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**THE ANALYSIS OF COMPANY PERFORMANCE AND SALES  
GROWTH TO THE DIVIDEND POLICY AT THE COMPANY GO  
PUBLIC IN INDONESIA STOCK EXCHANGE**

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**ABSTRACT**

*This study was conducted to examine the effect of variable Return On Equity, Return On Assets and Sales Growth of the Dividend Policy at the company go public in Indonesia Stock Exchange in 2013. The population in this study Go Public companies listed on the Indonesia Stock Exchange in 2013. The data was obtained from the company's financial statements are published. It is obtained a total sample of 44 companies. The analysis technique used is multiple linear regression and hypothesis testing using the F test and t test statistics with a confidence level of 5%. The results showed that Return On Equity, Sales Growth and Return On Assets simultaneously affect the dividend policy. The coefficient of determination (R<sup>2</sup>) in this study for 0.233, which means 23.3% Dividend policy can be explained by the variance of Return on Equity, Sales Growth, Return on Assets and the remaining 76.7% is explained by other variables that are not used in this study. Then partially, variable Sales Growth and Return on assets negatively affect dividend policy, while the return on equity has no effect on Dividend Policy*

**Keywords** *Return on Equity, Return on Assets, Sales Growth, Dividend Policy*

## 1. INTRODUCTION

The Capital Market is a facility and infrastructure where there is a transaction between the sellers and buyers to get the capital for the share and long term or middle term company loans. The share is the security to invest in long term sold traded in the share market on going at the Stock exchange and commonly the shareholders get the profits as the dividend. One of the company aims is to increase the shareholders' welfare by increasing the company value. The more increasing economic development as well as the strict cross-companies competition stimulates the managers to be able to act efficiently and effectively in managing the company. To be able to keep running the business, each company requires the funds. The funds can be obtained from the investors.

In common, the investors have the main goal to increase his or her welfare. The investors' main goal in investment is to get the return as the *dividend yield* or *capital gain*. The *Capital gain* is the profit capital obtained from the different between the share purchase price and selling price. The amount of total distributed dividend depends on the amount of profit obtained and the dividend policy set by the company.

The dividend policy is the decision whether the profit obtained by the company will be distributed to the shareholders as the dividend or will be undistributed in the form of profit undivided for the future investment financing. The company in determining the dividend policy must consider the factors affecting the dividend policy. The dividend policy determination is very important because it can affect on the company performance, the company value and the company share price. The Dividend Signalling Theory explains that the information concerning the distributed dividend is the future company signal for the investors. The dividend change signal can be seen from the company share price reaction measured using the return on share. The dividend announcement can have the information content if it gives the significant abnormal return to the market, and vice versa. According to the dividend signalling theory, the dividend increase will make the positive market reaction if the market interprets that the dividend is considered as the strong signal about the good company, also the other way around if the market reaction is negative if there is dividend decrease, then it is considered as the less good signal about the company prospect in the future.

It is not easy to determine the dividend policy, because it can affect on the company performance, company value and company share price. The company dividend policy is described at the company *dividend payout ratio* (DPR) namely the profit percentage shared in the form of cash dividend, meaning that the amount of DPR will affect on the shareholders' investment decision and on the other side, will affect on the company financial condition. Thus, in determining the dividend policy, the company should consider some factors affecting it so that it can maximize the company value.

This study aims to analyze the effect of *Return On Equity*, *Return On Assets* and *Sales Growth* to the dividend policy. The *Return On Equity* according to the study [1] affect insignificantly on the dividend policy. Different to the study conducted by [2] *Return On Equity* affects positively on the dividend policy and the study conducted by Mehta(2012) that the *Return On Equity* affects negatively significant to the dividend policy.

The *Sales Growth* according to the study [3] affect insignificantly to the dividend policy. Different to the studies by penelitian[4] the *Sales Growth* affects negatively significant to the dividend policy. The *Return On Assets* according to the study by[5] affects significantly on the dividend policy while the studies by Harianja et.al ( 2013), [1] do not affect significantly on the dividend policy.

Based on the background and some different results showing the phenomena as well as the *gap research*, so the problem formulation in this study is as the following.

