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The Influence Of Company Growth In Dividend Policy With Company Risk As Moderator

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ABSTRACT: Dividend payments is something that is highly expected by investors. Investors hope that with positive company growth, the company will be able to pay high dividends. However, in reality a company that has a high growth rate will tend to have a higher expense on its activities and this will affect the dividend policy that will be done. The higher the company's growth rate, the lower the dividends paid. This study aims to empirically prove the effect of company growth on dividend policy which is moderated by company risk. The technique used is purposive sampling. The analysis technique used is Moderate Regression Analysis (MRA). Based on the analysis it was found that the company's growth had a negative effect on dividend policy. This study also found that the results of company risk weaken the relationship between company growth in dividend policy.

Keywords: *Company Growth, Company Risk, Dividend Policy.*

I. INTRODUCTION

Dividend is a form of distribution of profits. Dividend distributed to shareholders in a certain period that is expected by investors, because dividends are considered able to provide additional benefits in investing (Idawati & Sudiartha, 2014). Dividend distribution will be equally divided between one shareholder and another, the amount of dividend depends on the size of the shares of each owner. There are several Procedure towards distribution of dividends. In Indonesia, the decision to distribute dividends are determined at the annual general meeting of shareholders or RUPS (Sudjarni & Sari, 2015).

The company distributes dividends with the purpose of providing prosperity for shareholders (Yasmita & Widanaputra, 2018). Many investors prefer dividends over capital gains, because they believe that dividends provide certain because it don't depend on the movements of stock prices. Another factor that causes investors to prefer dividends is because the high level of dividends paid reflect the good prospects of the company in the future (Hendi Purnomo, 2017).

Dividend decisions invented because of agency relationships, where management is the agent of the company's investors. As an agent, management has the responsibility to provide welfare, one of which is in the form of dividends taken from the profits of the company. The agency relationship arises because investors have appointed professionals who act to represent themselves for company affairs. This means that they entrust the company to be managed in the hope of getting a return in the form of profits and can provide benefits for the investors themselves (Jensen & Meckling, 1976). The relationship between investors and companies can be explained through agency theory (Larimanu & Suaryana, 2016). Agency theory explains the working relationship between investors called principals and management (professionals) who act as agents. Principals give authority to agents to manage their assets (companies) with an expectation that the company will grow and be profitable. If the expectation Is realized, the company's will have positive growth and will automatically be considered able to pay dividends.

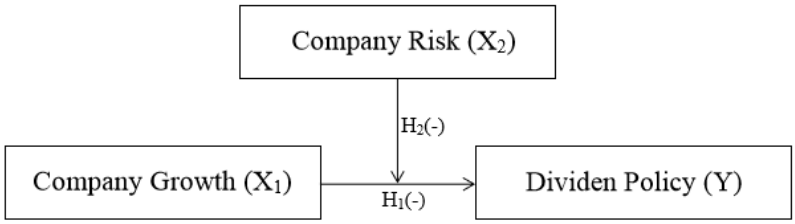
The company's growth affects profits generated. Suharli (2007) states that earnings have an influence on the amount of dividends distributed. In general, companies with high growth rates will also produce high profits. With large profits, of course investors expect the level of dividend payments to increase (Hardi & Andrestiana,

2018). However, problems often occur where management has other objectives that conflict with the main objectives of the investors. Because managers are appointed by the company, ideally they act and prioritize the interests of the company. They will tend to use the profits of the company to be reinvested in projects that are more profitable and ignore the interests of investors (Liyani, 2018) and this will affect the percentage of dividend payments to be lower than they should. In this study, the mining sector was sampled because this sector is one of the sectors that has experienced the most movements of growth in recent years (Kontan.co.id, 2018).

The company has two groups of funding sources, which are internal funding sources and external funding sources. Packing order theory describes the level in the selection of corporate funding sources (Culata & Gunarsih, 2012). The theory focuses on the use of internal funding sources, but if internal funding sources are sufficient, external sources will be chosen as an alternative (Octaviani & Astika, 2016). One source of external funding comes from debt. Debt can be used for additional funding for the company. However, indirectly debt can cause companies to be bound by conditions related to the debt, such as installment and interest (Surasmi et al., 2019). This can be a risk for the company if it cannot fulfill its obligations to creditors or lenders (Iqbal et al., 2012). However, debt also has a good impact on the company. Additional debt can put pressure on management because it is supervised directly by the parties involved in it such as lenders and investors. Because management is monitored by the creditor and investors' performance, management cannot be free in making policies relating to the company. Thus management works with higher pressures and targets. High targets will force companies to work more optimally than before, this is done to increase profits in order to meet their obligations to creditors and shareholders.

