

Bankruptcy Potential on Stock Prices with Dividend Policy as a Moderating Variable: A Study of Food and Beverage Companies

*Bankruptcy Potential
on Stock Prices with
Dividend Policy*

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ABSTRACT

Stock prices as the main element in the capital market, are influenced by various factors, one of which is the company's financial condition. Companies with poor financial conditions tend to experience pressure on their stock prices, which can lead to potential bankruptcy. This research intends to examine the impact of bankruptcy risk on stock prices, using dividend policy as a moderating factor, in food and beverage firms listed on the Indonesia Stock Exchange during the years 2019-2023. The study sample included 24 companies chosen via purposive sampling. The method for data analysis utilized Moderated Regression Analysis (MRA) through the Econometric Views (E-Views) version 12 software. The secondary data utilized was derived from financial reports accessed through the official IDX website. The findings of the research show that the potential for bankruptcy significantly influences stock prices. Furthermore, dividend policy has been demonstrated to enhance the connection between bankruptcy risk and stock prices, suggesting that it can act as a stabilizing element in preserving stock price stability during challenging financial situations. This study provides practical implications for company management in determining the right dividend policy as a bankruptcy risk mitigation strategy.

Keywords: *Bankruptcy Potential, Dividend Policy, Financial Distress, Indonesia Stock Exchange, Moderation Regression Analysis, Springate Model.*

ABSTRAK

Harga saham sebagai elemen utama dalam pasar modal dipengaruhi oleh berbagai faktor, salah satunya adalah kondisi keuangan perusahaan. Perusahaan dengan kondisi keuangan yang buruk cenderung mengalami tekanan pada harga sahamnya, yang dapat menyebabkan potensi kebangkrutan. Riset ini bertujuan untuk mengkaji dampak risiko kepailitan terhadap harga saham, dengan menggunakan kebijakan dividen sebagai faktor moderator, pada perusahaan makanan dan minuman yang tercatat di Bursa Efek Indonesia selama tahun 2019-2023. Sampel penelitian mencakup 24 perusahaan yang dipilih melalui purposive sampling. Metode analisis data menggunakan Moderated Regression Analysis (MRA) melalui perangkat lunak Econometric Views (E-Views) versi 12. Data sekunder yang digunakan berasal dari laporan keuangan yang diakses melalui situs resmi BEI. Temuan penelitian menunjukkan bahwa potensi kebangkrutan secara signifikan mempengaruhi harga saham. Selain itu, kebijakan dividen telah terbukti meningkatkan hubungan antara risiko kebangkrutan dan harga saham, menunjukkan bahwa kebijakan tersebut dapat bertindak sebagai elemen penstabil dalam menjaga stabilitas harga saham selama situasi

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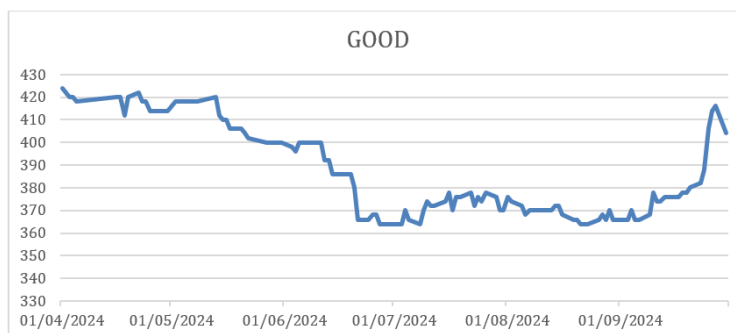
INTRODUCTION

The capital market is one of the main indicators in measuring the economic health of a country. Stock prices, as the main element in the capital market, are influenced by various factors, one of which is the company's financial condition. Companies with poor financial conditions tend to experience pressure on their stock prices, which can lead to potential bankruptcy. In this context, dividend policy can be an important factor in providing signals to investors regarding the stability of the company.