- a. Whether the *Return on Equity* affects on the dividend Policy.
- b. Whether the Return on Assets affects on the dividend Policy.
- c. Whether the *Sales Growth* affects on the dividend policy.

It is necessary for the optimal dividend policy namely there is a balance between the current dividend and the future growth which will maximize the share price as the financial management goal.

The following will be described in short some of the dividend policy theories, among others are:

- a. Irrelevant Dividend Theory

This theory is stated [6] stating that:

The dividend policy is irrelevant because it does not affect on the share price or company capital fund. According to [6], the share price is set by the business profit and its business risk. [6] makes the assumption that there is no income tax of the dividend, there is no share sale and purchase transaction cost and also there is symmetric information between the shareholders and management.

According to [6] states that:

Based on this assumption, the shareholders will indifference between the undistributed dividend or profit because the shareholders can sell the share in certain portion to the cash as the cash dividend return. On the other way, if the company shares the dividend though the shareholders do not need the cash, so the shareholders can buy the share as the cash placement accepted from the cash dividend.

## 2. LITERATURE STUDY

### a. *Signal theory*

The dividend increase is often followed by the share price increase. If the paid dividend is high, so the share price tends to high. The other way around, if the paid dividend is small so the company share price is also small.

According [7] state that:

The dividend increase is often a “signal” to the investors that the company management predicts a good return in the future. A dividend decrease or dividend increase under the normal (common) is believed by the investors as the signal that the company future is less bright.

### b. *Agency Theory*

[6] State the agency theory explaining the relation between the ownership separation and company control. Because there is separation between the owner party and management party, it may give the *agency problem*. The *Agency problem* can be between the manager and shareholders or between the creditors and the shareholders.

According [8] explain that:

Other potential conflict in a big company is between the shareholders and creditors. The creditors have the right for some of the profit and company assets especially in the bankruptcy case. While, the shareholders have the company control mostly determining the company profitability and risk.

c. *Dividend*

The dividend is some of the profit shared to the shareholders. The dividend actually is the indirect communication to the shareholders on the profitability level achieved by the company. The dividend can be used by the investors as the estimator tool concerning the company achievement in the future because the dividend delivers the future management hopes [9].

d. *Dividend Policy Calculation*

The Dividend policy used in this study is using the *Dividend Payout Ratio* (DPR) namely the 'ratio describing the amount of dividend proportion shared to the company net income'[3].

According [8] state that the '*dividend payout ratio* determining the amount of profit shared in the cash dividend form and undistributed profit as the funding source'.

$$DPR = \frac{\text{Dividend Per Share}}{\text{Earning Per Share}} = \frac{\text{Dividend}}{\text{Net Income}}$$

e. *Profitability Ratio*

According [11] state that the 'profitability ratio is the ratio to assess the company ability in looking for the profit or return in certain period'.

According [6] explains that:

The ability ratio in obtaining the company profit depends on the profit and capital counted. We know the type of company profit with various levels, starting from the gross profit, business profit, profit before tax and interest, the taxable profit and company net profit. Also the model used is very various in the utterance, such as business / operational capital, loan capital, self capital or overall capital. In order that this profitability has the meaning, so the profit ratio with the capital must be adjusted to where the profit and capital designated.

f. *Growth Ratio*

According [6] stated:

The growth ratio basically is to know the amount of company growth achievements at a certain time. In determining this growth ratio, it is distinguished between the nominal and actual growth. The nominal growth means not to pay attention to the inflation element, while the actual growth has isolated the inflation so that can be known in certain about the company actual.

g. *Hypothesis Development*

Effect of Return on Equity To the Dividend Policy

The *Return on Equity* is a company's ability to earn a net profit seen from the use of equity. The higher this ratio, the better the company condition.

'When companies with increasing return on equity, it can increase the dividend payout [3].

This is supported by research conducted [3] which states that the *Return On Equity* positively and significantly affect on the dividend policy. Based on the description, it can be formulated the following hypothesis:

H1: *Return On Equity* affects significantly on the Dividend Policy.

Effect of Return On Assets to the Dividend Policy

One of the profitability indicators is measured by using ROA (Return on Assets). Companies having the profits tend to pay a larger portion of profits as the dividends. [6] The profitability affects positively on the dividend policy because of the ability to generate profits and the dividend will be shared if the Company makes a profit. This is supported by research conducted [4] states that the profitability has significant effects on the dividend policy.

