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Difference in dividen policy based on the growth potential of the company

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Abctract. The purpose of the study, The research objective was to determine the difference in dividend policy between companies that have high growth potential with companies that have low growth potential. Research is a quantitative study. Mean difference test is preceded by Common Factor Analysis to analyze which factors in the Investment Opportunity Set can represent the growth ratio of the company so that it can be used to separate companies with high and low growth potential. Furthermore, the analysis is carried out with a regression model to determine the difference in dividend policy on the growth potential of different companies. The results showed that dividend policy proved to be significantly different in policy between companies that grew high and low and followed the pecking order theory.

Keywords. Dividen Policy, Growth Potential of the Company.

JEL. F43, N10, O10.

1. Introduction

The company's growth is the hope of the company owner. All the owners of the company are essentially making investments just to increase the value of wealth which in this case is proxied by the value of the company. For each investor, the prospect of a company that has high growth potential benefits because the invested investment is expected to get a high return in the future. Opportunities for corporate growth can be proxied by various combinations of investment opportunities or referred to as Investment Opportunity Sets (IOS), Jiambalvo & Rajgopal (2002: 117–145).

Based on data from the Statistics Central Bureau, the level of investment realization from 2013-2017 in Indonesia has continued to increase. This shows that the company's growth in Indonesia is relatively increasing. Its growth is in the range of 12.4 sd 12.9% per year. This gives a significant impact that is appreciated by outside investors. This can be seen from the data released by UNCTAD (2017) which shows an increase in the ranking of world investment destinations 2016-2018. Up 4 positions from 2014-2016 in the 8th rank to 4th in 2016-2018. This shows that the growth potential of

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companies in Indonesia is increasingly attracting investors both at home and abroad.

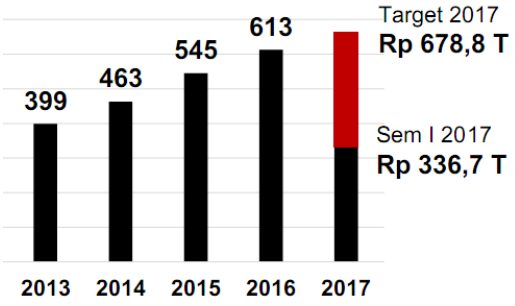

Figure 1. *Economic Chart*

This increase is relatively evenly distributed throughout Indonesia with a significant increase in Sulawesi Island and Sumatra. There was an increase of 189% in Sulawesi and 87% in Sumatra. This is if it makes the realization of investment figures and the number of TKIs directly absorbed. The biggest contributor is the industrial sector 48%, with a total investment of 717.5 T. While the electricity, gas and water sector 147.6 T; Mining 142.2 T; Transport, Warehouse and Telekom 125.5 T; Food Crops and Plantations 99.5 T. Total investment in the 2015-2017 period 1,494.9 T.

Such investment growth certainly must be supported by good funding sources. In meeting its investment needs the company is faced with two choices, whether fulfilling its needs with funding decisions or using dividend policy? The Pecking order theory explains why companies will determine the most preferred source hierarchy. Suad Husnan (2010: 324-325) states Pecking Order Theory as follows, The theory is propounded by Myers & Majluf (1984) and Myers (1984). This theory tries to explain the funding decisions taken by the company. In summary the theory states that (Brealey & Myers, 1991): Companies like internal financing (funding from the results of company operations); The company tries to adjust the targeted dividend distribution ratio, by trying to avoid changes in dividend payments drastically; Relatively reluctant dividend policies to be changed, accompanied by fluctuations in unpredictable profitability and investment opportunities, result in sometimes operating proceeds exceeding the needs and investment, although on other occasions, it may be lacking.

In accordance with this theory, there is no target of a debt to equity ratio, because there are two types of own capital, namely internal and external. Own capital comes from within the company is preferred over own capital from outside the company. Pecking order theory explains why profitable companies borrow in small amounts. This is not because they require little external financing. Companies that are less profitable will tend to have larger debt for two reasons, namely (i) insufficient funds, and (ii) debt is the preferred external source.

