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DETERMINANTS OF STOCK PRICES VOLATILITY GOOD CORPORATE GOVERNANCE AS A MODERATING VARIABLE

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ABSTRACT

Introduction: *Focusing on stock price volatility, this research investigates the roles of trading volume, leverage, and dividend policy, with corporate governance examined as a potential moderator. The main aim is to establish whether corporate governance can reinforce the relationships between the independent variables and stock price volatility. Interest in this topic was triggered by differences in findings in previous studies. The object of this study covers all companies listed on the Indonesia Stock Exchange (IDX) except for the non-cyclical sector, with a research period from 2020 to 2024.*

Methods: *A quantitative research design was applied, drawing secondary data from corporate financial and annual reports, Yahoo Finance, as well as other pertinent sources. The sample was selected based on purposive sampling criteria, which resulted in 72 companies over 5 years of observation, with a total of 360 observations. The data was analyzed using Eviews 13 with Moderated Regression Analysis (MRA).*

Results: *Trading volume had no impact on stock price volatility, while leverage and dividend policy had a significant effect and positive. Meanwhile, the moderation test results showed that corporate governance strengthened the effect of trading volume on stock price volatility. However, corporate governance weakened the effect of leverage and dividend policy on stock price volatility.*

INTRODUCTION

The capital market is an essential factor in stimulating the country's economic progress, serving as a place for companies to obtain funding and as an investment instrument for investors and potential investors. Stocks stand out as the leading investment vehicle in the capital market for investors because they offer the potential for long-term profits. However, stock prices are not always stable, but experience fluctuations known as stock volatility. Volatility is a significant concern for investors and potential investors because it reflects the risks and opportunities of the investment. Increased volatility in a stock indicates that the chance of profit also increases, and the risk of loss also becomes higher.

Most sectors in the capital market are vulnerable to stock price fluctuations caused by various internal and external factors. This is in contrast to non-cyclical sectors, which tend to be more defensive, resulting in less volatile price movements than other sectors. Various factors, including stock trading volume, leverage, and dividend policy, cause stock price fluctuations in this sector. These internal factors have the potential to influence stock price changes through investor buying and selling activities, company funding structures, and policies on profit sharing with

shareholders. Trading volume reflects how many shares are traded within a designated duration and indicates the level of investor interest. The higher the volume, the greater the market's attention to the stock. Meanwhile, leverage describes a company's capacity to repay its debts and how much of the company's financing comes from debt. Dividend policy relates to a company's decision to allocate profits, which can be in the form of dividend distribution or reinvestment to finance the company's development.

On the other hand, Corporate Governance (CG) acts as a key driver in ensuring that corporate decisions are made with transparency and accountability, thereby moderating the interconnection between these factors and stock volatility. The implementation of good CG helps companies manage financial risks, maintain policy stability, and increase investor confidence. Good CG can influence the extent to which internal factors affect stock volatility.

Prior studies indicate diverse outcomes in examining how independent variables affect stock price volatility. Siti Maysaroh & Handayani (2025) found that leverage had no significant effect, while Khalaf, Awad, & Ahmed (2023) reported a negative impact of leverage on stock price volatility. Trading volume also showed inconsistency, as stated Sutrisno (2020) that trading volume exerted a considerable influence, while according to Ferina & Sunarto (2024), no effect was found. The same thing happened with the dividend policy variable, where Fiorenza, Wijaya, & Sutejo (2023) concluded that dividend policy, when evaluated using the dividend payout ratio (DPR), it shows a positive impact on stock price volatilitywhile Sadrina & Lestari (2022) found no effect.

This inconsistency opens up opportunities for further research, in considering corporate governance as a moderating construct, this research explores the extent to which trading volume, leverage, and dividend policy impqct stock price volatility. Furthermore, it examines whether corporate governance measured through share of independent board members serves to intensify the linkage. The study is applied to financial sector companies listed on the IDX from 2020 - 2024.