Based on the description, it can be formulated the following hypothesis:

H2: Return on Assets significantly affects on the Dividend Policy.

#### *Effect of Sales Growth on the Dividend Policy*

The Growth ratio is a ratio measuring the amount of company's ability to maintain its economic position in the industry and economic growth in general from year to year. One of the measures used to measure the growth is the *Sales Growth* showing the percentage increase in sales the current year compared to the previous year. The larger the sales growth, the better. The faster the growth, the greater the funds needed to finance the company.

Large companies with a high growth rate is not maximized in providing the dividend income for the shareholders, it is possible that the available funds are used to increase the total assets for the benefit of the company's operations' [4].

This is supported by researches conducted [12], [4] which state that the *sales growth* has significant negative effect on the dividend policy. Based on the description, it can be formulated the following hypothesis:

H3: *Sales Growth* significantly affects on the Dividend Policy.

#### *h. Research Framework*

Based on what has been stated previously, this study relates to the effect of *Return on Equity*, *Sales Growth and Return on Assets* to the Dividend Policy. It can be illustrated with the following framework:

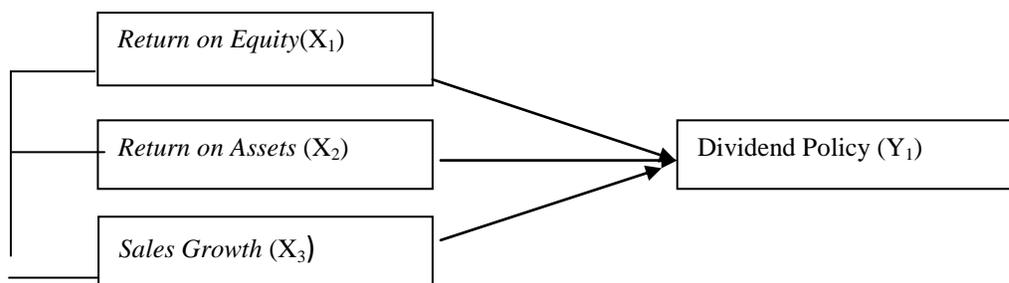


Figure 1 Study Framework

### 3. RESERCH METHOD

#### 1. Operational Definition

##### a.The Independent Variable

##### 1) *Return On Equity* ( $X_1$ )

*Return On Equity* is the ratio or comparison between the net return and the total of capital. The *Return On Equity* is stated in decimal unit with the ratio scale.

##### 2) Return on Assets ( ROA ) is measured by the income after tax comparison to the total assets.

##### 3) *Sales Growth* ( $X_3$ )

The Sales Growth is the ratio showing the increase percentage of the sales during the current year compared to the previous year. The Sales Growth is stated in decimal unit with the ratio scale.

##### b. Dependent Variable

The dependent Variable in this study is the Dividend policy with the metering using *Dividend Payout Ratio* (DPR). The *Dividend Payout Ratio* measures the amount of dividend proportion shared to the company net income. The *Dividend Payout Ratio* is stated in decimal unit with ratio scale.

##### a.Dependent Variable

The dependent variable in this study is the Dividend policy measured by using the *Dividend Payout Ratio* (DPR).

The population to be used as this research object is the Company Go Public listed on the Indonesian Stock Exchange (BEI) in 2013.

#### 2. Samples

The sampling method is conducted by using the purposive sampling method,

The companies as the samples in this study:

a. The Go Public companies listed on the Indonesian Stock Exchange (BEI) and publish the annual financial statements (annual report) which have been audited in 2013.

b. The Go Public companies distributing the dividends in 2013.

c. The Go Public companies with the growth rates characterized by positive growth in 2013.

d. The Go Public companies issuing the financial statements in rupiah.

#### 3. Data Types

The data used in this research is secondary data as the data containing the annual financial report (annual report) as well as see the financial performance summary of all companies listed on the Stock Exchange with the observation period in 2013.