Various studies on the Investment Opportunity Set (IOS) have been carried out both at home and abroad. A number of studies have been

conducted but there are differences in the findings of Fijrijanti & Hartono (2000: 851-877) finding that companies that grow have lower funding policies than companies that do not grow and in terms of dividend policies found that companies that grow pay lower dividends than companies that don't grow. On the other hand, Iswayuni & Suryanto (2002: 120-148) state that there is no significant difference between growing companies and companies that do not grow in terms of funding policy making, dividend policy, response to changes in prices, and trading volume. The results of this study indicate that there is conflict so that it indicates that further research needs to be done on the analysis of differences in funding policies and dividend policies in companies that have high growth potential and companies with low growth potential. Whereas Herdinata's research (2009, 237-248) found differences in funding policies between companies that have high growth potential and companies that have low growth potential, where the level of corporate debt that has the potential to grow is higher than companies that have low growth potential. This means that companies with high growth potential have more debt than companies with the potential to grow low, because companies with high potential growth are thought to have high investment opportunities, so that high funding is needed which is not enough if it is only funded from the internal company. There are differences in dividend policy between companies that have high growth potential and companies with the potential to grow low, where dividend yields of companies with the potential to grow are higher than those of companies that have low growth potential. This explains that companies that have a high growth potential need funds to finance their investments so they decide to pay low dividends.

These studies show a contradiction so that it is still necessary to re-examine the analysis of differences in funding decisions and dividend decisions between companies that have high growth potential and companies that have low growth potential.

2. Theory and literature

Capital structure theory has evolved over time. Capital structure is a comparison or balance of long-term debt to own capital. According to Weston & Copeland (1996) said that the capital structure is permanent financing consisting of long-term debt, preferred stock, and shareholder capital. The development of capital structure theory starts with the emergence of The Net Income Approach (the net income approach), The Net Operating Income Approach, and the Traditional Approach. The approach to net income assumes that investors capitalize or value a company's profit with a constant capitalization rate and the company can increase the amount of debt with a constant cost of debt. Because the cost of share capital and the cost of debt are the same, the greater the debt the company uses, the lower the cost of the weighted average capital. If the weighted capital cost is getting smaller as a result of the use of debt, the

value of the company will increase. The problem is whether in reality there are companies that can obtain financing with 100% debt.

The net operating income approach assumes that investors have different reactions to the use of debt by the company. This approach sees that the weighted average capital cost is constant regardless of the level of debt used by the company. First, it is assumed that debt costs are constant as in the Net Income approach. Secondly, the greater use of debt, by the owners of their own capital, is seen as an increase in the company's risk. Therefore the level of profits required by the owners of their own capital will increase as a result of increasing company risk by debt. The consequence is that the cost of weighted average capital does not change and in this situation capital structure decisions become insignificant. The traditional approach is assumed in this approach that up to one particular leverage, the risk of the company does not change, so the cost of capital both debt (Kd) and shares (Ke) is relatively constant. But after a certain leverage or ratio, the cost of debt and the cost of own capital increases. The increase in the cost of own capital will be even greater and will even outweigh the decrease in costs due to the use of cheaper debt. As a result, the weighted capital cost initially decreases and after certain leverage will increase. Therefore the value of the company initially increases and then decreases as a result of increasing use of debt. Thus according to this traditional approach there is an optimal capital structure for each company.

In 1958, capital structure theory underwent a development, with the introduction of modern capital structure theory by Franco Modigliani & Merton Miller (MM) using two approaches. MM theory approach without tax:

a. Preposition 1

MM believes that the value of each company is nothing but a capitalization of expected net operating income or expected net operating income (NOI = EBIT) with a constant capitalization rate (Ko) that matches the level of risk of the company.

b. Preposition 2

MM argues that the cost of the company's own capital that has leverage is the same as the cost of the company's own capital which does not have the leverage plus the premium risk. Where the size of the risk depends on the difference between the cost of own capital and the cost of debt of companies that do not have leverage multiplied by the amount of debt.

c. Preposition 3

MM believes that companies should invest in new projects as long as the value of the company increases at least as much as the investment cost.

MM theory approach if there is tax:

a. Preposition 1

MM believes that the value of a company that has leverage equals the value of a company that does not have leverage plus the value of tax protection. The value of this tax protection is equal to the company's income tax multiplied by the company's debt.

b. Preposition 2

MM argues that the cost of the company's own capital that has leverage is equal to the cost of capital of a company that does not have leverage plus premium risk. The amount of the risk premium depends on the size of the debt and the difference in the cost of the company's own capital which does not have the leverage and cost of debt.

c. Preposition 3

Just as in conditions where there is no tax, companies should invest as long as they meet the requirements.

