Analysis of the Effect of Dividend Payout, Global Financial Crisis, Internal Finance and External Finance on Sales Growth of Companies in Indonesia

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INFO	ABSTRACT
	This study aims to determine the effect of dividend payments, the global financial crisis, internal finance, and external finance on the companies' sales growth in Indonesia. The control variables comprise size, leverage, profitability, and past growth assets. The reason for taking this research sample in Indonesia is that it is one of the developing countries with a growing economy even though the Covid-19 pandemic is hitting it. Investment is a good climate for sales growth in Indonesia. However, only a few studies address this topic. Twenty-one consumer goods companies listed on the IDX for the 2016-2020 period were selected as the sample using purposive sampling. This study employed panel data regression and moderated regression analysis (MRA). The results unveiled that dividend payments influenced the companies' sales growth. Meanwhile, the global financial crisis variables, internal and external finance, did not affect the companies' sales growth. Moreover, size, leverage, profitability, and past assets as control variables did not affect the companies' sales growth.

INTRODUCTION

A company stands with a goal to increase its value for the benefit of stakeholders, which is to obtain high corporate profits marked by its high sales growth. The importance of sales growth needs to be considered as it greatly affects the running of the company, covering the production, marketing, and the welfare of employees. Sales growth can be influenced by several factors, such as the distribution of dividends, the impact of the global financial crisis, and the company's funding sources, both internally and externally.

The first phenomenon affecting sales growth is the difference in the company's interest between investors and managers, leading to an agency conflict. This difference in interest arises when the investor wants a dividend distribution, but the agency wants the profit to be retained as a source of internal funding for the company's capital in the upcoming period. This conflict can affect dividend distribution decisions in the company. Subsequently, Indonesia has a good investment climate, demonstrated by its capability to survive the global crisis hitting its economy. The domestic market in this country is large and growing due to its dense population of around 270,20 million people, the fourth largest population in the

world (detikfinance, 2020). Accordingly, it allows the targeted consumer share to be larger and wider (OJK, 2019).

The global financial crisis in 2008 has experienced a repetition of conditions in 2020. Meanwhile, unfavorable economic conditions and reduced investment spending will encourage companies to cut, reduce working hours and lay off employees. Indeed, it will result in a decrease in income, which may weaken consumer spending interest, which will affect the decline in overall domestic consumer spending. Household consumption and vehicles are marked by a decline in automotive sales and growth in imports of consumer goods. It is in line with the ongoing layoffs, so the pressure on people's purchasing power is expected to continue (Prasmuko & Anugrah, 2010).

Covid-19 has caused many economic sectors to be sluggish and even die on the spot. The pandemic is now recognized as the largest synchronized decline in global GDP in modern history, having the impact of the crisis with rapid reductions by governments guided by lessons from the global financial crisis in 2009. Governments have been much quicker to introduce stimulus programs to counter these forces in this recession. The European Union, for example, facilitates the issuance of joint debt and creates the conditions for a strong fiscal response to the crisis. The United States acts with an extremely large package of contests to maintain demand, income, and employment. Hence, large government spending can result in extraordinary public debt levels and eventually trigger inflation. Prices are starting to rise, and interest rates will probably follow a trend with important negative consequences, especially for highly influential developing countries. In addition, it is unclear whether the amount of this debt will eventually be financed. It is an attractive challenge for a depressed government in the medium to long term.

Furthermore, the next sales growth factor is the company's funding source. When companies choose internal or external funding sources, each has advantages and disadvantages. Thus, the company must take the right policy for this decision to positively impact its sales growth (Ross et al., 2010). This study tries to determine the relationship between dividend payout, global financial crisis, internal finance, and external finance on companies' sales growth in the primary sector in Indonesia. The presence of other supporting variables aims to identify these components. This research has control variables encompassing size, leverage, profitability, and past asset growth.

The most well-known supporters of the relevancy argument are Miller and Modigliani, suggesting that in a tax-free world, shareholders are indifferent between dividends and capital gains, and the value of a company is determined solely by the earnings power of its assets and investments. Internal sources of funding are in contrast with the external ones. External financing comes from outside the company.

