I. INTRODUCTION

The capital market is a bridge to distribute welfare to the community, especially to holders of company securities, because shareholders will get dividends and / or capital gains. The amount of dividend depends on the amount of profit the company receives and its dividend policy, what is distributed to shareholders and those held in the form of retained earnings. The dividend payment policy has an influence on shareholders and companies that pay dividends, because dividend policy is a decision that determines whether profit obtained by the company will be distributed in the form of dividends or will be held for re-investment or capital for investment financing in the future. Dividend distribution in cash, is more desired by investors or shareholders, because dividends in cash and stable can reduce the risk or uncertainty of investors in investing their capital into a company. Dividend policy is a matter that must be considered by management in managing the company, because it has a significant impact both on the continuity of the company itself, shareholders and creditors.

Weston & Copeland, (2008) revealed that total asset growth is one of the determinants of the company's debt. Companies that have fast growth often have to increase their fixed assets, which causes companies to need more funds in the future and also maintain more profits. The size of the company's profits can be known through the analysis of the company's financial statements with profitability ratios. Profitability ratios reflect the company's ability to earn profits in a certain period, which also reflects the company's efficiency. This ratio also provides a measure of the effectiveness of a company's management or investment income (Kasmir, 2008: 114), and can be used as a management performance evaluation tool, whether it works effectively or not.

Abstract

The purpose of this study is; (1) Analyzing and explaining the effect of the company's dividend policy on profitability, 2) Analyzing and explaining the influence of company growth on profitability. The data analysis technique of this study uses the Partial Least Squares (PLS) approach. While the population in this study is the Cosmetics and Household Needs Manufacturing Companies Listed on the Stock Exchange for the 2010-2016 period. Sampling is done purposively with predetermined criteria. The results of testing the first hypothesis; obtained that dividend policy has a significant positive effect on profitability. The results of testing the second hypothesis; obtained that company growth (company growth) has a significant positive effect on profitability.

Keywords: Profitability, Dividend Policy, Company Growth.

I Made Purba Astakoni
Email: astakonimade@gmail.com

Ida Bagus Swaputra
Email: iswaputra@gmail.com

Tjok Istri Sri Harwathy
Email: tjokistrisriharwathy@unmas.ac.id
Universitas Mahasaraswati Denpasar

Ni Putu Mala Ratini
Email: melaratiniputu@gmail.com
Some research findings that show the research gap include: Findings (Kusumajaya 2011) (Riyadi 2016), (Swaputra et al. 2018), (Chukwudi 2018) that company growth has a significant positive effect on profitability. The findings (Yanto, Cardinal, and Megawati 2013) of asset growth have a negative effect that is not significant for profitability. Findings (Osoro and Ogeto 2014), (Thafani and Abdullah 2014), (Suhadak 2015), (Kawshala and Panditharathna 2017), that dividend policy has a positive and significant effect on profitability. In contrast to the results obtained by (Manurung and Kartikasari 2017) where dividend policy measured by dividend payout ratio and dividend yield does not significantly influence earnings growth. The findings of the research (Kanwal and Hameed 2017) that link dividend policy with profitability indicators obtained a not significant positive value on profitability.

Based on the exposure of the theory and the results of previous research, in this study the research problems were; (1) Does the dividend policy affect profitability, (2) Does the company's growth affect profitability. Whereas the research objectives; (1) Analyzing and explaining the effect of the company's dividend policy on profitability, 2) Analyzing and explaining the influence of company growth on profitability, networks.

II. LITERATURE REVIEW

Profitability

Profitability is the end result of a number of policies and decisions made by companies (Brigham and Houston 2011). Profitability is often also called profitability, which means the ability of a company to earn profits for a certain period. Profitability is the company's ability to earn profits through its business operations use asset funds owned by the company. Another definition also states that profitability (profitability) shows the company's ability to generate profits and measure the level of operational efficiency and efficiency in using its assets. According to (Brigham and Houston, 2006) measures that can represent profitability include Return on Assets (ROA), Return on Equity (ROE), Operating Profit Margin (OPM) on Sales and Basic Earning Power (BEP). Whereas according to (Horne and John M 2012), it can be measured by using return on assets, ROA, return on equity, ROE and net profit margin, NPM. The measurement of profitability in this study was measured using Return On Assets (ROA), Return On Equity (ROE) and Net Profit Margin (NPM) (Syamsuddin 2004).

Dividend Policy

A company certainly has a goal in deciding dividend policy. If the company decides to distribute dividends, it means that it aims to maximize shareholder value and the cash flow generated is the property of shareholders (Brigham & Ehrhardt, 2005). Decision making on dividend policy can provide signals or information to outside parties regarding the condition of the company, because it relates to the signaling theory. According to (Suhadak & Darmawan, 2011.79) stated in the dividend signaling theory, "the increase in dividend payments by companies to investors is considered good news, because it indicates the condition and prospects of the company in the circumstances good, so that it results in a positive reaction by investors." Dividend policy is a decision whether the profits obtained by the company will be distributed to shareholders as dividends or will be held in the form of retained earnings to finance investment in the future. Information provided at the time of dividend announcement is more meaningful than earnings announcement. Companies that distribute dividends give a sign to the market that the company has bright prospects in the future. The measurement of dividend policy can be seen through the DPR and DY ratios. Dividend Payout Ratio (DPR) is the ratio between dividends per share and earnings per share and DY is the ratio between dividends per share with marker prices per share (Murhadi 2013).