LITERATURE REVIEW

Signalling Theory

According to Spence (1973) signaling theory explains that information providers (information owners) send signals to recipients encompassing both investors and prospective investors with information provided in financial reports. Information providers convey relevant signals for use by information recipients. The information conveyed is then interpreted for the purpose of estimating the company's actual market value. Rosyida et al., (2020) state that managers send signals to reduce the information imbalance between management and external parties. As a basis for analysis, potential investors need comprehensive, significant, accurate, and timely information before making investment decisions. The signals provided by companies in the form of financial report information will elicit responses from investors and potential investors, which in turn can affect stock price volatility.

Agency Theory

The agency theory presented in 1976 by Jensen and Meckling explains the separation between principals (shareholders) and management (agents) with differing priorities regarding the company, which can trigger conflicts

of interest (Jensen & Meckling, 1976). Agency theory is a relationship formed through a contract, in which the principal assigns tasks and delegates authority to management in decision-making. In this situation, management as an agent tends to prioritize personal interests, which causes a misalignment with the interests of the principal. Management also asserts that each party in an agency relationship will seek to maximize their own interests, they may act in ways that are not fully aligned with the principal's goals. In addition, the high level of management ownership in a company tends to improve the company's performance because the interests of management and owners become more aligned (Safrani & Kusumawati, 2022).

***Efficient Market Hypothesis* (EMH)**

According to (Ridwan & Nawir, 2021) in a book on public economics, Jones (1998) revealed that the formation of securities prices in the capital market is based on two categories of information, namely real information that is already known and speculative information sourced from market participants' expectations of future conditions. Known factual information includes historical data, current conditions, and events that have been announced but have not yet occurred. Meanwhile, According to Beaver (1989) market efficiency is indicated by the difference between price of securities and their intrinsic value. Efficient markets respond quickly to information, including private

information, and create new equilibrium prices. Under such conditions, mutual fund performance will not be below that of stock mutual funds. Investors are not only chasing returns, but also striving to achieve higher returns than the market average.

Stock Volatility

Volatility is an indicator of how much stock prices vary over a specific period and reflects the level of market instability (Romli, Febrianti, & Pratiwi, 2017). The higher the volatility, the greater the price movement in a short period of time, which means that investment risk also increases. In the efficient market hypothesis, these fluctuations arise as a market response to new information that is immediately reflected in stock prices (Angesti & Santiosi, 2019). Price volatility is calculated using the following formula, as used by Cahyani & Hidayah (2025):

$$\text{PriceVol} = \sqrt{\frac{1}{n}\sum \ln\left(\frac{Hi}{Li}\right)^2}$$

In the context of investment, volatility creates opportunities for investors and prospective investors to profit from the difference in price between the time of purchase and sale of shares. The higher the stock price volatility, the greater the potential profit through short-term trading activities. However, high volatility also indicates greater risk and lower return certainty. Conversely, stocks with low volatility tend to be more stable, but their profit potential is relatively smaller. Statistically, volatility is measured by stock price fluctuations over a certain period of time and is one of the important indicators in assessing investment risk (Wahyuliantini & Suarjaya, 2015)

Trading Volume

Trading volume plays an important role in investment decisions because it reflects the level of stock activity in the market, which can affect stock prices and volatility. Stocks with high trading volumes often indicate the market's response to the availability of information, while low volumes reflect a lack of information that makes investors often maintain ownership of their stocks. This has an impact on the level of stock price volatility, where the more actively a stock is traded, the higher its volatility (Priana & Muliartha, 2018). To quantify trading volume, the subsequent formula can used by (Sutrisno, 2020) as follows.

$$\text{TV A} = \frac{\text{Number of shares traded}}{\text{Shares outstanding}}$$

Trading volume is also used to assess the quality of stocks to be invested in. This quality is often associated with stock performance as reflected in trading activity. Trading volume helps investors and prospective investors understand the extent to which the stock is active in the market. This helps investors assess the extent to which the stock is in demand by the market and the potential for price movements in the future (Safrani & Kusumawati, 2022). Prior investigations reveal that trading volume plays a meaningful role in elevating stock price volatility. This indicates higher the trading activity, the higher the level of volatility (Sutrisno, 2020; Kartawijaya & Hasibuan, 2024; Septyadi & Bwarleling, 2020; Mobarak & Mahfud, 2017). Therefore, assumptions to be examined in this study are listed below:
H1: Trading volume has a positive and significant effect on stock price volatility.

