

# THE IMPACT OF DIVIDEND PAYOUT ON FUTURE EARNINGS GROWTH IN INDONESIA STOCK MARKET (IDX)

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## ABSTRACT

*The purpose of this paper is to examine the relation between Dividend Payout, Firm Size, ROA, Leverage, Earnings yield, Past Earnings Growth and Annual Growth in Total Assets towards Future Earnings Growth when the periode in one, three, and five years ahead. The study sample was taken from non-financial firms that listed on the Indonesia Stock Exchange in the period 2002-2016. The research method used in this research was multivariate regression. The proxy used for variable dividend payout is dividend payout ratio and proxy used for variable earnings growth is compounded annual earnings per share. The result show that high dividends signal high earnings growth, so that the study weakens the point of view of previous market observers who argue that dividend has negative relations to future earnings growth. The results of this study can help investors in considering options in choosing companies to invest by choosing companies who have high dividends.*

*Keywords - Dividend Payout; Size; Future Earnings Growth; Past Earnings Growth*

## I. INTRODUCTION

Investors in doing various investments certainly have an expectation to get a return in accordance with what is invested. The objective of investor's in making the investments is to obtain income and return on investment, where the higher the risk taken, the higher possibility to get a return. The expected return on investment is in the form of shares, dividend and capital gains. In further discussion related to the dividend itself, the dividend policy applied by the company will certainly provide information related to the performance of the company (Kusuma, 2012) [1]. In paying dividends, the company indubitably should pay attention to the profits it gained. Similarly, in analyzing financial statements, earnings will be the main focus of the investors in investing.

In paying the dividends, the company indubitably should pay attention to the profits earned, thus the dividend payout of each company has a different policy. Some companies routinely give dividends with various amounts every year, meanwhile there are some companies that do not pay dividends at all. Different dividends assuredly are also based on the company's conditions or strategies it used.

The difference in the amount of dividends paid by the company becomes an interesting thing to be observed by market observers. Plenty of prior researchers (conventional wisdom) argue that low dividends represent a high profit signal in the future, logically the companies that paying low dividends or adding retained earnings indicate the company is having a high growth opportunity (Zhou and Ruland, 2006) [2]. In addition, the theory that supports this view is Pecking Order Theory (Myers, 1984) [3]

which states that companies with high growth will prefer internal cash first, before external funding. This indicates that companies with high growth rates will have low dividends, and high retained earnings. In contrast to the results of previous studies, namely research conducted by Arnott and Asness (2003) [4] and [2] who investigated the relationship between dividend payout and future earnings growth which is contrary to conventional wisdom (former market observers). Both studies have found that high earnings growth is correlated with higher dividend rates rather than low dividend, which means that current dividend payouts have a correlation that is directly proportional to future earnings of the company. The two researchers noted that their findings offer a challenge for conventional market observer who thought that low dividend payout is a sign of stronger future earnings growth. Research conducted by Tong and Miao (2011) [5] examined the relationship of dividend payments to earnings quality. As a result, companies that pay dividends at certain periods have earnings quality that tends to be better than companies that do not distribute dividends. Thanatawee (2011) [6] concludes that companies that earn large amounts of profits will tend to pay dividends to shareholders. This strengthens the research conducted by [2]. The research results from Sirait and Siregar (2014) [7] show that the dividend payments, dividend increases, and consistency in dividend payments have a significant effect on earnings quality

Given previous studies produced different findings, this made researcher get interested in investigating further and study more deeply about various points of view from dividend to earnings of company in the future in case it is linked to phenomenon that currently exist in Indonesia. In addition, since dividend is one of the things that become the center of attention from investors in investing, then the results of this study can provide benefits such adding knowledge for academics and provide direction and consideration for the practitioners in shares investing. The proxy uses in this research for dividend payout is Dividend Payout Ratio (DPR), while for proxy variable that will be used for Earnings Growth is Compounded annual earnings per share.