Company Growth.

According to (Sartono 2010); company growth is the company's ability to increase the size of the company. The company's growth is basically influenced by several factors, namely external, internal factors and the influence of the industrial climate. Company growth (company growth) basically reflects the productivity of the company and is an expectation desired by the internal (management) and external parties (investors and creditors) of the company. The company's growth reflects the company's ability to maintain its economic position amid its economic growth and business sector. Company growth can be seen based on asset growth and sales growth (Kasmir 2008). (Harahap, (2010). Weston & Copeland, (2008) revealed that total asset growth is one determinant of the amount of corporate debt. Companies that have fast growth often have to increase their fixed assets which causes companies to need more funds in the future, and also more retain earnings (Kasmir 2008) stated company growth can be seen based on asset growth and sales growth. The measurement of growth rate (company growth) in this study is measured using growth indicators of assets (asset growth) and sales growth (sales growth ). Growth of assets (assets growth) describes an increase or decrease in assets each year, while sales growth (sales growth) describes the increase or decrease in sales every year.

Development of Research Hypotheses

Effect of Dividend Policy on Profitability

Information to the market or investors regarding the condition and prospects of the company can be seen from the dividend policy. Suhadak and Darmawan (2011: 79) in the dividend signaling theory stated, "the increase in dividend payments by companies to investors is considered good news, because it indicates the condition and prospects of the company in a good condition, resulting in a positive reaction by investors". This concept is also supported by the findings obtained by (Fauzi and Suhadak 2015) that dividend policy has a positive effect on profitability. Findings (Osoro and Ogeto 2014), (Thafani and Abdullah 2014), (Kawshala and Panditharathna 2017), that dividend policy has a positive
and significant effect on profitability. Based on the theoretical concept and these findings it is suspected that dividend policy has an effect on profitability.

H1: Dividend policy has a positive effect on profitability

**Effect of Company Growth on Profitability**

The company's growth is expected by internal and external parties of a company because it can provide a positive aspect for them. From the investor's point of view, the growth of a company is a sign that the company has a profitable aspect, and they expect the rate of return from their investment to produce better results (Sriwardany, 2007). The size of the company's growth provides an overview of the development of sales and or company assets. In addition, the rate of sales growth can also affect the profitability of the company, where the higher net sales made by the company can encourage the higher gross profit that can be obtained, so that it can encourage higher profitability of the company (Barus and Leliani 2013). Profitability, through assets owned so that it affects the productivity and efficiency of the company which ultimately affects profitability. Findings (Kusumajaya 2011) (Riyadi 2016), (Swaputra et al. 2018), (Chukwudi 2018) that company growth has a significant positive effect on profitability. The findings (Yanto, Cardinal, and Megawati 2013) of asset growth have a negative effect that is not significant for profitability. From the description above, the hypothesis can be drawn as follows:

H2: company growth (company growth) has a significant positive effect on profitability.

**III. METHOD**

**Types of research**

This research is explanatory research with a quantitative approach, namely research carried out with the aim of knowing the relationship between variables contained in the research model (Fauzi and Suhadak 2015). This research was conducted on the Indonesia Stock Exchange (IDX) through the official website www.idx.co.id. IDX was chosen as the location of the study because the data and information contained on the IDX are accurate and accurate data.

**Research Population and Samples**

Sugiyono (2007; 32) explains, population is a generalization area consisting of objects or subjects that have certain qualities and characteristics determined by researchers to be studied and then conclusions drawn. The population of this study is the Cosmetics and Household Utilities Manufacturing Companies Registered on the Indonesia Stock Exchange for the 2010-2016 period. Sampling is done purposively with predetermined criteria, namely: (1) Companies listed on the IDX for the period 2010-2016, (2) Companies that report Financial Statements that expire on 31 December 2010-2016, (3) Companies that distribute dividends continuously during the period 2010-2016. Based on the criteria set, there are two (2) companies that meet the requirements so that the sample size is 7 x 2 = 14 observations.

**IV. RESEARCH RESULT**

**Descriptive Statistics Analysis**

On the profitability variable the ROA indicator has an average of 0.2641. The highest average is 0.4268, and the lowest average is 0.0742. The average ROE indicator is 0.6683. The highest average is 1.3585, and the lowest average is 0.0090. The average indicator is NPM 0.1354, the highest average is 0.2350, and the lowest average is 0.0641.

In the variable dividend policy the average indicator of DPR is 0.5352. The highest average is 0.8986, and the
lowest average is 0.1516. The average indicator is DY 0.0265. The highest average is 0.0493, and the lowest average is 0.0098.