On February 22, 2022, the war between the two countries peaked again when Russia actually started an invasion of Ukraine. Quoted from Aflaha (2022), Vladimir Putin announced a military operation on February 24, 2022, with explosions heard in the capital Kyiv and other parts of the country. In addition, three days before the military operation that had been carried out, Vladimir Putin acknowledged the sovereignty of Donetsk and Luhansk. Putin likewise deployed Russian forces to the area. A wave of criticism and sanctions from the West followed when diplomacy failed to deter Putin.

The impact of the Russia-Ukraine war was not only felt by the two countries. However, the whole world also felt the impact of the war, especially in the economic sector. Indonesia is one of the countries most affected by this war, especially in the food sector, namely wheat. According to data released by the Central Bureau of Statistics, Ukraine is the second largest wheat importer after Australia, meaning that the supply of wheat from Ukraine is greatly needed by Indonesia to meet the needs of domestic wheat processing production. The reduction in the volume of wheat imports from Ukraine also caused a reduction in the volume of world wheat storage reserves, which caused an increase in world wheat prices. This condition caused Indonesia to have to find alternative ways so that domestic wheat needs can be met. One way that Indonesia can take is to find other countries that import wheat, such as Argentina, India, and Brazil.

The capital market is very sensitive and easily influenced by existing issues. Talumewo et al. (2021) stated that the capital market in Indonesia reacted to the Large-Scale Social Restrictions (*Pembatasan Sosial Berskala Besar/PSBB*) event, from which we can conclude that the capital market is very sensitive to an event. The Russian invasion above also affected the stock market of food and beverage companies that have products made from wheat. As reported by Fernando (2022), the stock values of numerous consumer goods companies that depend on wheat as a key ingredient have significantly declined over the last week. Investors fear that rising global wheat prices due to the Russia-Ukraine conflict may negatively impact the financial results of these issuers. The relevant issuers are MYOR, ROTI, INDF, ICBP, AISA, GOOD. The graph showing the stock price changes for GOOD is among the companies influenced by the war mentioned earlier.



Source: Investing.com

Figure 1. GOOD Share Price Movement

Based on Figure 1, in the middle of the year, the company experienced a significant decline in wheat prices. This happened because some investors resold their shares. The investor's actions were taken because the increase in wheat prices that occurred was a signal to investors that the incident would affect the company's operations. In Capital Market operations, stock prices are crucial considerations for investors when making investment decisions, and the capital market is also something that investors must pay attention. This is due to the stock price reflecting the level of the issuer's accomplishments, with stock prices moving in accordance with the issuer (Irdiana et al., 2021; Harianto, 2022; Fadilah et al., 2023). If an issuer achieves notable success, it will influence the stock price to rise as well. Seeing the condition of the food and beverage companies affected by the Russia-Ukraine war, investors will reconsider investing in the company. This will affect the stock price of the company. They do not want to experience losses and unwanted things, such as bankruptcy in the company they invested in, which can affect the stock price of the company.

Bankruptcy itself can be interpreted as a condition of a company that experiences failure in operating and generating income (Lerinsa, 2021; Nurlaila et al., 2021; Robiansyah et al., 2022; Widodo & Mahagiyani, 2022). This is what will cause the company to be unable to pay its operational costs normally and cause the company to be unable to fulfill its obligations. On the other hand, the potential for bankruptcy for a company can actually be seen and measured through the analysis of the company's financial statements (Utami & Hardana, 2022; Ardiwinarta et al., 2023). The method is to conduct a ratio analysis of the financial statements issued by the company. The potential for bankruptcy itself can be measured using several measuring instruments, one of which is the Springate Model.

This study uses Signal Theory as its framework, which suggests that stock price fluctuations influence investor decisions (Andayani et al., 2022). A quality company is one that can send clear signals to the market, including through dividend policy. The decision to distribute profits as dividends indicates stability and good prospects, making investors view the company as lower risk compared to those with inconsistent payouts (Puspita, 2017; Ermiati et al., 2019; Munawaroh & Ramadhan, 2022). Dividends thus attract investors and impact stock prices. Supporting this, Aldi et al. (2020) and Ardiansyah et al. (2020) emphasize that dividend policy plays a crucial role in shaping investment opportunities, stock prices, financial structure, and overall company performance.