The research data taken from non-financial companies listed on Indonesia Stock Exchange. The reason for taking non-financial is because the financial companies have different regulations and

characteristics from non-financial companies. In addition, financial companies are indubitably highly influenced by interest rates, thus this thing inevitably distinguishes it with non-financial companies including the income of respective bank. The research was conducted from the beginning of 2007 until 2011 as it adjusted to the required data from the past earnings growth and also the future earnings growth, which is five years before and five years after the base year so that the data required is data from 2002-2016, this study also adjusted to the period of prior research (Zhou and Ruland, 2006) [2]. This is the first study in Indonesia that examines the effect of dividend payout towards future earnings growth with cut off period by looking at one, three and five years in the past and in the future.

Dividend payout is measured by dividend payout ratio (DPR) calculated by comparison between dividend per share (DPS) and earnings per share (EPS) while growth future earnings measured by compounded annual earnings per share from year 0 to year t. The control variables used in the research are return on asset, size, earning yield, leverage, past earnings growth, and annual grant of total assets. The objective of this study is to analyze the impact of dividend payout, size, return on assets, leverage, earnings yield, past earnings yield, and annual growth in total assets and to future earnings growth in all non-financial companies listed in Indonesia Stock Exchange period 2002 -2016.

## 2. Literature review and Theoretical Concept Theory of "Signaling Hypothesis"

Various empirical evidences say that the increase of dividends is followed by a rise in stock prices, and vice versa. This indicates that investors prefer increasing dividends compared to capital gains. However, MM argues that a high dividend indicates that investors are forecasting good returns in the future. On the other hand, if the dividend decreasing or dividend increase above the normal level, then it signals that the company will experience difficult times in the future (Atmaja, 2001) [8].

### Pecking Order Theory

Based on the perspective of capital structure "Pecking Order Theory" (Myers, 1984) [3] explains that firms with good growth opportunities will prefer funding through internal cash first, then next

to external funding sources. Based on the research conducted (Myers, 1984) [3] funding structure based on pecking order theory is as follows:

1. Companies will prefer internal funding first
2. Companies tend to set targets against the amount of dividends paid for investment opportunities and strive to maintain the stability of dividends.
3. When internal cash exceed capital expenditure, then external funding is required
4. Companies that require external funding will choose the source of funding from the low risk level, retained earnings foremost, to the highest risk. External funding starts from debt, securities, and mixed securities.

In addition, it is also explained that in pecking order theory the company will make funding to the company's activities starting from funding sources that have the least cost. However, if internal funding sources are not allowed, then external funding will start from the lowest cost or cost. When the cash flow can cover the investment required by the company, it means the company has sufficient cash and can make dividend payments (Al-Najjar and Belghitar, 2011) [9].

### Earnings Growth or Profit Growth

Paton and Lottleton ((1967) in Suwardjono (2013)) [10] provide an explanation of profit, where earnings or earnings can be interpreted as a return on the business done by the company in producing products either goods or services. Based on the concept, it can be explained that the profit growth or earnings growth is when the company has been through more than one period. Another period is intended as a comparison or difference which represents the growth that has occurred in the company. Profit obtained by the company is the center of attention for many parties both internal and external companies

## II. RESEARCH METHODS

The data used in this research is secondary data. Secondary data is primary data that has been processed before. The data in the study were obtained through Icamel, Indonesia Stock Exchange (Bursa Efek Indonesia) [11], Kustodian Sentral Efek Indonesia (KSEI) [12], and RTI. The population in this study is all non-financial companies listed in Indonesia Stock Exchange (BEI) in 2002-2016 period,

all of the companies are the object to be selected by purposive sampling in representing the population.

The sample selection is based on research (Zhou and Ruland, 2006) [2], the sampling criteria are as follows: Non-financial companies listed on the Indonesia Stock Exchange in the period 2002-2016, companies that have a complete financial statements respectively during the observation period, companies with positive profit in the base year or year 0, the companies that have the complete data for each variable. A mature company is measured by its size using total assets and also market value of equity at a certain size to be able to be included into the sample.