Leverage

Leverage reflects the extent to which a company uses debt in its financing structure, which short and long-term. This information is important for investors to assess the financial risks borne by the company (Rosyida et al., 2020). One common indicator used to measure leverage is the DER, which shows ability of a company to settle obligations with its own resources. A high DER indicates a high dependence on debt and higher financial risk due to interest expenses that can reduce profits (Jannah & Haridhi, 2016).

$$\text{DER} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

On the other hand, investors tend to dislike companies that obtain funding through the issuance of new shares, as this may reflect the company's inability to obtain loans from creditors. This has the potential to create a negative

perception among investors and potential investors, as well as impacting on declining confidence, that could contribute to a rise in stock price volatility (Septyadi & Bwarleling, 2020). Previous studies conducted by (Kartawijaya & Hasibuan 2024; Mobarak & Mahfud 2017; Winata & Ekadjaja 2025) show that leverage, as measured by the Der ratio, has a positive and significantly impact on stock price volatility. This means that the higher a company's leverage, the greater the stock price volatility, because high dependence on debt increases uncertainty and financial risk, which can trigger market reactions. Drawing on prior research findings, the following hypothesis has been formulated.
H2: Leverage has a positive and significant effect on stock price volatility.

Dividend Policy

Dividend policy is a company's strategy for deciding the portion of profits to be distributed as dividends. Dividends are generally expressed as a percentage through the DPR, which is calculated by considering various factors that can affect the size of the ratio. Therefore, company management needs to set a prudent dividend policy based on careful calculations. Dividend policy and stock price are closely related, so investors and potential investors need to

pay attention to dividend policy when assessing stocks.

$$\text{DPR} = \frac{\text{Net Profit}}{\text{Dividends Paid}}$$

High dividend distribution indicates that the company has profitability and effective and efficient corporate governance, thereby increasing investor confidence and maintaining stock price stability. Conversely, a low DPR indicates low profit distribution, resulting in low stock prices and a decrease in how attractive the company appears to investors and potential investors (Ferina & Sunarto, 2024).

Research conducted by (Dewi & Paramita 2019; Octavian, Yahya, & Sirojuzilam 2022, Limanto 2018) shows that dividend policies projected to have a negative and significant impact on stock price volatility. These results indicate higher the dividend distribution to shareholders, the lower the level of stock price volatility. Dividend distribution is considered a positive signal regarding the stability and financial prospects of the company, thereby increasing investor confidence and reducing market uncertainty. Based on research results, hypothesis is proposed in this study.

H3: Dividend policy has a negative and significant effect on stock price volatility.

Corporate Governance

Corporate governance is a management and oversight system that aims to protect the rights of all stakeholders fairly and support operational efficiency and corporate compliance (Sari, Hanum, & Rahmayati, 2022). This mechanism covers the structure of rights, obligations, and responsibilities between parties such as shareholders, management, and the board of directors. One of the main elements of corporate governance is the board of commissioners, which has a strategic role in ensuring the implementation of company policy direction, overseeing management performance, and ensuring that the principle of accountability is properly applied. A greater presence of independent commissioners on the board is believed to enhance the implementation of good corporate governance, given that their independence reduces potential conflicts of interest and boosts supervisory efficiency (Sari, 2017). CG is quantified by the ratio of independent commissioners, who play a role in maintaining objectivity, increasing transparency, and ensuring that shareholders' interests are protected through oversight of management performance (Nurulrahmatiah, Pratiwi, & Nurhayati, 2020).

$$\text{Proportion of Independent Commissioners} = \frac{\text{Number of Commissioners}}{\text{Number of Independent Commissioners}}$$

CG is considered a moderating factor that may regulate the relationship between stock trading volume, leverage, and dividend policy and their impact on volatility. A GCG mechanism can promote transparency, reduce the risk of speculative decision-making, and increase investor confidence. Previous research by Wiryakusuma (2019) suggests that corporate governance affects volatility.

H4: Good corporate governance weakens the effect of stock trading volume on stock price volatility.

H5: Good corporate governance weakens the effect of leverage on stock price volatility.

H6: Good corporate governance weakens the effect of dividend policy on stock price volatility.