The reason for taking this research sample in Indonesia is that only a few studies examined the effect of dividend payout, global financial crisis, internal finance, and external finance on the companies' sales growth in Indonesia. Most previous studies took developed countries such as Australia, Sweden, Finland, and America and developing countries such as Thailand, China, Philippines, and Myanmar. Indonesia is one of the developing countries with a growing economy despite being hit by the Covid-19 pandemic. The large growth of the productive and skilled young population is indicated by the many young age groups who now have higher education.

Therefore, researchers are interested in analyzing the effect of dividend payout, global financial crisis, internal finance and external finance on the sales growth of consumer goods companies for primary needs listed on the Indonesia Stock Exchange (IDX). Hence, the researchers took the title **"Analysis of the Effect of Dividend Payout, Global Financial Crisis, Internal Finance, and External Finance on Sales Growth of Companies in Indonesia"**.

LITERATURE REVIEW

Many researchers have studied dividend payout, global financial crisis, and internal and external finance on the companies' sales growth. Dempsey et al. (2019) examined the association between dividend payout and firm growth: Australian evidence Michael. They applied a general class of panel regression with data from firm fixed effects and clustered standard errors. Companies have different time series observation changes (between a minimum of 3 and a maximum of 15). This study has standard errors to cluster at the company level. The analysis discovered that the dividend payout–growth relationship was not adequately represented on a single linear 'one-size-fits-all' relationship. Thus, firms with high growth prospects – either as 'star' high market-share or as 'question mark' low-market-share firms – tended to exhibit growth as a positive relationship with dividend payout (consistent with a signaling hypothesis explanation). Moreover, firms with low growth prospects – either as 'cash cow' high-market-share or as 'dog' low-market-share firms – conformed to a negative relationship between growth and dividend payout (consistent with conventional theory). These results were robust when – in addition to controls for firm size and attributes of financial health (earnings to-price ratio, return on assets and past sales growth) –industry and year effects were also controlled.

The next research is Gugler (2003), with the estimation method of 3SLS, utilizing the cross-equation correlations of the disturbances ("full information" method) and is consistent. The study revealed that dividends significantly influenced capital investment and (insignificantly) also research and development, contradicting the premise of a perfect capital market. Dividends should not be a mere residual but rather a decision variable that significantly affects other investment decisions due to capital market failures. After that, Zhou and Ruland (2006) examined the univariate association between current and past payout and future earnings growth. Then, the relationship between payout and future earnings growth was analyzed using multivariate regressions. The results reported the relationship between current dividend payout and future growth in earnings at the individual-company level. The study was motivated by the Arnott and Asness analysis of the market-wide relationship between current dividend payout and future growth in earnings. Arnott and Asness discovered that high aggregate current payout was associated with high aggregate future earnings growth.

RESEARCH METHOD

This study belongs to explanatory quantitative research, aiming to explain the relationship between variables through hypothesis testing (Hermawan, 2009). Hypothesis testing is carried out to explain certain relationships and determine differences between two or more factors under certain conditions (Sekaran, 2017). Hypothesis testing aims to analyze the

variance in the dependent variables or estimate organizational output. This study employed quantitative data with hypotheses to analyze the effect of the independent variables on the dependent variables. Indeed, quantitative data were applied. Secondary data were collected through third parties published, having advantages of cost and time savings in obtaining information. The data of this study were taken from the annual financial reports of primary consumer goods companies listed on the Indonesia Stock Exchange from 2016 to 2020.

RESULTS AND DISCUSSION
Description of Research Variables

According to Latan (2014), descriptive statistics is used to describe, organize and conclude the main characteristics of the sample data obtained for research purposes. Descriptive statistics analyzes the sample data by comparing the maximum, minimum, median or mean values and the standard deviation. Descriptive statistical analysis in this study can be seen in the following table.