The analysis technique in this research is quantitative statistical analysis. Data analysis technique is used in processing data in the form of numbers or quantitative. This research used multivariate regression analysis model with panel data to analyze DPR as independent variable, ROA, Size, Leverage, Earnings Yield, Past Earnings Growth and also Annual Growth in Total Asset as control variable, and also Future Earnings Growth as the dependent variable (dependent variable). Data processing begins with sorting the secondary data that has been col-

$$EG_{0,t} = \alpha_0 + \beta_1 Payout + \beta_2 Size + \beta_3 ROA + \beta_4 E/P + \beta_5 Lev_{-t,0} + \beta_6 PEG_{-t,0} + \beta_7 AG_{0,t} + e$$

has been done by using E views 9 software. Model to examine the hypothesis in this study are as follows Gujarati (2009) [13]:

Where:

EG 0, t = Future earning growth which is compounded annual learning growth from year 0 to year t, growth was calculated over 1, 3, and 5 year periods

Payout = The amount of dividends paid at current time which is the amount of dividends in the year-0

Size = Company size measured by market value of equity ROA = Return on assets in year 0

E / P = Earning yield in year 0

Lev = Level of debt of the company in the year-0

PEG -t, 0 = past earnings growth, measured as compounded annual earnings growth from year -t to Year 0, with t = 1, 3, or 5 (the basic procedure was the same as for the EG variable)

AG 0, t = Asset growth over a period of time t years in the future ( t = 1, 3, 5)

In this study, it has the same dependent, independent,

and control variables with previous studies (Zhou and Ruland, 2006)[2]. The dependent variable of future earnings growth is measured in 1, 3, and 5 years ahead to represent short, intermediate, and long term. The independent variable is dividend payout. The negative coefficient on the dividend payout will support the conventional wisdom, where the assumption in this study will result in a significant correlation and a positive coefficient on the dividend payout that will support the previous research of Zhou and Ruland. In the size control variable, assuming that large and mature companies will not experience rapid growth such as startup companies, thus it is expected from this study that there is a negative correlation between earnings growth and firm size.

Another control variable is ROA as profitability has reached the highest level, the company will have difficulty to keep increasing the earnings (for other factors are considered equal) thus it is expected to have a negative correlation between future earnings growth and ROA. Furthermore, the control variable used is leverage, assuming that firms with high leverage rates tend to have high investments (Fama and French, 2002) [14], and also high earnings growth, so it is expected to have a positive impact between leverage and earnings growth. This study also controls the earnings yield variable. Earnings yield signifies how much the company's earnings are valued by investors. In an efficient market assumption when P / E is high, it means that E / P is low in valuing high corporate earnings growth. Through the above assumptions, the expected impact through the earnings yield control variable on earnings growth is negative.

In the past earnings growth control variables, if the mean reversion occurs then the company with high earnings growth in the past will be followed by low profit growth, therefore it is assumed there is a negative correlation between past earnings growth with future earnings growth. The last control variable is asset growth which is a control variable. Companies with larger asset growth will experience high profit growth as well. This will provide a positive correlation between annual growths in total assets with the future earnings growth. Table 1 below shows research variables and measurement used in this study.

Table 1. Research Variables and Measurement

Research Variables	Measurement
<i>Dividend Payout</i> (Zhou and Ruland, 2006) [2]	$DPR = \frac{DPS}{EPS}$
<i>Size</i> (Zhou and Ruland, 2006) [2]	$Size_0 = \ln \text{Market value of Equity}$
<i>Return on Assets</i> (Zhou and Ruland, 2006) [2]	$ROA_0 = \left( \frac{Earnings_0}{Total Assets_0} \right) \times 100\%$
<i>Leverage</i> (Zhou and Ruland, 2006) [2]	$Lev_0 = \frac{Total Debts_0}{Total Asset_0}$
<i>Earnings Yield</i> (Zhou and Ruland, 2006) [2]	$E/P_0 = \frac{Earnings_0}{Market Value of Equity_0}$
<i>Past Earnings Growth</i> (Machfoedz, 1994) [15]	$PEG_{-t,0} = \frac{Earnings\ per\ share_0 - Earnings\ per\ share_{-t}}{Earnings\ per\ share_{-t}}$
<i>Annual Growth</i> (Machfoedz, 1994) [15]	$AG_{0,t} = \frac{Total\ Asset_t - Total\ Asset_0}{Total\ Asset_0}$

Source: Processed by Author

## Hypothesis Development

Dividend payout is independent variable which part of the earnings that will be given by the company to shareholders. Dividend payouts using a dividend payout ratio that may affect future earnings growth (Zhou and Ruland, 2006)[2]. The results of research by Zhou and Ruland show that dividend payout has a positive effect on future earnings growth. Dependent variable of the research by Zhou and Ruland is Earnings Growth. In their research there are also several control variables such as return on asset, size, leverage, earnings yield, past earnings growth, and annual growth in total assets.