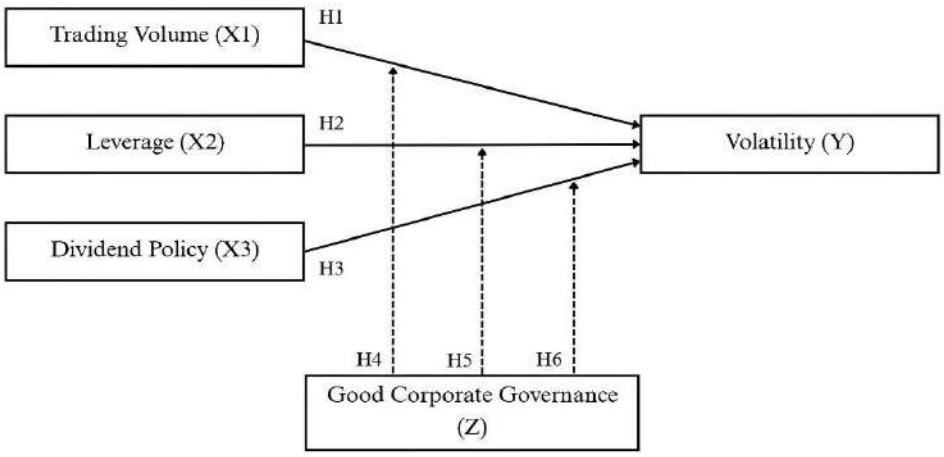

Figure 1. Conceptual Framework

Source: Processed Data by the Researcher (2025)

RESEARCH METHODS

A quantitative approach is adopted in this study including three categories of variables, namely dependent, independent, and moderating variables. Given the inclusion of moderating factors, Moderated Regression Analysis (MRA) was utilized to thoroughly assess their contribution to the dynamics between key variables. Financial statements and annual reports served as the source of secondary data, collected via IDX's official site, company websites, and Yahoo Finance. The sample was determined using purposive sampling, applying criteria consistent with the focus of this research. The specific sample selection rules are described below.

In this study, outliers were handled using the trimming method, which is to remove observations with extreme values so as not to distort the estimation results. According to (Kwak & Kim, 2017), this method is often used to reduce variance in data. This study not only used the trimming method but also applied logarithmic transformation to the dividend policy variable to normalize the distribution and control for extreme values to obtain more accurate and reliable.

Table 1
Sample Selection Process Based on Criteria

No	Criteria	Sum
	Population	834
1	Companies registered after 2020	(199)
2	Inconsistent in distributing dividends and conducting stock splits during 2020 - 2024	(521)
3	Underwent mergers during 2020 - 2024	(2)
4	Companies that present financial reports in dollars	(22)
5	Companies with a consistent number of outstanding shares during 2020–2024	(18)
	Samples that meet the criteria	72
	Number of research observations (72 x 5)	360

Source: Processed Data by the Researcher (2025)

This study utilizes descriptive statistical methods to provide an overview of the data for all examined variables. Hypothesis testing is applied to investigate the impact of independents on the dependent, alongside evaluating the role of the moderating. Several types of tests were conducted in the hypothesis testing process.

Multiple Linear Regression Analysis with Panel Data

From the proposed hypothesis, regression equation used:

$$Y= \alpha + \beta1X1 + \beta2X2 + \beta3X3 + \varepsilon$$

Explanation:
Y= Volatility
α= Constant
X1= Trading Valume
X2= Leverage
X3= Dividend
β1- β3= Regression Coeff.
ε= Error Value

Moderated Regression Analysis (MRA) Test

This study adopts the following configuration for the MRA model:

$$Y= \alpha + \beta1X1 + \beta2X2 + \beta3X3 + Z + \beta1X1Z + \beta2X2Z + \beta3X3Z + \varepsilon$$

Explanation:
Y= Volatility
α= Constant
X1= Trading Volume
X2= Leverage
X3= Dividend Policy
Z= Good Corporate Governance
β1- β3= Regression Coeff.
ε= Error Value