Table 1. Descriptive Statistics

Variable	Obs	Mean	Std.Dev.	Min	Max
Sales Growth	105	1.31418	2.358541	1.16e-06	21.39441
Devidend Payout	105	0.3005692	1.641733	1.74e-06	14.60445
GFC	105	1.883243	0.36333	1.301558	2.308325
Internal Finance	105	9097.807	46239.41	-0.3979996	259282.5
External Finance	105	14696.97	78224.2	0.0001735	595781.5
Size	105	29.68784	2.73104	19.90437	36.7083
Leverage	105	0.5951645	1.123843	0.0001646	10.0373
Profitability	105	0.1481597	0.2430197	-0.0307235	1.845889
PAG	105	25.29127	190.1896	-0.9999989	1734.217

Source: Stata 14.2 Data Processing Results

Table 1 displays an average value of the sales growth of 1.31418, with a standard deviation of 2.358541. The maximum value of 21.39441 is owned by Provident Agro Tbk in 2018. In contrast, Nippon Indosari Corpindo Tbk 2016 owns the minimum value of 1.16e-06.

Normality Test Analysis

Kolmogorov Smirnov Test

Table 2. Kolmogorov Smirnov Test

Smaller group	D	P-value
res:	0.0646	0.496
Cummulative:	-0.0663	0.478
Combined K-S	0.0663	0.854

Source: Stata14.2 Data Processing Results

Table 2 depicts the results of the Kolmogorov Smirnov test, having a significant value or p-value of 0.496, greater than 0.05. Thus, the data in this study are normally distributed.
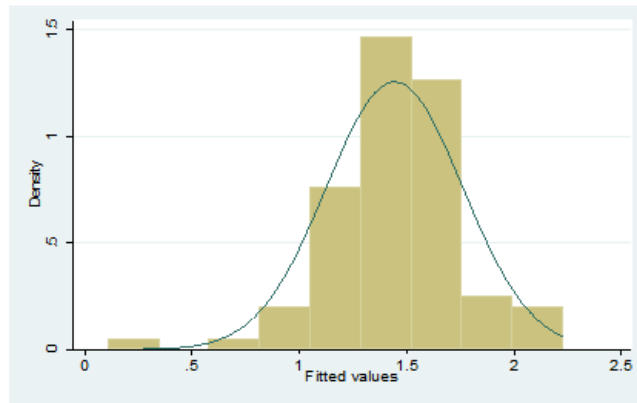
Histogram Test

Figure 1. Histogram Test

The histogram graph above illustrates the data distribution in this study; the two data spreading to all curves are close to normal. The curve forms a bell, implying normally distributed data (Suwardi, 2011).

Multicollinearity Test

Table 3. VIF Test

Variable	VIF	1/VIF
DPO	1.04	0.964843
GFC	1.16	0.863898
External Finance	1.92	0.519637
Internal Finance	1.94	0.514898
Leverage	1.47	0.680510
Size	1.48	0.677437
PAG	1.18	0.843976
Mean VIF	1.42	

Source: Stata14.2 Data Processing Results

Table 3 exhibits that the DPO, GFC, External Finance, Internal Finance, Leverage, Size, PAG variables have a mean VIF value of 1.42 < 10 and a 1/VIF value above 0.1, signifying no multicollinearity between each independent variable.

Heteroscedasticity Test

Table 4. Heteroscedasticity Test

Breusch-Pagan / Cook-Weisberg test for heteroskedastisity		
Ho: Constant variance		
Variable: fitted values of sales growth		
Chi 2 (1)	=	28.18
Prob > chi2	=	0.0000

Source: Stata Data14.2 Processing Results

Table 4 discloses the probability value of the variable denoted by prob > chi2 of 0.0000, smaller than 0.05. In other words, the equation of this study contains symptoms of heteroscedasticity.

Panel Data Regression Model Analysis

Chow Test

Table 5. Chow Test Results

F(8.55)	1.60
Prob > F	0.1450

Source: Stata14.2 Data Processing Results

The results of the chow test using STATA 14.2 in Table 5 display the value of prob > F of 0.1450. The test was carried out using the fix effect method. H1 is accepted; hence, the chow model above utilizes fixed effect (FE).