This MM theory approach is done by the existence of corporate income tax and individual income tax. This approach is the same as the previous approaches except that in this approach, we include the value of corporate income and individual income tax.

The emergence of MM theory is very useful for the development of capital structure theory, although this theory is less relevant because of the use of perfect capital market assumptions, whereas in reality the capital market is imperfect. Evidence of this imperfection includes tax, transaction costs, asymmetrical information, bankruptcy costs, and changes in the cost of debt when the proportion of the amount of debt changes (Husnan, 2010). Therefore, the development of the next capital structure theory is by changing assumptions, so that they are closer to the real conditions. The weakness of previous theories was corrected by the emergence of the Trade Off Theory and the Pecking Order Theory.

The Trade off theory explains the relationship between taxes, the risk of bankruptcy and the use of debt caused by capital structure decisions taken by the company (Brealey & Myers, 1991). This theory is a balance between profits and losses on the use of debt, where in the tax state the value of the company will rise at a minimum with minimal capital costs. This theory states that the optimal capital structure is obtained when there is a balance between the benefits of tax shield of leverage and financial destress and agency cost of leverage.

Leverage is the amount of debt used to finance / buy company assets. Companies that have debt greater than equity are said to be companies with high leverage (Fakhruddin, 2008). The level of profit and tax of a company has a positive relationship, so that the company has the motivation to reduce corporate tax, which among others can be done by increasing its debt. In this case the debt acts as a tax deduction (tax shields), because it can reduce the tax that must be paid by the company in the form of interest payments to the party giving the debt.

Financial distress, means the difficulty of funds to cover company liabilities or liquidity difficulties that begin with mild difficulties to more serious difficulties, namely if the debt is greater than the asset. Indicators that show whether a company is experiencing financial distress are characterized by, among other things, layoffs or loss of dividend payments, and smaller cash flows than long-term debt (Whitaker, 1999).

Pecking order theory assumes that the company aims to maximize the welfare of shareholders. The company seeks to issue the first securities from the internal, retained earnings, then the lowest risk and last debt equity (Myers, 1984). Pecking order theory predicts that external debt funding is based on internal funding deficits. The pecking order theory model focuses on corporate manager motivation, not on the principles of capital market valuation. Pecking order theory reflects the problems created by asymmetric information. The rationale is based on the following explanation (Meyers, 1984). Managers know more about companies than outside investors, but they are reluctant to issue shares when they believe their shares are undervalued. Investors understand that managers know more and they try to publish in a timely manner. Managers interpret the decision to issue equity as bad news, and the company can issue equity only at a discounted price. Companies that work based on the philosophy of pecking order theory and require external equity may not take advantage of good investment opportunities, because stocks cannot be sold at "fair price".

According to Myers (1996) companies prefer the use of funding from internal capital, namely funds originating from cash flow, retained earnings and depreciation. The order of the use of funding sources by referring to packing order theory is an internal fund, debt, and equity.

Smith & Watts (1992: 263-292) explain that IOS is a component of corporate value that comes from the choice to make investments in the future. Research by Kallapur & Trombley (1999: 3-5) states that IOS companies influence the way companies are valued by managers, owners, investors and creditors. While Kole (1991) explain that the IOS value depends on expenditures by future management and is now expected to provide returns greater than the cost of capital. Even related to stock price movements, Khanna & Palepu (1999) state that IOS is the dominant factor. From the definition above, it can be interpreted that the IOS contains two terms. First, IOS is an investment decision by the company to provide positive growth, so that IOS is considered a growth prospect. Second, IOS is the company's ability to determine the type of investment to be made. For companies that are not able to choose the right investment, expenditure will be higher than the value of the opportunity lost. Therefore, it can be concluded that IOS is the relationship between current expenditure and future value / return / prospect as a result of investment decisions to generate shareholder value.

Company value is a combination of asset in place and future investment options. The future investment option is not only indicated by the existence of projects supported by research and development activities, but also the company's ability to exploit opportunities to take advantage more than other companies in an industry group.

The company's ability cannot be measured with certainty or cannot be observed. Therefore, a proxy for the growth of the company was developed, hereinafter referred to as the IOS Proxy. This study uses five

IOS proxies according to those used by Subekti & Kusuma (2000: 356-370); AlNajjar & Ahmed (2001: 72-99), namely book value of plant, property, and equipment to asset ratio (MVE / BVA), MVA / BVA market to book of asset ratio, market to book of equity ratio (MVE / BE), price earnings ratio (PER), and capital book of asset ratio (CAP / BVA).