RESULT AND ANALYSIS

Descriptive Statistical Test Results

Table 2
Results of Descriptive Statistical Analysis

	Observations	Mean	Maximum	Minimum	Std. Dev.
Trading Volume	327	0.802383	1.667989	0.000002	0.641890
Leverage	327	1.894741	25.07108	0.085656	1.962207
Ln_Dividend Policy	327	0.799400	8.006428	-1.933315	3.104937
Volatility	327	0.163848	0.400010	0.005731	0.121726
CG	327	2.189706	4.000000	0.000000	0.653220

Source: Output Eviews 13 (2025)

Based on the results of descriptive analysis, the trading volume variable has an average (ava) of 0.802383, a maximum (max) of 1.667989, a minimum (min.) of 0.000002, and a standard deviation (std. dev) of 0.641890. The leverage variable has an ava value of 1.894741 with a max of 25.07108 and a min of 0.085656, as well as a std. dev of 1.962207. The dividend policy variable has an ava of 0.799400, a max value of 8.006428 and a min of -1.933315, and a std. dev of 3.104937. The volatility variable has an ava value of 0.163848 with a max of 0.400010 and a min of 0.005731, and a std. dv of 0.121726. Finally, the CG variable has an ava of 2.189706 with a max alue of 4.000000 and a min of 0.000000, and a std. dev of 0.653220.

Model Conformance Test Results

Chow Test

To identify the most suitable regression framework, the Chow test compares the Common Effect Model (CEM) with the Fixed Effect Model (FEM). The cross-sectional Chi-square statistic in Table 3 serves as the basis for this selection.

Table 3
Chow Test Results

Redundant Fixed Effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistic	d. f.	Prob.
Cross-section F	3.682842	(70.252)	0.0000
Cross-section Chi-square	230.400049	70	0.0000

Source: Output Eviews 13 (2025)

Referring to Table 3, the Cross-section Chi-square value is recorded at 0.0000, which < 0.05. Thus findings support the selection of FEM as the optimal model.

Hausman Test

To select the most suitable model between FEM and REM, the Hausman test is conducted, with the Chi-square prob. value serving as the criterion.

Table 4
Hausman Test Results

Correlated Random Effects – Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d. f.	Prob.
Cross-section random	118.090016	4	0.0000

Source: Output Eviews 13 (2025)

Referring to Table 4, according to the Hausman test, Chi-square p-value is 0.0000 < 0.05 threshold, indicating that FEM should be used in this study.

Previously, chow test findings favored the FEM, a conclusion further validated by the Hausman test. Due to the agreement between both tests, the Lagrange Multiplier test was not conducted. As a result, FEM is considered the most appropriate model.

Classical Assumption Test

Multicollinearity Test

Table 5
Multicollinearity Test Results

	X1	X2	X3	Z
Trading Volume (X1)	1.000000	0.049340	-0.144197	-0.322270
Leverage (X2)	0.049340	1.000000	0.051560	-0.089226
Ln_Dividend Policy (X3)	-0.144197	0.051560	1.000000	0.148587
Corporate Governance (Z)	-0.322270	-0.089226	0.148587	1.000000

Source: Output Eviews 13 (2025)

None of the examined variables exceeded a correlation coeff. of 0.8, confirming that multicollinearity is not a concern in this study.

Heteroscedasticity Test

The heteroscedasticity test aims to determine whether the regression model contains unequal variances between residuals. If the residual variance between observations is constant, then homoscedasticity occurs, whereas if it is not constant, then heteroscedasticity occurs. A good regression model should satisfy the assumption of homoscedasticity or not contain heteroscedasticity.

The Glejser procedure involves regressing each independent variable against the absolute values of the residuals. If the test yields a sig. > 0.05, the model is deemed heteroscedasticity-free.

Table 6
Heteroscedasticity Test Results

Heteroscedasticity Test: Glees				
Variable	Coeff.	Std. Error	t-Statistic	Prob.
Constant (C)	0.009234	0.005392	1.712497	0.0880
X1	0.002291	0.004489	0.510399	0.6102
X2	0.001061	0.000865	1.225790	0.2214
Ln_ X3	0.000808	0.001233	0.654978	0.5131
Z	-0.000023	0.001637	-0.014266	0.9886

Source: Output Eviews 13 (2025)

Table 6 shows that the prob. values for the trading volume variable (X1) are 0.6102, leverage (X2) are 0.2214, dividend policy (X3) are 0.5131, and GCG (Z) are 0.9886. All of these variables have prob. values > 0.05, it can be concluded that heteroscedasticity is not an issue in the model.