Based on the research conducted by (Zhou and Ruland, 2006)[2] using company data registered in the NYSE, Amex, and NASDAQ and paying dividends in year  $t$ , except those listed in the insurance and financial industry, concluded that the companies that pay dividends have a good future earnings growth. It means there is relationship between dividend payout and future earnings growth of the company. Based on the explanation, the first hypothesis in this study is:

H1: Positive dividend payout for future earnings growth

(Zhou and Ruland, 2006)[2] found that large firms are usually more mature and less likely to experience high growth, so the predicted influence of variable size is negative against earnings growth. Therefore, this study propose hypothesis:

H2: Company size has a negative effect on future earnings growth

According to Zhou and Ruland (2006)[2], return on assets is a control variable, where high return on assets indicates a company with high profitability as well. This indicates that the company's growth will be small, so the predicted influence of the variable return on assets on the variable is negative. With this explanation, the next hypothesis in this research is:

H3: Return on assets (ROA) has a negative effect on future earnings growth

Leverage indicates that if the company has large debts, it is assumed that the company has cash used for investment (Zhou and Ruland, 2006)[2]. This provides an opportunity for the company to grow, so it is expected to have a positive relationship between leverage and earnings growth with the preparation of the following hypothesis:

H4: Leverage has a positive effect on future earnings

growth

Earnings yield signifies how much the company's earnings are valued by investors. In an efficient market assumption when P/E is high, it means that E/P is low in valuing high corporate earnings growth (Zhou and Ruland, 2006)[2]. Through the above assumptions, the expected effect through the earnings yield control variable on earnings growth is negative, and the propose hypothesis as follows:

H5: Earnings yield has negative effect on future earnings growth

Based on research conducted by Zhou and Ruland (2006)[2], past earnings growth is used as a control variable with consideration of mean reversion on future profit growth. If the mean reversion occurs then firms with high earnings growth in the past will be followed by low profit growth. This occurs when holding on to the basis of the mean reversion, so it is assumed that there is a negative relationship between past earnings growth and future earnings growth. The next hypothesis is:

H6: Past Earnings Growth has negative effect on future earnings growth

Companies with larger asset growth will experience high profit growth as well (Zhou and Ruland, 2006) [2]. This will provide a positive relationship between annual growth in total assets with future earnings growth. Therefore, the propose hypothesis is:

H7: Asset growth has a positive effect on future earnings growth

## III. RESULT AND DISCUSSION

In this study, the object is a non-financial company listed on the Indonesia Stock Exchange Period 2002-2016. Non-financial companies are selected by picking the issuers that have positive earnings as well as total assets below 250 billion IDR (OJK Regulation No. 53 / POJK.04 / 2017). The sample is then selected by selecting the issuer paying the dividend and having the market value of equity in quartile 1 and not enlisted in the bourse during the observation period (25% top). The reason for choosing 25% of the largest market value of equity is because the companies in the top 10 market capital holding almost 50% of shares in Indonesia Stock Exchange with high dividend, assuming that the top 25% have the largest capitalization and can be categorized as

mature. Due to criteria samples collected, then the study obtained 107 samples that meet the criteria. In the table 2 below presented the results of sample selection with purposive sampling method:

Table 2. Selection of Samples or Observation Data

Criteria	Sampel
number of non-financial companies	1704
owner with no positive <i>earnings</i> and also <i>total assets</i> below 250 Billion IDR	(607)
do not pay dividends and do not have a <i>value of equity</i> in Quartile 1 and are not the IDX during the observation period (the top 25%)	(990)
number of company or final observation data	107