Although prior studies have examined the link between bankruptcy potential and stock prices, little attention has been given to the moderating role of dividend policy, particularly in Indonesia's food and beverage sector. Research is also limited on how supply crises of key raw materials, such as wheat, affect stock price movements and how dividend policy can signal stability to investors. This study aims to analyze the impact of bankruptcy potential on the stock prices of food and beverage companies listed on the Indonesia Stock Exchange during 2019–2023, and to evaluate the moderating effect of

dividend policy. The findings are expected to deepen empirical understanding of this relationship, highlight the strategic role of dividend policy in managing bankruptcy risk, and provide insights for investors, managers, and policymakers in stabilizing stock prices and making sound investment decisions.

Lerinsa (2021), Nurlaila et al. (2021), Utami and Hardana (2022) Ardiwinarta et al., (2023) studies have discussed the relationship between bankruptcy potential and stock prices. Nonetheless, a research gap persists concerning the role of dividend policy as a moderating variable in this relationship, particularly among food and beverage companies in Indonesia. Therefore, this study aims to fill this gap by analyzing how dividend policy can moderate the impact of bankruptcy potential on stock prices on the Indonesia Stock Exchange for the 2019-2023 period.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

Potential Bankruptcy in Stock Prices

Bankruptcy Potential is a situation where a company has signs of bankruptcy. Signal Theory states that "The company's management has better information about the condition or state of its own company, so that the management will try to provide information to external parties (Wijayanti et al., 2016; Goh, 2023; Gama et al., 2024). This is done by the management because of the information asymmetry between the company and external parties". The information asymmetry that occurs will make external parties assess that the company has a low price.

The management will communicate with external parties by sharing positive information that highlights the enhancement and advancement of the company's performance (Connelly et al., 2025). The signal will subsequently undergo further analysis by external parties. The results of the analysis will produce a conclusion whether the external party will become a potential investor or just an observer. The company's potential for bankruptcy will be a signal to external parties (Kanyhin et al., 2025). If the company has a high potential for bankruptcy, as indicated by a low Springate value, this will be a negative signal for the company. This condition makes external parties reluctant to invest in the company and vice versa. The signals that investors have received will affect the demand and supply of stock prices in the Capital Market. If external parties assess that the company has a small potential for bankruptcy, they will send a positive signal, which can then push the stock price up and vice versa.

H1: Potential of bankruptcy has a significant effect on stock prices.

Interaction of Bankruptcy Potential and Dividend Policy on Stock Prices

Financial turmoil is a harmful condition for any organization. It significantly affects the fundamental and regular operations of the impacted organization. Financial Distress frequently results in noteworthy alterations in management, governance, and organizational framework. Substantial changes in the company's management practices are needed to bounce back from the troubled state. Cutting dividend payouts is part of the reorganization or financial restructuring of a company, involving a crucial assumption during the organization's meeting. The main goal of business management should be to continually persuade all stakeholders to endorse the suggested restructuring plan, since not achieving this could negatively affect the organization's reputation over time (Indradewa & Damayanti, 2025).

When a company experiences financial difficulties, the first step taken by the manager is to reduce the amount of dividends paid (Reddemann, 2010; Krieger et al., 2021). Cutting dividend payments is frequently seen as a step in the company's adaptation to challenging circumstances. On the other hand, companies prefer to reduce dividend payments rather than not make dividend payments at all. This is because delaying dividend payments can be a bad signal to investors (a sign indicating that the company is truly facing significant financial issues). A bad signal can influence investors' decisions in making investments that can affect the company's stock price.

Krieger et al. (2021) also noted that this dividend reduction is not a continuous action, but rather it is implemented only when the company is experiencing financial difficulties. When the company has sufficient capital or cash, it will increase dividend payments.