Hausman Test

Table 6. Hausman Test Results

Chi 2 (6)	-
Prob > chic	-0.00

Source: Stata14.2 Data Processing Results

Table 6 portrays the results of the Hausman test using STATA. A random cross-section value of -0.00 was obtained, $< = 5\%$. H1 is accepted, meaning that the Fix Effect (FE) method is used.

Panel Regression Model

Table 7. Panel Regression Results with Common Effect Model

Variable	Coefficient	Standard Error	t	P>t
Constant	-40.11201	34.07298	-1.18	0.244
DPO	-1.169043	0.3946664	-2.96	0.005
GFC	0.8904069	1.00241	0.89	0.973
Internal Finance	1.01e-06	0.0000291	0.973	0.973
External Finance	-3.42e-06	0.0000285	-0.12	0.905
Size	1.353136	1.122041	1.21	0.233
Leverage	0.4042711	0.4763153	0.85	0.400
Profitability	0.4225963	1.632806	0.26	0.797
PAG	-0.0103739	0.0057406	-1.81	0.076

Source: Stata14.2 Data Processing Results

Based on the table above, the regression equation can be formed as follows:

$$SG = -40.11201 - 1.169043 \ DPO + 0.8904069 \ GFC + 1.01e\text{-}06 \ IF - 3.42e\text{-}06 \ EF + 1.353136 \ Size + 0.4042711 \ Lev + 0.4225963 \ ROA - 0.0103739 \ PAG + e$$

Determination Test (R^2)

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Table 8. Determination Test Results (R-Squared)

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Number of obs	105
F (8.96)	1.60
Prob > F	0.0014
R-squared	0.1892

<div align="center">Source: Stata14.2 Data Processing Results</div>

From the common effect model, the R-squared obtained 0.1892. The independent variables include dividend payout (DPO), global financial crisis (GFC), external finance (EF) and internal finance (IF). Meanwhile, control variables consist of size, leverage, and profitability. The Past Asset Growth (PAG) variable acquired 18.92%, while other variables outside the model influenced the remaining 81.08%.

Simultaneous Significant Test (F-Test)

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Table 9. Determination Test Results (R-squared)

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Number of obs	105
F (8.96)	1.60
Prob > F	0.0014
R-squared	0.1892

<div align="center">Source: Stata14.2 Data Processing Results</div>

In the table above, the calculated F value is 4.75, with a probability value of 0.0014 < 0.05, meaning that dividend payout (DPO), global financial crisis (GFC), external finance (EF) and internal finance (IF), as well as control variables consisting of size, leverage, profitability, and Past Asset Growth (PAG) variables, have a simultaneous effect on sales growth.

Partial Significance Test (T-Test)

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Table 10. Panel Regression Results with Fix Effect Model

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Variable	Coefficient	P-Value	Description
Constant	-40.11201	0.244	
DPO	-1.169043	0.005	Significant
GFC	0.8904069	0.973	Not significant
Internal Finance	1.01e-06	0.973	Not significant
External Finance	-3.42e-06	0.905	Not significant
Size	1.353136	0.233	Not significant
Leverage	0.4042711	0.400	Not significant
Profitability	0.4225963	0.797	Not significant
PAG	-0.0103739	0.076	Not significant

<div align="center">Source: Stata14.2 Data Processing Results</div>

Effect of dividend payout (DPO) on sales growth

The study discovered that dividend payout (DPO) influenced sales growth in companies in the primary consumption sector listed on the IDX. The results of statistical

processing unveiled a dividend payout coefficient (DPO) value of negative 1.170, with a significance value of 0.005 < 0.05. It indicates that dividend payout (DPO) negatively affected sales growth. In other words, changes in dividend payout have a negative effect, namely opposite each other. An increase in dividend payout will reduce sales growth and vice versa.

These results are in line with Arnott & Asness (2003) that low payout ratios (high retention rates) historically preceded low earnings growth. This relationship is statistically robust. The empirical facts conform to a world in which managers possess private information causing them to pay out a large share of earnings when they are optimistic that dividend cuts will not be necessary and to pay out a small share when they are pessimistic so that they can be confident of maintaining the dividend payouts.