#### 4. Data source

The data used in this study are from the annual financial statements audited and the work summary of the company's financial statements in 2013 listed on the Stock Exchange published and can be obtained by accessing the official website of the Indonesian Stock Exchange (BEI), which is [www.idx.co.id](http://www.idx.co.id)

## Data collection

In this study, the data collection methods used are:

- a. Research Library
- b. Documentation

#### 4. RESULTS AND DISCUSSION

##### 1. Descriptive Statistics

Based on the data processing results using SPSS (*Statistical Product and Service Solution*) version 20.0, it is obtained on the following calculation:

Table 1 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROE	44	,0320	,3090	,171432	,0717046
Sales Growth	44	,0010	,5400	,174773	,1310797
ROA	44	,0190	,8720	,241725	,2451543
DPR	44	,0530	,8350	,370864	,1911001
Valid N (list wise)	44				

a. Dependent Variable: DPR

Data Source: *Output SPSS 20.0*, processed data

Based on table 1, the descriptive statistic result is known that the number of Company samples (N) is 44 companies, with the observation time is 1 year. Out of 44 sample of ho public companies in 2013, it is obtained the mean ratio of *Dividend Payout Ratio* (DPR) of 0.37086. The lowest DPR value is 0.053 and the highest DPR value is 0.835. while the DPR standard deviation is 0.191100.

The *Return on Equity* (ROE) variable shows that the mean of ROE is 0.17143. the lowest ROE value is 0.032 and the highest ROE value is 0.309. while the ROE standard deviation is 0.071705. The *Return on Assets* (ROA) variable shows the mean of ROA of, 241725. The lowest ROA value is, 0190 and the highest ROA value is 8720. The *Sales Growth* variable used shows that the mean of *Growth Sales* is 0.17477. The lowest *Sales Growth* value is 0.001 and the highest *Sales Growth* value is 0.540.

## 2. Asumsi Klasik

Tabel 2 Classical Assumption Test

Test	Result Description	Analysis
Normality	Histogram is in form of bell and diagram of normal p-plot describing the points around the distributing lines	Normal distributed data
Heterokedasticity	Regression Standardized Predicated Value distribution	There is no heteroskedasticity
Multicollinierity	VIF < 10	There is no Multicollinierity
Linearity	Print out Scatter Plot does not form certain Pattern	Linearity assumption is met

Source : Processed data

## Simultaneous Test (Uji F)

The simultaneous test or F test shows whether all of the independent variables inputted in the model, namely *Return On Equity* (ROE), *Return On Assets* (ROA) and *Sales Growth* have the effect simultaneously on the dependent variable namely the *Dividend Policy* (DPR). The following is the simultaneous test result:

Table 3 .Anova

Model	Sum Of Squares	df	Mean Square	F	Sig
1 Regression	0,450	3	0,150	5,350	0,003 <sup>b</sup>
Residual	1,121	40	0,028		
Total	1,570	43			

Source : Processed data

a. Dependent Variable: DPR

b. Predictors: (Constant), ROE, ROA, GROWTH

Based on the simultaneous test (F test), it shows that the F value is 5.350 with the significance level of 0.003. because the significance level is  $0.003 < 0.05$  so it can be concluded that the  $H_0$  is rejected  $H_{a1}$  is accepted, meaning that the *Return On Equity*, *Sales Growth* and *Return on Assets* simultaneously affect on the *Dividend Policy*.

## Partial Test (t test)

The partial test or t test shows how the effect of one independent variable individually will explain the dependent variable variation. The following is the partial test results ( t test ):

Table 4. Coefficients<sup>a</sup>

Model	Un-standardized	Standardized	t	Sig.	
	Coefficients				
B	std .Error	Beta			
( Constant)	0,446	0,074		6,058	0,000
ROE	0,605	0,375	0,227	1,612	0,115
ROA	-,2530,104		-324	-2,422	0,020
Sales Growth	-,672	0,206	-0,461	-3,268	0,002

Source : Processed data

Based on the table above, it can be concluded that the hypothesis test of each independent variable to the dependent variable is as the following:

a. The effect of *Return on Equity* partially to the Multiple Regression Analysis.

The significance value of the *Return on Equity* (ROE) variable is 0.115, the significant value is greater than 0.05 ( $0.115 > 0.05$ ), this shows that the *Return on Equity* does not affect on the Dividend Policy.

b. The effect of Return on Assets ( ROA ) partially to the Dividend Policy.