Source: Author processed data

Source: Author processed data

Table 3 gives an overview of the overall characteristics of the sample. Viewed from median of the above growth earnings variable, it can be seen that the median of earnings growth(EG) alone is in the 17% range (for one year of growth), 33% (for three years of profit growth), and around 7% (for five years of profit growth). It is seen that the largest profit growth occurs in the third year, it is also in line with the highest average of the period EG1, EG3, and EG5 where the highest position is in EG3 with a mean value of 0.40330. The dividend payout variable has an average value of 0.69765 but has a maximum value that is seen very high compared with the average value as 23.2177. The highest value is emerged by the existence of several companies that indeed have earnings growth 1, 3, and 5 are considered good, and pay dividends in large numbers.

Descriptive Statistics

Table 3. Statistic Descriptive

Variabel	Mean	Median	Mode	Maximum	Minimum	Deviation Std
E.G1	0.15344	0.17158	0.53533	3.52371	-0.97926	0.665737
E.G3	0.40330	0.33175	0.73425	3.87203	-0.99506	1.059799
E.G5	0.34980	0.06931	0.55353	4.40305	-0.96728	1.193963
D.PAYOUT	0.69765	0.40836	0.642106	23.2177	0.001705	2.237198
SIZE	30.7797	31.0384	31.38545	33.3334	28.2622	1.233451
ROA	18.0477	14.3310	20.14385	83.1019	2.59546	12.333545
E						
E. YIELD	0.08481	0.06467	0.07634	0.69811	0.00842	0.076572
P.E.G1	0.55921	0.24426	0.75622	15.3673	-0.97662	1.913048
P.E.G3	2.23361	0.81942	3.62698	66.0779	-0.94688	7.326463
P.E.G5	1.91514	0.53610	3.35988	26.0517	-0.88906	4.649150
A.G.1	0.37968	0.18279	1.10708	1.39560	-0.16063	0.452494
A.G.3	0.71897	0.65185	1.14074	1.55737	-0.42389	0.420610
A.G.5	1.13214	1.10052	1.14382	2.86850	-0.44887	0.549982

Source: secondary data processed

Hypothesis examination

The examination variable of dividend payout, size, return on asset, leverage, earnings yield, past earnings growth (1,3,5) and annual growth (1,3,5) to future earnings growth (1,3,5) using multivariate regression model (panel data). The summary of data results of the regression is shown in the following table 4:

Table 4. Regression Result of Panel Data

VariabLE	Earnings Growth 1		Earnings Growth 3		Earnings Growth 5	
	Coefficient	Prob.	Coefficient	Prob.	Coefficient	Prob.
Intercept	20.07527	0.0024***	1.504459	0.0079	4.971959	0.0338
D. Payout	0.16865	0.0479**	0.127181	0.0011***	0.088941	0.0002***
Size	-0.635682	0.0030***	-0.044379	0.0569*	-0.167890	0.0369**
ROA	-0.001577	0.8913	-0.008379	0.0524*	0.000215	0.9706
Leverage	0.531965	0.3043	0.964369	0.0147**	0.912400	0.3725
E. Yield	-7.655825	0.0000***	-1.146912	0.0996*	-3.125788	0.0795*
PEG	-0.052559	0.0267**	-0.014898	0.0000***	-0.009352	0.3422
AG	0.392601	0.0014***	0.135034	0.4108	0.384736	0.0299**
Adj.R <sup>2</sup>	20%		22%		8,5%	

Source: secondary data processed

Note: \* : Significant at 10%

\*\* : Significant at 5 %

\*\*\*: Significant at 1 %

Based on the table 4 above, the panel data regression result from the non-financial company that has been sampled can be explained as follows:

### Hypothesis 1

The result of analysis started from independent variable where the impact of dividend payout to the future earnings growth in regression which done three times is significantly positive, this means hypothesis 1 (H1) in this research accepted. It can be seen that there is a significant value from dividend payout probability variable and there is positive value coefficient from three dependent variables that are EG1, EG3, and EG5. It can be seen that the results from the table above, the earnings growth 1 has a positive coefficient and significant at the value of 0.0479 or has a significance level of 5%. In the regression done in earnings growth 3, there is also a similar result where the coefficient is positive with significance of 0.0011 or has a significance level of 1%, and the last for earnings growth 5, there is also the same result where the coefficient is positive with a significance of 0.0002 or has a 1% significance level. Based on the results of the regression of the main variable, dividend payout, the hypothesis described previously has the same result or supports the previous research done by Zhou and Ruland, 2006 [2] and the theory of Signaling Hypothesis