Research Hypotheses Test

Multiple Linear Regression Analysis with Panel Data

Table 7
Multiple Linear Regression Analysis Results

Variable	Coeff.	Std. Error	t-Statistic	Prob.
Constant (C)	0.111306	0.014167	7.856739	0.0000
Trading Volume (X1)	0.026197	0.015531	1.686697	0.0929
Leverage (X2)	0.012565	0.002994	4.196939	0.0000
Ln_Dividend Policy (X3)	0.009651	0.004267	2.261872	0.0246
R-squared	0.885843			
Adjusted R-squared	0.852905			
Prob(F-statistic)	0.000000			

Source: Output Eviews 13 (2025)

Through the application of multiple linear regression, regression relationship among the variables was established as follows:

$$\mathbf{Y= 0.111306 + 0.026197X1 + 0.012565X2 + 0.009556X3 + \varepsilon}$$

The constant value of 0.111306 explains that if X1, X2, and X3 are zero, then the price vol value is estimated to be 0.111306. X1 coefficient of 0.026197 implies that increases in trading volume correspond to higher stock price volatility, with a one-unit increase in X1 raising volatility by 0.026197. X2 has a positive coeff. of 0.012565, which means that a one-unit increase in X2 will increase price vol by 0.012565. The positive coefficient of dividend policy (X3) of 0.009651 explains that every one-unit increase in dividend policy (X3) will decrease price vol by 0.009651.

Referring to Table 7, with a p-value of 0.0929, X1 > 0.05 sig. level, suggesting that trading volume has no meaningful impact on stock price volatility. X2 also shows that X2 affects stock price volatility because it has a prob. value of 0.0000 < 0.05. Meanwhile, the X3 has a prob. value of 0.0246 < 0.05, so it can be concluded that X3 affects stock price volatility.

The adjusted R-squared shows a value of 0.852905, which reflects that the three independents, simultaneously, can explain 85.2905% of the variation that occurs in stock price volatility as the dependen. Meanwhile, other variables not incorporated in this model account for the remaining 14.7095% of the changes.

MRA Test

Table 8
Moderated Regression Analysis (MRA) Test Results

Variable	Coeff.	Std. Error	t-Statistic	Prob.
Constant (C)	0.035215	0.029694	0.185940	0.2368
X1	-0.075663	0.024931	-3.034905	0.0027
X2	0.072501	0.012741	5.690513	0.0000
Ln_ X3	0.063005	0.018738	3.362364	0.0009
Z	0.023762	0.011511	2.064265	0.0400
X1*Z	0.047061	0.009841	4.782309	0.0000
X2*Z	-0.021933	0.004555	-4.815635	0.0000
X3*Z	-0.020931	0.007060	-2.964725	0.0033
R-squared	0.907864			
Adjusted R-squared	0.879372			
Prob(F-statistic)	0.000000			

Source: Output Eviews 13 (2025)

The results of the moderation regression procedure produced the regression model outlined as follows:

$$Y= 0.035215 – 0.075663X1 + 0.072501X2 + 0.063005X3 + 0.023762Z + 0.047061X1Z – 0.021933X2Z – 0.020931X3Z + \varepsilon$$

The equation's results indicate that the intercept, or constant, represents of 0.035215 explains if all independents and moderating variables are 0, then stock price volatility is estimated to be 0.035215. The interaction coefficient between trading volume and corporate governance (X1*Z) is 0.047061, which means every one-unit increase in this interaction will increase stock price volatility by 0.047061. Then, the interaction between leverage and corporate governance (X2*Z) shows that the coeffi. value is -0.021933, which indicates that a one-unit increase in the interaction variable will decrease stock price volatility by -0.021933. Finally, the coeff. value of the interaction between dividend policy and corporate governance (X3*Z) is -0.020931, each additional unit in the interaction variable corresponds to a reduction in volatility by 0.020931.