In the company growth variable the average indicator is LnTA 29.1047. The highest average is 30.4492, and the lowest average is 27.6772. The average LnSales indicator is 29.6674, the highest average is 31.3212, and the lowest average is 28.0142

**Inferential Statistics Analysis**

**Outlier Model Evaluation**

Outlier model evaluation is testing how each indicator block relates to other variables. The following is the result of the outlier model test via PLS.

<table>
<thead>
<tr>
<th>Company Profitability</th>
<th>Original Sample (O)</th>
<th>Sample Mean (M)</th>
<th>Standard Deviation(STD EV)</th>
<th>t-Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>NPM</td>
<td>-0.13228</td>
<td>-0.13482</td>
<td>0.018231</td>
<td>7.255389</td>
</tr>
<tr>
<td>ROA</td>
<td>-0.16054</td>
<td>-0.15024</td>
<td>0.054424</td>
<td>2.949833</td>
</tr>
<tr>
<td>ROE</td>
<td>1.236971</td>
<td>1.230799</td>
<td>0.03976</td>
<td>31.11074</td>
</tr>
</tbody>
</table>

Source: Data processed (2018)

Based on Table 3 indicators of NPM, ROA and ROE have a t-statistical value of more than 1.96, each amounting to 7.2554; 2.9498 and 31.1107. These results indicate that the NPM, ROA and ROE indicators are significant as a measure of the company’s profitability.

**Inner Model Evaluation**

The Inner Model Test is used to evaluate the relationship between latent constructs as has been hypothesized in the study.

**Path Analysis Hypothesis Testing**

Table 4 provides an estimated output for testing structural models where the expected results are Ho rejected or sig value <0.05 (t-statistic <1.96).

<table>
<thead>
<tr>
<th>Policy Dividend</th>
<th>Original Sample (O)</th>
<th>Sample Mean (M)</th>
<th>Standard Deviation(STD EV)</th>
<th>Standard Error (STERR)</th>
<th>t-Statistics</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>DPR</td>
<td>0.344012</td>
<td>0.34552</td>
<td>0.017611</td>
<td>0.017611</td>
<td>19.53375</td>
<td></td>
</tr>
<tr>
<td>SY</td>
<td>0.026842</td>
<td>0.026161</td>
<td>0.003137</td>
<td>0.003137</td>
<td>8.557014</td>
<td></td>
</tr>
</tbody>
</table>

Source: Data processed (2018)

Based on Table 1, the DPR and DY indicators have a t-statistical value of more than 1.96, respectively at 11.909 and 85.478. These results indicate that the DPR and DY indicators are significant as a measure of dividend policy.

Based on Table 2, the AG and SG indicators have a t-statistical value of more than 1.96, each of which is 4.446 and 66.639. These results indicate that the AG and SG indicators are significant as indicators of the company’s growth.
positive effect on the profitability of the company. The results of this study in accordance with the findings (Fauzi and Suhadak 2015) showed that dividend policy had a significant and positive effect on profitability in the mining sector listed on the Indonesia Stock Exchange for the period 2011-2013. Also findings (Osoro and Ogeto 2014), (Thafani and Abdullah 2014), (Suhadak 2015), (Kawshala and Panditharathna 2017), that dividend policy has a positive and significant effect on profitability Unlike the results obtained by (Manurung and Kartikasari 2017) Where the results of this study found that partially dividend policy measured by dividend payout ratio and dividend yield did not significantly influence earnings growth. In contrast to the results obtained by (Manurung and Kartikasari 2017) where dividend policy measured by dividend payout ratio and dividend yield does not significantly influence earnings growth. The findings of the research (Kanwal and Hameed 2017) that link dividend policy with profitability indicators obtained a not significant positive value on profitability.

2. Effect of company growth on profitability

The second hypothesis, states that company growth (company growth) has a significant positive effect on profitability.

The results of testing the second hypothesis; obtained that company growth (company growth) has a significant positive effect on profitability in Manufacturing Companies Cosmetics and Household Purposes Sub-Sector. This shows that the higher the company's growth will increase the value of the company’s profitability. This is indicated by the coefficient of 0.02684 with a t-statistical value of 8.557 above the critical value of 1.96, so that this indicates that the higher the level of company growth (company growth) of a company will increase the value of profitability in the Cosmetics and Household Utilities Manufacturing Companies. This shows that the higher the company's growth will increase the value of the company's profitability. This is indicated by the coefficient of 0.02684 with a t-statistical value of 8.557 above the critical value of 1.96, so that this indicates that the higher the level of company growth (company growth) of a company will increase the value of profitability of the company.

Recommendations

a. For Company Management. The results of this study can be used as a consideration of company management to pay more attention to the policies that will be taken by the company in terms of dividend policy, growth and profitability.

b. For investors. Based on this research, investors can invest their funds in companies that have good prospects going forward. Companies that have high dividend policies, high growth, and high profitability.

c. For Further Researchers. For further researchers who have an interest in following up on research in taking the same problem, it is expected to be able to increase the number of indicators taken, other sectors, with more periods or samples so that the results are more accurate.

REFERENCES