### Hypothesis 2

In the second hypothesis, it is assumed that size has negative impact toward future earnings growth. Observed from the regression results, for earnings growth 1 there is a significant negative result with a probability value of 0.0030 or has a significance of 1%. Furthermore, on earnings growth regression 3 shows that there is still a significant negative correlation of size to future earnings growth in the third year, with a probability value of 0.0569 or significant at 10%. Finally, on the regression result for earnings growth 5, there is a significant negative correlation as well, where the magnitude of probability is 0.0369 or has a significance level of 5%. Based on the above explanation, from the three regressions that have been done, it shows significant results in accordance with the proposed hypothesis two (H2) in this study.

### Hypothesis 3

Based on the third hypothesis in this study there is a significant negative correlation of ROA toward future earnings growth. Regression results that have been done for EG1, there is a negative correlation but it is not significant. However, in analyzing EG3 obtained different results where there is a significant negative correlation, the coefficient is negative with a probability value of 0.0524 or significant at 10%. In contrast to the results of regression from EG5 which has similar results with EG1, where there is a negative correlation but not to significant correlation. As being analyzed H3 applies to regression that occurs in EG3, thus H3 is accepted at EG 3. Why does this happen? Through descriptive statistics it can be viewed on the average of highest growth in earnings growth to 3, it indicates the impact is greater than the increase in earnings growth that occurred on 1 period and earnings growth 5 so that it can be significant. ROA is one of indicators of profitability by dividing profit of total assets owned by the company.

### Hypothesis 4

The fourth hypothesis in this study, stated that leverage has a positive impact on future earnings growth. The research results found that in EG1, leverage variables have a positive coefficient but not significant. The regression results for EG3 show different results, where there is a positive and significant correlation. The significance level at EG3 is

0.0147 or significant at 5%. However, EG5 has the same result with EG1, where there is a positive yet insignificant correlation. Based on the result of panel data regression on table 4, it can be said that hypothesis 4 (H4) can apply to EG3 so that hypothesis is accepted on EG3. Companies with high leverage will certainly have more cash which will be used for expansion or other investments (Zhou and Ruland, 2006). In contrast to companies with low debt levels, it could be because the company does not have the ability to pay it viewed from the negative side, but viewed from the positive side of the company with low leverage, usually the company basically has more cash and no need to perform debt transactions. In this study EG1 and EG5 are not significantly assumed because the average growth of the profits is still below the average of EG3, and still considerate as having no effect although it has the same coefficient as a positive coefficient.

**Hypothesis 5**

The fifth hypothesis (H5) in this study stated that earnings yield has negative impact toward future earnings growth. Based on the research results, it is found that in EG1, the variable earnings yield has a negative coefficient and significant with probability value of 0.0000 which means the level of significance is 1%. The regression results of EG3 show the same result, where there is a negative and significant correlation. The significance level of EG3 is 0.096 or significant at 10%. In order to substantiate previous results, the same regression results for EG5 has the same result with EG3 and EG1, where there is a significant positive correlation with a probability value of 0.0795 or a significance of 10%. Regression results have shown that H5 is acceptable. The rationale for this hypothesis is the earnings yield essentially the inverse or inverse of P / E. Where when P / E is high, then it will be difficult to increase the price, thus the value of E / P will experience the opposite condition (Zhou and Ruland, 2006) [2]

**Hypothesis 6**

Hypothesis six (H6) stated that Past Earnings Growth has a negative impact on future earnings growth. Based on the research results found that in EG1, Past Earnings Growth 1 variable has a negative coefficient and significant with probability value of 0.0267 which means the significance level is

5%. In the regression result for past earnings growth 3 shows the same result, where there is a negative and significant correlation. The significance level in past earnings growth 3 is 0.0000 or significant at 1%. However, the difference occurs in the last regression, ie earnings growth 5 where there is a negative correlation but not significant.