Table 8 above shows that the interaction between trading volume and corporate governance (X1*Z) has a prob. value of 0.0000, < 0.05. This indicates that corporate governance (Z) acts as a moderating variable that strengthens the effect X1 on Y. Furthermore, the interaction between leverage and corporate governance (X2Z) shows a prob. value of 0.0000< 0.05. This indicates that CG weakens the impact of leverage (X2) on stock price volatility (Y). This is similar to what occurs in the interaction between dividend policy and corporate governance (X3*Z), with prob. value of 0.0033 < 0.05. This finding shows that Z weakens impact of X3 on Y.

The adjusted R-squared value of 0.879372 or 87.9372% reflects that the variables of X1, X2, X3, and Z contribute significantly to explaining the variation in stock price volatility. Meanwhile, 12.0628% is influenced by other factors.

Analysis

The Effect of Trading Volume on Stock Price Volatility

Based on the analysis results, reveals that the trading volume variable has no effect on stock price volatility. The hypothesis test produced a prob. value of 0.0929, which exceeds the conventional threshold of 0.05, so hypothesis 1 (H1) is rejected. This means that the large transaction volume does not directly create fluctuating price changes. This condition may occur because high trading activity reflects the level of stock liquidity, but is not always followed by sharp price movements. Thus, stock trading volume in this study is not a major factor determining the level of stock price volatility. A number of previous studies conducted by (Trijasa & Sholahuddin, 2025), (Dewi & Paramita, 2019), (Pradnyawati, Kepramareni, & Dewi, 2021), (Reztrianti & Suparningsih, 2021) trading volume is shown to have no impact on the fluctuations of stock prices.

The Effect of Leverage on Stock Price Volatility

A significant and positive relationship exists between leverage and stock price volatility, indicated by the negative coefficient and the highly significant probability of 0.0000, which is below the threshold value of 0.05. This confirms that hypothesis 2 (H2) is accepted. Other words, the higher the level of leverage of a company, the higher the level of stock price fluctuations that occur. High leverage reflects the extent of debt use in a company's capital structure. This condition increases financial risk because the company is required to consistently meet its debt payment obligations. For investors, high leverage is considered a risk signal that makes stock prices more prone to fluctuations. Thus, leverage is one of the main factors that can increase stock price volatility in the market. Same with previous studies by (Kartawijaya & Hasibuan, 2024), (Mobarak & Mahfud, 2017), (Winata & Ekadjaja, 2025), (Zulkifli, 2024), (Widiantari & Sukartha, 2021), reporting that leverage exerts a notable positive impact on stock price fluctuations.

The Effect of Dividend Policy on Stock Price Volatility

The dividend policy indicates that the dividend policy variable has no impact on stock price volatility. Hypothesis testing produced a prob. value of 0.0246 < 0.05, so hypothesis 3 (H3) is rejected. The amount of dividends decided by the company often elicits a reaction from the market. When the amount of dividends paid decreases or is lower than investors' expectations, this condition is often considered a negative signal regarding the company's financial health. This causes concern among investors and encourages increased trading activity, making stock prices more volatile. Thus, dividend policy can be an important factor that triggers stock price fluctuations in the capital market. The outcomes of this study mirror those reported by (Khan & Hameed, 2023), (Nwoye & Egbunike, 2023), (Naz & Siddiqui, 2020), (Hidayati & Sukmaningrum, 2021) dividend policy is found to positively and substantially affect fluctuations in stock price volatility.

The Effect of Trading Volume on Stock Price Volatility Moderated by Corporate Governance

This study reveals that corporate governance plays a cruxial moderating the relationship between trading volume and stock price volatility. This is indicated by the interaction between trading volume and corporate governance (X1*Z) having a prob. value of 0.0000 < 0.05 and a positive coeff. value of 0.047061, thus rejecting hypothesis 4 (H4). This indicates that CG strengthens the influence of trading volume on stock price fluctuations. The implementation of good governance makes the market more responsive to changes in trading volume, so that stock price movements become more sensitive to trading activity. Thus, corporate governance moderates how trading volume correlates with stock price fluctuations, making the influence of trading volume on price fluctuations more apparent. The findings indicate that corporate governance strengthens the relationship between trading volume and stock price volatility. This is aligns with the principles of Signaling Theory (Spence, 1973), which explains that high trading activity serves as a signal of new information captured by the market. With the implementation of good governance, such signals become more credible, allowing stock prices to respond more quickly to trading changes. This condition is also consistent with the Efficient Market Hypothesis (EMH) (Ridwan & Nawir, 2021), which states that available information will be immediately reflected in stock prices, where corporate governance helps enhance this efficiency.