Numerous research efforts have focused on the subjects of dividend policy, financial distress, and the connection between these two factors. The findings of each study that has been conducted generally show the same relationship between these two parameters. The findings of studies by Aivazian et al. (2003) and Amidu and Abor (2006) show that dividend payments have a negative relationship with financial risk. According to Lily et al. (2009), paying dividends can also increase a company's financial distress. Likewise, Zeng (2003) also proved that paying dividends can increase financial distress for companies when the leverage ratio is elevated. As stated by Coffinet et al. (2013), companies experiencing financial difficulties can lower their dividend payout ratio and distributions. Numerous studies have explored the connection between FD and dividends (DeAngelo and DeAngelo 1990; Kazemian et al. 2017; Habib et al. 2020). However, there is no research that makes dividend policy a moderator in the relationship between financial distress and stock prices to date in food and beverage companies listed on the Indonesia Stock Exchange. Therefore, to fill this research gap in the field of financial distress, the researcher is interested in conducting this study.

H2: Bankruptcy potential has a significant effect on stock price moderated by dividend policy.

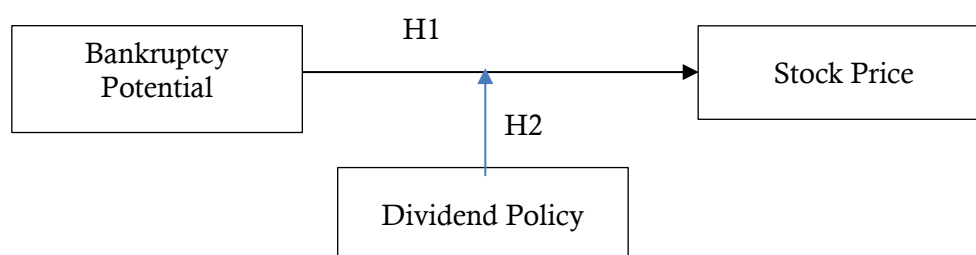


Figure 2. Research Framework

Figure 2 shows the research framework. The first hypothesis proposes that the potential for bankruptcy significantly affects stock prices, as signs of financial distress can send negative signals to investors, leading to reduced confidence and declining stock values. Investors interpret indicators of bankruptcy as a warning of future instability, prompting them to reassess or withdraw their investments. The second hypothesis examines the moderating role of dividend policy in this relationship. A stable or increasing dividend payout, even in times of financial pressure, can serve as a positive signal that reassures investors about the firm's stability and long-term outlook. Thus, dividend policy is expected to weaken the negative effect of bankruptcy potential on stock prices by restoring investor trust and mitigating perceived risk.

RESEARCH METHODS

This research applies a moderated regression technique using secondary data sourced from the financial statements of food and beverage firms listed on the Indonesia Stock Exchange during the period 2019-2023. The independent variable employed is the bankruptcy potential assessed through the Springate model, whereas the moderating variable is the dividend policy classified in a binary format (1 if the company distributes dividends, 0 otherwise). Data analysis was carried out using E-Views 12 with panel regression tests and interaction tests to determine the moderation effect. Kusumaningtyas (2022) states that there are phases of testing that can be performed in choosing panel data regression (Common Effect, Fixed Effect, or Random Effect) according to the data characteristics available, which include the Chow Test, Hausman Test, and Lagrange Multiplier Test. In this research, based on the three tests conducted, it was determined

that the Common Effect was chosen. The outcome is that in this research, the investigators will employ the standard effect data regression model.

$$Y = C + \beta_1 X + \beta_2 Z + \varepsilon \dots (1)$$

$$Y = C + \beta_1 X + \beta_2 Z + \beta_3 XZ + \varepsilon \dots (2)$$

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Information :

- Y = Stock price
- X = Potential Bankruptcy
- Z = Dividend Policy
- XZ = Interaction of Bankruptcy Potential with Dividend Policy
- β = Regression coefficient
- ε = Error

In this research, the investigator will employ MRA (Moderated Regression Analysis). Rahadia and Farid (2017) state that Moderated Regression Analysis (MRA) is a specific form of multiple regression analysis, which incorporates interactions in its regression equation; hence, testing with moderating variables is frequently performed using MRA.