Based on the results of two similar regressions to H6, it can be said that H6 is acceptable. The rationale is the occurrence of the mean reversion, or the conditions which will return to the average level. Thus, if there is a high past earnings growth, then one day its value will revert to a lower which means returning to its average value according to previous research (Zhou and Ruland, 2006) [2]. However, for a period of five years after the year of observation, past earnings growth is no longer a factor impacting future earnings growth in the long term means that over the longer period of time the variable of past earnings growth has a lesser impact.

**Hypothesis 7**

The last hypothesis or H7 in this study, stated Annual Growth in Total Assets has a positive impact on future earnings growth. The result of this research shows that in EG1, variable AG1 has a positive and significant coefficient with a probability value of 0.0014 which means the level of significance is 1%. The regression result for AG3 also shows similar results, where there is a positive yet insignificant correlation. However, differences occur in the third regression results, where there is a positive and significant correlation. The significance level is 5% with probability value 0.0299. The results of research can be said that H7 is acceptable on EG1 and EG 5. The rationale is a company with high growth indubitably will be followed by high asset growth as well (Zhou and Ruland, 2006) [2]

Table 5. Hypotesis Conclusion

Variable	Significant EG 1		Significant EG 3		Significant EG5	
	Yes	No	Yes	No	Yes	No
Main Var:						
Div Payout	V		V		V	
Control Var:						
Size	V		V		V	
ROA		V	V			V
Leverage		V	V			V
Earnings Yield	V		V		V	
PEG	V		V			V
AG	V			V	V	

Source: secondary data processed



Based on the table 5 above, it can be concluded that the main variables (independent variables) dividend payout positively significant affect on future earnings growth in the next 1,3, and 5 years in future. However, to analyze the control variables through the above table, generally, the longer period of observation of earnings growth, then the variable control will be less easy to predict, or in other words there are other variables that may affecting other than the variable control mentioned in above.

#### IV. CONCLUSION

Based on the results of research conducted by researcher related to the impact of dividendpayout on future earnings growth and control variables that have been discussed previously (Size, ROA , Leverage, E / P.PEG, and also AG in total assets ), it can be concluded in this study, are:

1. The results of this study indicate that the independent variable dividend payout has a positive impact on future earnings growth in the next 1, 3, and 5 years.
2. It is proven that the size of the company (size) measured based on those values of total assets and market value of equity have a significant negative impact on future earnings growth in the next 1,3, and 5 years.
3. There is a significant negative correlation of ROA on Future earnings Growth 3, but not in future earnings growth 1 and 5.
4. There is a significant positive correlation on leverage variable to future earnings growth 3, but not in future earnings growth 1 and 5.
5. There is a significant negative correlation on the earnings-yield- on- earnings growth of 1, 3 and 5 years.
6. There is a negative significant correlation of variable earnings growth past on future earnings growth 1 and 3, but not in future earnings growth 5.
7. There is positive significant correlation of variable annual growth in total assets on future earnings growth 1 and 5, but not in the 3rd year's future earnings growth .

Based on the explanation to seven hypotheses that have been proven in the research, it can be seen that the control variables used in this study there are different results on EG1, EG3, and EG5. The results showed that control variables were highly impacting during early EG with coefficients corresponding to

the hypothesis, but for EG 3, and EG 5 had fewer or even in a longer period impact the control variables can be insignificant.

The results and implications of this study can be extended in three ways. In order to strengthen the results of the study, this study suggests the recommendation for investors, companies and areas for future research. First, investors in investing should choose a company that pays dividends in large amount and constant in recent years and also pay attention to always positive EPS of the company in each year (1,3, and 5 years earlier). Second, companies should be very attentive to earnings of the company and also the amount of dividends paid since the dividend itself is the center of attention and consideration for investors to invest and measure the company's ability to generate profits in the future. Third, Adding other control variables that has another impact other than variables in this research such as the impact of capital structure to company profitability by using control variable such ROE so that if it is examined in long term there will be more variable control with significant result (Rosyadah, Faizatur , at al., 2013) [16]

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