II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

The conceptual framework describes the relationship between theory and variables that have been identified as research problems and identifies the relevance between the dependent variable or the independent variable (influence) and the dependent variable or the dependent variable (influenced) in accordance with the theory that has been explained. Based on the above background, the conceptual framework can be presented as follows:



H1: Company growth has a negative effect on dividend policy.

The company's growth is expressed as an increase in total assets where the total assets of the past will reflect the assets of the future. Agency theory can explain the relationship between agents and principals. Agency theory explains the relationship that developed due to the principal who trusts the agent to manage his assets in the hope of obtaining profits. However, in fact it is not uncommon for management to have other objectives that conflict with the interests of investors. Described in the theory of free cash flow where Jensen (2005) states that managers tend to prefer assets owned by the company to be reinvested in projects that can generate profits for the company.

The results of the research of Setiawati & Yesisca (2016), Permana & Hidayati (2016), Gultom (2015), Puspita & Nugroho (2012) stated that company growth had a negative effect on dividend policy. The higher the company's growth rate, the higher the need for funds to finance the company's activities. This will allow the company to hold company profits or reduce the percentage of dividend payments. Based on these reasons, the hypotheses that can be developed in this study are:

H2: Company risk weakens the effect of company growth on dividend policy.

Company risk is a condition where the possibilities that cause a company's performance to be lower than what is expected. Company risk in this study is proxied by debt. Companies with high debt levels tend to prioritize profits to finance their obligations to creditors and set aside their obligations to investors. Within the company's funding sources, there are two alternatives, namely internal funding sources and external funding sources. Packing order theory can describe a level in the selection of funding sources. Packing order theory focuses on the use of internal funding sources, but if the internal funding source is considered to be able to finance the company's operational activities, an external source of funds in the form of debt will be chosen as an alternative.

Additional debt can put pressure on management because it is supervised directly by the parties involved in it such as lenders and investors who have invested assets into the company. Because management is monitored by the creditor and investors' performance, management stricted in making policies relating to the company. Thus management works with higher pressures and targets. High targets will force companies to work more optimally than before, this is done to increase profits in order to meet their obligations to creditors and shareholders. This hypothesis is in line with research Firdayanti (2017), Mujiyani (2017) and Afriyeni & Deas (2019) debt weakens the relationship of company growth on dividend policy on dividend policy, because debt can greatly help in overcoming funding and debt problems can be a good alignment for company managers and shareholders, so the dividends distributed will be even higher.

III. METHODS

This research was conducted on mining companies listed on the Indonesia Stock Exchange (IDX) in 2014 - 2018. Data was obtained by accessing and downloading financial reports and annual reports from the official website of the Indonesia Stock Exchange. The population in this study were 41 mining sector companies listed on the Indonesia Stock Exchange (IDX) for the 2014-2018 period. The sampling method used in this study is non probability sampling with a purposive sampling technique because the determination of the sample is done with certain considerations that represent the characteristics of the population (Sugiyono, 2016: 85) The criteria for determining the samples used in this study, namely:

1) Companies listed on the Indonesia Stock Exchange (IDX) in the category of mining sector companies.
2) Mining sector companies that have been listed on the Indonesia Stock Exchange (IDX), which have published a complete annual financial report for the period 2014-2018.
3) Mining sector companies conducting dividend policy in the 2014-2018 period.

IV. RESULT AND DISCUSIION

In this study using Moderated Regression Analysis (MRA) data analysis techniques to analyze whether there is a modification between the variables X and Y by using Statistical Product and Service Solutions (SPSS). Before conducting a Moderated Regression Analysis (MRA) test, the researcher conducted a descriptive statistical test, a normality test, an autocorrelation test and a heteroscedasticity test first.

Table 2. Descriptive statistical analysis Result

	N	Minimum	Maximum	Mean	Std. Deviation
Growth	52	-9.87	99.51	10.5940	17.60849
DER	52	16.06	226.07	67.7412	45.07082
DPR	52	3.28	1819.38	99.6360	250.05283
Interactions Growth*DER	52	-551.55	22495.41	1109.7048	3248.39257
Valid N *(listwise)*	52				

Source: Data Processing Results, 2020

Company Growth has a minimum value of -9.87, a maximum value of 99.51 and an average value of 10.5940 with a standard deviation of 17.60849. Based on the average value which has a value smaller than the standard deviation value, can be shown that there is a striking difference between one another in the growth data of the company being the research sample. The company with the lowest growth was PT Indo Tambangraya Megah Tbk in 2015, while the company with the highest growth was PT Indika Energy Tbk in 2017.

Debt to Equity Ratio (DER) has a minimum value of 16.06, a maximum value of 226.07 and an average value of 67.7412 with a standard deviation of 45.07082. Based on the average value which has a value greater than the standard deviation value, can be shown Debt to Equity Ratio (DER) has a minimum value of 16.06, a maximum value of 226.07 and an average value of 67.7412 with a standard deviation of 45.07082. Based on the average value which has a value greater than the standard deviation value, can be shown that there is no significant difference between the data with one another in the DER as the research sample. The company that has the lowest DER is PT Harum Energy Tbk in 2017, while the company that has the highest DER is PT Indika Energy Tbk in 2017.