In this research, the Classical Assumption Tests performed were solely Heteroscedasticity and Multicollinearity due to the data type utilized in this study being panel data. As per Gujarati (2003), the traditional assumption tests utilized in linear regression employing the Ordinary Least Squares (OLS) method consist of the Heteroscedasticity Test and Multicollinearity Test, whereas the Linearity Test, Normality Test, and Autocorrelation Test are not required. Some of the reasons underlying this are the linearity test, normality test, and autocorrelation test. The Linearity Test is almost not performed on every linear regression model. This is because the regression model has been assumed to be linear. If the Linearity Test must be performed, it is done to see the extent of the linearity level in the linear regression model. Normality Test is basically not a requirement for BLUE (Best Linear Unbias Estimator) to be fulfilled, and some expert opinions state that normality is something that must be fulfilled. The autocorrelation test is applicable solely to time series data. Applying an autocorrelation test on non-time series data (whether cross-sectional or panel data) will be ineffective or irrelevant. Table 1 shows the operational definition and measurement tools used in this research related to the variables.

Table 1. Operational Definitions and Measurement Tools

Variables	Operational Definition	Measuring Tools
Stock Price	Share prices are prices formed from the strength of demand and supply of shares in the market, with the hope of making a profit for Food and Beverage companies listed on the IDX.	Annual Close Price
Potential Bankruptcy	Potential Bankruptcy is a condition of Financial Distress experienced by a company. Food and Drink is listed on the IDX, and the company shows an inability to cover its short-term obligations.	Springate = 1.03A + 3.07B + 0.66C + 0.4D Information : A: Working Capital / Total Assets B: Net Profit Before Taxes / Total Assets C: Net Profit Before Taxes / Current Liabilities D: Sales / Total Assets
Dividend Policy	Dividend Policy is a policy determined by Food and Beverage companies listed on the IDX regarding the allocation of company profits, whether to be distributed as dividends or not.	The Dividend Policy can be measured by denominating it. If the Food and Beverage company distributes dividends, it is given a value of 2, and if the Food and Beverage company does not distribute dividends, it will be given a value of 1.

RESULTS

The heteroscedasticity test is a test of the presence of different interfering factors for all variables. The heteroscedasticity test uses the Glejser test. The hypothesis determination in the heteroscedasticity test is outlined as follows: If the Probability value $> \alpha 0.05$, it indicates that there is no issue of heteroscedasticity present in the data distribution. Nonetheless, if the Probability value $< \alpha 0.05$, this indicates that a heteroscedasticity issue exists in the data distribution.

Table 2. Heteroscedasticity Test with Glejser Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Constant	0.479313	0.158294	3.028002	0.0030
Potential Bankruptcy	0.075053	0.099153	0.756942	0.4506
Dividend Policy	-0.085200	0.117803	-0.723236	0.4710

Source: E-Views output, data processed by researchers 2024

Referring to Table 2, the findings from the heteroscedasticity test via the glacier test method show a probability value for each Independent Variable of Bankruptcy Potential = 0.45 and the Mediating Variable of Dividend Policy = 0.47 $> \alpha 0.05$, indicating that there is no heteroscedasticity issue in the data distribution.

Table 3. Multicollinearity Test

Variable	Potential Bankruptcy	Dividend Policy
Potential Bankruptcy	1.000.000	0.380240
Dividend Policy	0.380240	1.000.000

Source: E-Views output, data processed by researchers 2024

Table 3 shows that a multicollinearity test is employed to examine the relationship among independent variables. The multicollinearity test employs the paired correlation approach. The hypothesis decision in the multicollinearity examination is that if the correlation coefficient of any independent variable exceeds $\alpha 0.85$, a multicollinearity issue exists. In the meantime, if the correlation coefficient for every independent variable is $< \alpha 0.85$, then a multicollinearity issue exists. Based on Table 3 above, it can be seen that the pairwise correlation value of each variable $< \alpha 0.85$, so it can be concluded that there is no multicollinearity problem.

A partial test (t-test) involves examining the effect of each independent variable individually. In this study, decision-making regarding the partial test (t-test) employs a two-way test approach. In a two-way test, the hypothesis decision states that if the t count exceeds the t table or the significance is less than 5%, then the hypothesis is accepted.