The Effect of Leverage on Stock Price Volatility Moderated by Corporate Governance

This study reveals that corporate governance plays a role in moderating relationship between trading volume and stock price volatility. This result is indicated by the interaction between leverage and corporate governance (X2*Z) having a prob. value of 0.0000 < 0.05 with a coeff. value of -0.021933, thus hypothesis 5 (H5) is accepted. This condition confirms CG dampens the impact that leverage has on the variability. Although high debt levels usually increase risk and make stock prices more volatile, the implementation of GC can reduce this risk. Strong oversight mechanisms from corporate governance give investors confidence that careful management of debt by the company helps to lessen leverage's influence on stock price swings. The analysis shows that corporate governance is able to weaken the effect of leverage on stock price volatility. This explanation can be linked to Agency Theory (Jensen & Meckling, 1976), as high levels of debt generally increase risk due to potential conflicts of interest between management and other stakeholders. However, the presence of good governance provides effective monitoring mechanisms, giving investors confidence that debt is managed prudently. Thus, the risks arising from leverage do not necessarily lead to greater fluctuations in stock prices.

The effect of Dividend Policy on Stock Price Volatility Moderated by Corporate Governance

This study reveals that corporate governance influences the relationship between trading volume and stock

price volatility. This result is indicated by the interaction between dividend policy and corporate governance (X3*Z) having a prob. value of 0.0033 < 0.05 and a coeff. value of -0.020931, thus accepting hypothesis 6 (H6). This indicates that CG plays a role in weakening the influence of dividend policy on stock price fluctuations. The amount of dividends distributed is often a concern for investors because it can signal the company's financial condition. With the implementation of good governance, decisions regarding dividends are more controlled and transparent, so that market reactions to dividend changes become more controlled. This study also finds that corporate governance weakens the effect of dividend policy on stock price volatility. This can be understood through Signaling Theory (Spence, 1973) and Agency Theory (Jensen & Meckling, 1976). Dividends are often used by investors as a signal of a company's financial condition; however, with good governance, dividend decisions are made transparently, making market reactions more controlled. From the perspective of Agency Theory, dividends usually serve to reduce conflicts between managers and shareholders, but when corporate governance is already strong, the role of dividends in mitigating such conflicts becomes less dominant, thereby weakening their influence on stock price volatility.

CONCLUSION

This study describes how independent variables affect stock price volatility, both in the absence of and with moderation of corporate governance, analysis results demonstrate that trading activity does not affect the variability of stock prices, as evidenced by a prob. value of 0.0929 > 0.05, leverage has a meaningful positive effect, as the prob. value of 0.0000 < 0.05 sig. cutoff. Meanwhile, Dividend Policy has a significant and positive impact as the prob. value of 0.0246 is less than 0.05. In addition, the interaction between each independent variable and Corporate Governance as a moderating variable shows a significance value that < 0.05, namely 0.0000 for trading volume and corporate governance (X1*Z), 0.0000 for leverage and corporate governance (X2*Z), and 0.0033 for the interaction between dividend policy and corporate governance (X3*Z). This indicates that Corporate Governance acts as a moderator in the relationship between Trading Volume, Leverage, and Dividend Policy on stock price volatility.

Based on the results of this study, there are several suggestions that can be conveyed. For existing shareholders and those considering investing, it is recommended to consider the company's leverage level and dividend policy before making a decision, because these two variables have been proven to affect stock price volatility. For companies, leverage management needs to be carried out optimally so as not to cause stock price instability that can damage market perception. In addition, companies also need to strengthen the implementation of corporate governance because good governance has been proven to moderate the influence of corporate financial aspects on stock volatility, thereby maintaining market stability. upcoming research could benefit from extending the boundaries of the study sample, both in terms of time span and the analytical methods used.

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