The significance value of the ROA is 0.020, the significant value is greater than 0.05 ( $0.020 < 0.05$ ), this shows that the Return on Assets affect on the Dividend Policy

c. The effect of *Sales Growth* partially to the Dividend Policy.

The significance value of the *Growth Sales* variable is 0.002, the significant value is smaller than 0.05 ( $0.002 < 0.05$ ), this shows that the *Sales Growth* affects in the Dividend Policy.

Table 5 Recapitulation of Multiple Regression Analysis Result

Variable	Regression Coefisient (B)	T	Sig
ROE ( X1)	0,605	1,612	0,115
ROA( X2)	-0,253	-2,422	0,020
Sales Growth ( X3)	-0,672	-3,268	0,002
Constanta = 0,446 R Square = 0,286 R = 0,535			
Adjusted R Square = 0,233			
F Significance = 0,003			

Based on table above, the determination coefficient used is *adjusted R<sup>2</sup>* namely is 0.233. meaning that the *Return On Equity, Sales Growth and Return on Assets* inputted to the model can only explain the variation of the Dividend Policy of 0.233 or 23,3% and the residue is 76,7% explained by other variable used in this study model.

### *Discussion*

This study aims to know the effect of the *Return on Equity (ROE), Sales Growth* and the Return on Assets to the Dividend Policy to the 44 companies listed in the Indonesian Stock (BEI) in 2013.

Based on the first hypothesis test, it can be seen that the F significance value is 0.003, meaning that the *Return on Equity (ROE), Sales Growth and Return on Assets (ROA)* simultaneously affect on the dividend policy.

Based on the determination coefficient test, it can be known that the *adjusted R<sup>2</sup>* value is 0.233 or 23.3%. Meaning that the *Return On Equity (ROE), Sales Growth* and Return On Assets ( ROA ) only have the ability of 23.3% in giving the necessary information to predict the Dividend Policy variation and the residue of 76.7% is explained by other variables which are not used in this study model.

Based on the second hypothesis test, it can be seen that the regression coefficient is 0.605 with the significance is 0.115, meaning that the Return On Equity (ROE) has no effect on the Dividend Policy. It is informed that the ROE is not a consideration in making investment decisions for the investors. The investors do not pay attention to the distributed profit use decisions and the company's own capital in the dividend payments. Based on the third hypothesis test, it can be seen that the regression coefficient is -0.0672 with the significance is 0.002, meaning that Sales Growth has a negative effect on the Dividend Policy. If the Sales Growth increases by one then the Dividend Policy will decline by 0.0672 assuming that the X1 variable and X2 variable remain. This shows that the Sales Growth can be considered by the investor in the dividend payments due to the higher Sales Growth indicates that the company does not utilize the sales as well and effectively, because the higher the Sales Growth, the greater the need for the necessary funds for the company financing so that the distributed dividend is low.

Based on the fourth hypothesis test, it can be seen that the regression coefficient is -0.0253 with the significance is 0.020, meaning that the Return on Assets (ROA) has an affect on the Dividend Policy. It informs that ROA is the consideration by the investors in making investment decisions.

## 5. CONCLUSION

Based on the data analysis and hypothesis testing results of the *Return On Equity, Sales Growth and Return On Assets* to the *Dividend Policy* in 2013, it can be concluded the following:

a. From this study result that the Return On Equity (ROE) variable has no effect on the Dividend Policy (DPR). It is informed that the investor does not consider the distributed profit use decision and the company's own capital in the investment decision-making, namely the decisions on the dividend payments.

b. From this study result that the *Sales Growth* variable negatively affects on the Dividend Policy (DPR). That is, the faster the company growth, the greater the need for the necessary funds to finance the company, so that distributed dividends is low.

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c. From this study result that the *Return On assets* variable negatively affects on the Dividend Policy (DPR). That is, the greater the company Assets, the greater the need for the necessary funds to finance the company, so that distributed dividend is low.

d. This study has several limitations, among others are it only uses the financial statement data with only one year observations, so the results are better advised to use a longer time duration to help the investors and companies in the future in making more precise and accurate decisions.

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