Table 4. Partial Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Constant	436.0446	816.4150	0.534097	0.5943
Potential Bankruptcy	811.8398	243.4847	3.334295	0.0011
Dividend Policy	313.7809	534.7289	0.586704	0.5585

According to the partial test results mentioned in Table 4, the t-statistic value for Bankruptcy Potential (X) is 3.56, and the Probability value is 0.00, which is less than 0.05. Consequently, H0 is discarded, indicating that Bankruptcy Potential significantly impacts the stock prices of Food and Beverage Companies on the Indonesia Stock Exchange during the years 2019-2023.

In the meantime, the mediating variable, which is Dividend Policy, exhibits a t-statistic value of 0.58 and a Probability value of 0.55 < 0.05 . Based on this, H0 is accepted, indicating that Dividend Policy does not significantly impact Stock Prices in Food and Beverage Firms listed on the Indonesia Stock Exchange during the 2019-2023 timeframe. Coefficient of Determination Test (R2)

Table 5. Determination Coefficient Test

Test	Value
R Square	0.162310
Adjusted R Square	0.140646
SE of Regression	2616.190
Sum Squared Residual	7.94
Log Likelihood	-1112.575
F-Statistic	7.492029
Prob (F Statistic)	0.000126

Based on Table 5, it can be seen that the R-squared value is 0.1623 or 16.23%. From the results of the Determination Coefficient (R²) test, it can be interpreted that the independent variable Bankruptcy Potential is able to explain or describe the Stock Price value of 0.1623 or 16.23%. 83.77% is explained or described by other variables not included in this study.

Moderated Regression Analysis (MRA) serves as a panel data regression model that incorporates a moderating variable, in which the regression equation includes a multiplicative interaction involving two or more independent variables. The moderating variable in this research is Dividend Policy (M), which will influence the relationship between Bankruptcy Potential liquidity (X) and Stock Price (Y). It is understood that the decision regarding panel data moderation is that if the Probability value $> \alpha 0.05$, then H₀ is rejected, indicating that the moderating variable diminishes the effect of the independent variable on the dependent variable. In the meantime, if the Probability value $< \alpha 0.05$, then H₀ is accepted, indicating that the moderating variable enhances the effect of the independent variable on the dependent variable.

Table 6. Moderated Regression Analysis Result

Variable	t-Statistic	Prob.
Constant	0.534097	0.5943
Potential Bankruptcy	3.334295	0.0011
Dividend Policy	0.586704	0.5585
Potential Bankruptcy * Dividend Policy	-2.5712	0.0114

Based on Table 6, it can be seen that the interaction of Bankruptcy Potential with Stock Prices has a t-statistic value of -2.5712 and a Probability value of 0.0114 < 0.05 , so H₀ is rejected, which means that Dividend Policy is able to moderate (strengthen) the relationship between Bankruptcy Potential and Stock Prices. In addition, based on the t-test (Partial) that has been conducted, it shows that Dividend Policy has no effect on Stock Prices, which means that Dividend Policy is said to be Pure Moderation. The Dividend Policy is only a mediating variable and cannot be an independent variable.

DISCUSSION

According to the findings from the T-test performed, it is evident that Bankruptcy Potential significantly impacts the stock prices of Food and Beverage firms listed on the Indonesia Stock Exchange during the 2019-2023 period. This is backed by studies carried out by Doni et al. (2021) and Amelia (2023). Ika et al. (2023) stated that the potential for bankruptcy greatly affects the financial health and investor perception of food and beverage companies in Indonesia during COVID-19. In addition, Sunaryo (2025) stated that financial ratios related to distress (such as the Altman Z-score) have a significant influence on stock returns in the food and beverage sector. This shows that companies must be able to manage bankruptcy potential to maintain stock prices on the stock exchange.