Alternatively, the facts also fit a world in which low payout ratios lead to, or come with, inefficient empire building and the funding of less-than-ideal projects and investments, leading to subsequent poor growth, whereas high payout ratios lead to more carefully chosen projects. Firms with high foreign ownership find that dividend payouts are positively associated with long-term firm growth, indicating that foreign ownership has a moderating effect on dividend payouts and long-term firm growth. This result implies that as foreign ownership increases a firm's long-term growth rates, the effects of increased long-term growth rate in the future may be incorporated into firm valuation in the current year (Choi & Park, 2019).

The effect of the global financial crisis (GFC) on sales growth

The study uncovered that the global financial crisis (GFC) did not affect sales growth in companies in the primary consumption sector listed on the IDX. The statistical processing results depict a global financial crisis (GFC) coefficient value of positive 0.890, with a significance value of 0.973 > 0.05. In short, the global financial crisis (GFC) did not affect sales growth. It means that changes in the global financial crisis, both increasing and decreasing, do not affect sales growth.

The results of this study are not in line with the research conducted by Williams and Miller (2013), discovering that dividend-paying stocks performed better than the aggregate market during periods of recession and recovery. They observed that the GFC period dummy and recovery period dummy yielded a significant negative coefficient, implying that firm growth has been stunted. There was an impact that the recession or recovery period of the business cycle had a pay-to-growth relationship by dividing the sample into three periods – the growth period (2000-2007), the GFC period (2008–2009) and the recovery period (2010–2014). The findings for the SG3 sample were reported only in panel A to save space. However, the results remained essentially the same for the other two samples. The study unveiled that the payment-growth relationship in the three periods remained the same.

Influence of internal finance (IF) on sales growth

The data processing results confirmed that internal finance did not affect sales growth in companies in the primary consumer goods sector listed on the IDX. The statistical processing results depict an internal finance coefficient value of positive with a significant

value of 0.973 > 0.05. It indicates no significant effect between internal finance and sales growth.

This research is supported by Choi and Park (2019), uncovering a weak relationship between growth in internal finance against internal financial constraints. The research was conducted on small companies not too influential on taxes. The characteristics of small companies here are those that require much capital stock, employment, and innovation. These companies experience the dynamics of the competitive process, strategic behavior, the evolution of the market structure, and the effects of the growth of the aggregate economy. To sum up, the characteristics found by researchers are similar to small companies in previous studies.

The influence of external finance (EF) on sales growth

This study evidenced that external finance did not influence sales growth in companies in the primary consumer goods sector listed on the IDX. The processed statistics results unveiled a negative external finance coefficient value, with a significant value of 0.905 > 0.05. It demonstrates no significant effect of external finance on sales growth.

This research is supported by Becchetti and Trovato (2002), revealing that the independence of the companies' growth to survival was not affected by sources of funds from external finance. The study was conducted in Italy on small and medium-sized companies. It illustrates that finance is not neutral on a small scale; when calculated, there is a life bias. The existence of a sample assessed greatly affected the test results. This characteristic also occurs in this research, only in one sector listed on the IDX.

CONCLUSION

The following conclusions were drawn following the analysis and discussion of the hypothesis testing results: Dividend Payout (DPO) significantly affected Sales Growth in the primary consumer goods companies listed on the IDX. The Global Financial Crisis (GFC) did not significantly affect Sales Growth in the primary consumer goods companies listed on the IDX. Internal Finance (IF) did not significantly affect Sales Growth in the primary consumer goods companies listed on the IDX. External Finance (EF) did not significantly affect Sales Growth in the primary consumer goods companies listed on the IDX.

This research has two implications, practical and theoretical. The practical implications of this research are: As a reference for managers regarding companies in making decisions. As a reference beneficial for investment decisions for investors wanting to invest in primary needs companies listed on the IDX. As a source of information and historical track records of the performance situation of companies. As a reference for the government to protect companies. For academics or other interested parties, the theoretical implications of this research are as follows: Providing empirical evidence for increasing knowledge and becoming a study for further academics. As a reference to knowledge of the development of the investment and finance world in Indonesia

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