain investor confidence and attract income-focused investors, potentially buffering the stock from sharper declines. Over the long term, both ESG commitment and a reliable dividend payout may enhance the company's reputation and value, supporting a more resilient stock price.

Based on the research conducted by (Adriansyah & Sherlita, 2022), the results of this study indicate that the Current Ratio (CR) partially has no effect on stock prices, Return on Assets (ROA) partially has a significant effect on stock prices, Debt to Equity Ratio (DER) has no effect on stock prices and the Current Ratio (CR), Return on Assets (ROA) and Debt to Equity Ratio (DER) simultaneously have a significant effect on stock prices. While the research conducted by (Christine & Apriliana, 2021), the results showed that the partial only variable profitability that affects and simultaneously technical analysis education of the stock price. Thus, the research conducted by (Nanda & Hayati, 2021), the data analysis employed a regression analysis method. The results showed that simultaneous economic dimensions, environmental dimensions, and social dimensions have a significant influence on stock prices. While partially, it is shown that the economic dimension has no effect on stock prices, the environmental dimension has a positive effect on stock prices, and the social dimension has a negative effect on stock prices.

Understanding the relationship between profitability and stock prices helps investors and companies make informed decisions, while the sustainability report has become increasingly important as investors shift their focus toward companies with strong environmental, social, and governance (ESG) practices. Based on the table of study and previous research with inconstant result above, the writer is interested to conduct research with the title: **“The Effect of Profitability And Sustainability Report Toward Stock Price On Property and Real Estate Companies Listed In T h e Indonesia Stock Exchange With Dividend Policy As Moderating Variable.”**

## **1.2 Problem Limitation**

For the problem limitation, writer will focus on variable which are:

1. Profitability and sustainability report as independent variable while stock price as dependent variable and dividend policy as moderating variable.
2. This paper focus only to investigate on Property and Real Estate companies listed in Indonesia Stock Exchange.
3. The data used in this research is only limited from 2021 to 2023.

## **1.3 Problem Formulation**

Based on the description of the background of the problem above, there are identification problem in this study can be identified as follow:



1. Does profitability have an influence toward stock price on Property and Real Estate companies listed on the Indonesia Stock Exchange?
2. Does sustainability report have an influence toward stock price on Property and Real Estate companies listed on the Indonesia Stock Exchange?
3. Does profitability have an influence toward stock price on Property and Real Estate companies listed on the Indonesia Stock Exchange with dividend policy as moderating?
4. Does sustainability report have an influence toward stock price on Property and Real Estate companies listed on the Indonesia Stock Exchange with dividend policy as moderating?

#### **1.4 Objective of the Research**

The objective of the research is to analyze:

1. Whether profitability has an influence toward stock price on Property and Real Estate companies listed on the Indonesia Stock Exchange.
2. Whether sustainability report have an influence toward stock price on Property and Real Estate companies listed on the Indonesia Stock Exchange.
3. Whether profitability has an influence toward stock price on Property and Real Estate companies listed on the Indonesia Stock Exchange with dividend policy as moderating.



4. Whether sustainability report has an influence toward stock price on Property and Real Estate companies listed on the Indonesia Stock Exchange with dividend policy as moderating.

## **1.5 Benefit of the Research**

The benefits of the researches as follow:

### **1.5.1 Theoretical Benefits**

1. For the reader

This study enhances the literature on financial and sustainability reporting by demonstrating the impact of profitability and sustainability reports on stock prices, with dividend policy serving as a moderating element. It enhances the implementation of signalling and agency theory within the realm of property and real estate enterprises in emerging economies.

2. For the writer

This study gives a new insight to the author regarding the things that can set up the stock price, which is on how the non-financial factor such as sustainability report also gives impact on stock price.

### **1.5.2 Practical Benefits**

1. For the managerial

It is expected to give the information regarding the importance of profitability and sustainability report toward the stock price, hopefully

the company can maintain the stable stock price of its company.

2. For the investor

This study assists investors in recognising critical indicators, such as profitability, sustainability reporting, and dividend policy, that affect stock prices in the property and real estate industry. The results facilitate more astute investment selections by emphasising criteria that indicate both fiscal well-being and business openness.

3. For Regulators and OJK

This study offers information that can assist OJK and other authorities in developing rules to improve transparency and safeguard investors. The findings underscore the influence of profitability, sustainability reporting, and dividend policy on stock prices, thereby informing the formulation of disclosure standards and corporate governance legislation within the property and real estate sector.