Bankruptcy Potential, or Financial Distress, refers to a condition where a company is unable to meet its obligations due to a continuous decline in performance, often occurring before bankruptcy (Rahayu et al., 2025). Firms in financial distress generally

face falling stock prices, which aligns with signal theory. According to this theory, companies send signals to external parties through financial reports or other disclosures. When these signals indicate financial distress, investors perceive them negatively, leading to reduced interest and declining stock prices. Asymmetry of information further complicates this, as companies with strong fundamentals may be undervalued if they fail to deliver clear signals. Therefore, management must provide positive, informative signals that help investors assess company value. A stronger signal, such as a higher Springate score, tends to support stock price stability. Deficient financial distress itself can be detected through warning signs like declining profitability, poor resource allocation, and cash flow imbalances, serving as an alarm for both management and investors.

Financial Distress is a situation that no company wishes to experience. This situation indicates that the company is facing a decrease in profits and a shortage of capital. Companies that have Financial Distress conditions tend to reduce the amount of dividends to be distributed. The company will experience financial restructuring. In addition, the company will also experience a number of changes in its management. According to Rawal (2024) companies must be able to retain investors amidst competition between existing companies. On the other hand, investors really like companies with high profit growth and high rates of return. This causes companies to have to think of several ways to overcome this and maintain their reputation when the company experiences financial difficulties.

According to Krieger et al (2021), during the COVID-19 pandemic, many companies experienced financial difficulties, which forced them to change their company's dividend policy. Research conducted on 1400 company shares in the US. This study states that there was a decrease in dividend payments after the COVID-19 period. In addition, as many as 7% of the sample did not pay dividends during the pandemic, which was in response to the pandemic. The rest of the companies prefer to reduce the amount of dividends to be distributed in response to the pandemic rather than having to eliminate or not make dividend payments. In fact, there are several companies. This is done because managers are reluctant to send negative signals to investors, which will then affect the company's capital market conditions.

Based on the result, the interaction of Bankruptcy Potential with Stock Prices has a t-statistic value of -2.5712 and a Probability value of 0.0114 < 0.05, so H2 is accepted and means that Dividend Policy is able to moderate (strengthen) the relationship between Bankruptcy Potential and Stock Prices. This research is supported by research by Fali et al. (2023) where dividend policies can increase the influence of profitability and company value. This research is contrary to the research of Tahu and Susilo (2017), where dividend policy cannot moderate the influence of liquidity on the value of the company. Based on these results, companies must be able to manage dividend policies to reduce the risk of bankruptcy and maintain stock prices in the stock market. Sidhu et al. (2023) found that financial distress significantly affects dividend policy. Their study on Indian banks showed that while banks initially did not respond strongly to financial difficulties, they eventually reduced dividends under greater pressure. This negative relationship, where higher financial distress leads to lower dividend payouts, damages the sector's image and long-term market value. In contrast, Rawal et al. (2021) noted that some firms experiencing financial difficulties still provide good returns to shareholders as a strategy to ease investor panic. Consistent with the bird-in-hand theory, dividend policy influences stock prices, where higher dividend payouts tend to boost investor confidence and increase stock value (Azekkar et al., 2025).

CONCLUSION

The study's findings indicate that bankruptcy potential significantly impacts stock prices; as the risk of bankruptcy increases, the company's stock price tends to decrease. Moreover, dividend policy serves as a moderating factor that enhances the connection between bankruptcy potential and stock prices. This shows that companies that remain

consistent in distributing dividends even though they are in difficult financial conditions can provide a positive signal to investors, so that stock prices remain stable.

This study strengthens Signal Theory by showing that dividend policy can serve as a strategic signal to counter negative perceptions of bankruptcy risk. It extends existing frameworks by positioning dividend policy as a moderating factor between bankruptcy potential and stock prices, offering a deeper understanding of investor behavior under uncertainty. Practically, the findings guide managers in using dividend policy as a risk-mitigation tool and help investors make wiser decisions by considering dividends when assessing firm stability. However, the study is limited to food and beverage firms on the Indonesia Stock Exchange (2019–2023), relies on secondary data, and excludes external variables such as macroeconomic shocks or political risks, which may affect stock movements. Future research could broaden the scope across sectors and countries, and test additional moderating factors such as governance quality, firm size, or market sentiment.

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