Dividend Payout Ratio (DPR) has a minimum value of 3.28, a maximum value of 1819.38 and an average value of 99.6360 with a standard deviation of 250.05283. Based on the average value which has a value smaller than the standard deviation value can be shown that there is a striking difference between the data with one another in the dividend policy that is the research sample. The company that has the lowest DPR is PT Bukit Asam Tbk in 2016, while the company that has the highest DPR is PT Aneka Tambang Tbk in 2018.

Interactions have a minimum value of -551.5, a maximum value of an average value of 22495.4 with a standard deviation of 3248.3. Based on the average value which has a value smaller than the standard deviation value, can be shown that there is a striking difference between the data with one another on the value of the interaction between Growth and Company Risk.

Table 3. Classic Assumption Test Results

Information	Normalitas Test	Heteroskedastisitas Test	Autokorelasi Test
	Sig.	Sig.	Sig.
Growth (X_1)		0.965	
DER (X_2)		0.873	
Growth*DER($X_1 * X_2$)	0.363	0.687	2.147

Source: Data Processing Results, 2020

Based on the normality test in Table 3 shows the Kolmogorov-Smirnov value of 0.922 with Asymp. Sig (2-tailed) of 0.363. The test results show that the Asymp value. Sig (2-tailed) is greater than 0.05 so the tested data are normally distributed.

Based on Table 3 it can be seen that in heteroscedasticity testing with the glacier test all research variables have significance values greater than 0.05. These results indicate that there was no heteroscedasticity on all variables in this study.

Based on table 4.4 it can be seen that the Durbin-Waston value is 2.147. These values are then compared with table values using a significance value of 5%, a sample size of 52, and the number of independent variables 2 (k = 2). From the Durbin-Waston table, values of dL = 1.633 and dU = 1.474 were obtained. Therefore the value of DW = 2.147 is greater than dU = 1.474 and less than 4-dU = 2.526. Then it can be concluded that there are no symptoms of autocorrelation, so it is feasible to use.

Table 4 Moderated Regression Analysis (MRA) Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	0.101	0.125	-0.275	0.810	0.422
Growth	-0.271	0.122	-0.275	-2.219	0.031
DER	-0.305	0.135	0.288	-2.269	0.028
Interactions	0.288	0.123		2.346	0.023
Adjusted R^2					0.284
F Statistik					7.809
F Signifikansi					0,000

Source: Data Processing Results, 2020

Based on Table 4 the formed regression equation is as follows.

DPR = 0,101 – 0,271Growth – 0.305DER + 0,288Interactions + e

The coefficient of determination (R2) is measured to determine the percentage of influence of the independent variable on changes in the dependent variable. The coefficient of determination in the regression model seen from Adjusted R2 of 0.286. This means that the variation in dividend policy can be explained by 28.6% by the variable growth of the company (growth) and risk of the company while the rest is influenced by other variables.

The model feasibility test (F Test) is used to determine whether the Moderated Regression Analysis (MRA) regression model in this study is appropriate or not. In Table 4 the F value is 7.809 with a significance of 0.000. This value is smaller than 0.05. So it can be concluded that the following Moderated Regression Analysis (MRA) model is appropriate to use.

Table 4 shows that the significance value of the t test for the variable growth of the company has a value of -2,219 with a significance level of 0.031 this value is smaller than 0.05. So it can be concluded that the hypothesis stating that company growth has a negative effect on dividend policy cannot be rejected.

Table 4 shows that the results of hypothesis testing indicate that the Moderation Interaction has a value of 2.334 with a significance value of 0.023 this value is smaller than 0.05, so it can be concluded that the hypothesis that the risk of the company weakens the influence of corporate growth on dividend policy cannot be denied.

V. CONCLUSION

Based on the results of the analysis and discussion carried out in this study, it can be concluded that: 1) The company's growth has a negative effect on dividend policy. The statement has a meaning that the higher the growth rate of a company, the lower the level of dividend payments made. Can be seen in the regression coefficient of growth variable which is negative that is equal to -0.272 with a significance level of 0.031 which has a value smaller than 0.05. 2) Company risk weakens the effect of company growth on dividend policy by using the Moderate Regression Analysis (MRA) test. The statement has a meaning that the higher the level of debt held by the company makes its growth increasingly increased and individuals will also increase. It can be seen in the regression coefficient that the negative growth variable is -0.272 with a significance level of 0.031 which has a value smaller than 0.05 and an interaction variable (Growth * DER) that is positive at 0.288 with a significance value of 0.023 which is lower than 0.05.

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