In measuring the Investment Opportunity Set, Kallapur & Trombley (2001) classify three measurement methods:

Price-based Investment Opportunity Set measurement

This method states that the company's growth prospects are partly expressed in prices and the company's growth prospects are partially expressed in stock prices and growing companies will have a relatively high market value for asset in place compared to companies that do not grow. The ratios that have been used in several studies relating to market proxies are as follows:

Book value of plant, property, and equipment to asset ratio (PPE / BVA), PPE / BVA ratio is used based on the PPE / BVA rationale that the company's growth prospects are reflected in the amount of fixed assets owned by the company. The formula used is as follows:

PPE / BVA = (Book Value of Equipment and Machines) / (Book Value of Assets)

Market to Book Value Assets (MVA / BVA), this ratio describes the combination of assets in place with investment opportunities. Therefore, the higher the MVA / BVA ratio, the higher the investment opportunity the company has in relation to the assets in place. The formula used is as follows:

MVA / BVA = (Amount of Assets - Amount of Equity + (Outstanding Stock x Price of closing of Shares)) / (Amount of Assets)

Market to Book Value Equity (MVE / BVE), this ratio is used with the rationale that MVE / BVE reflects that the market assesses the return on the company's investment in the future will be greater than the expected return on its equity. The formula used is as follows:

MVE / BVE = (Outstanding Stock x Closing Price) / (Total Equity)

Investment-based Investment Opportunity Set Measurement

The IOS-based investment proxy is a proxy that believes in the idea that a high level of investment activity is positively related to the IOS value of a company. The ratio to be used in this study are:

Capital Additions to Book Assets Value (CAP / BVA), this ratio is used with the premise that the greater the capital increase made by the company, the higher the level of investment made by the company. The CAP / BVA ratio can be calculated in the following ways:

CAP / BVA = (Additional share capital in 1 year) / (Total assets)

Measurement of Opportunity Set Investment based on variants

This method reveals that an option will be more valuable if it uses size variability to estimate the size of the growing options, such as the variability of returns underlying the increase in assets. Measures used in

several studies include: Varriance of Total Return (VARRET) and Beta Asset (BETA).

The valuation ratio provides information on how much the community values the company, so that people are interested in buying shares at a price higher than the value of the book. We use this ratio in this study to understand how the community, whether considering a share price that is higher than the price of its book, is one indication of a good growth of the company? In the study used the PER ratio. Price earnings ratio (PER), this ratio is to measure how much the ratio of the company's stock price to the profits obtained by shareholders. Price Earning Ratio can be calculated as follows:

PER = (Market price per share) / (Earning per share)

This study alone decided that it would only use book value of plant, property, and equipment to asset ratio (MVE / BVA), MVA / BVA market to book ratio, asset to equity ratio (MVE / BE), price earnings ratio (PER), and the capital book of asset ratio (CAP / BVA) in an effort to understand IOS.

Dividend policy is a policy whether the profits obtained by the company will be distributed to shareholders as dividends or will be held in the form of retained earnings for future investment financing? Retained earnings are one of the most important sources of funds to finance the growth of the company, while dividends are cash outflows paid to shareholders. Dividends are the value of the company's net income after tax minus retained earnings distributed to shareholders as profits from company profits. Dividend payout ratio is a ratio between dividend per share (DPS) and Earning Per Share (EPS).

Based on Indonesian law (Law No. 40 of 2007 concerning Limited Liability Companies), decisions on dividends are made by shareholders through the General Meeting of Shareholders on the recommendation of the Board of Directors. Companies can announce dividend distribution every year if they have a positive income. Before the expiration of a financial year, interim dividends can be distributed as long as it is permissible based on the articles of association and if the interim dividend distribution does not result in the amount of net assets being smaller than the total issued and paid up capital and taking into account the provisions regarding mandatory reserve provisions as required by law (Compulsory Reserves). The distribution of interim dividends is determined by the Board of Directors after first being approved by the Board of Commissioners.

If a decision has been made to pay dividends, the dividend will be paid in Rupiah. Shareholders on the date of recording that are valid are entitled to a full amount of the approved dividends, and can be subject to applicable income tax in Indonesia. Dividends received by a foreign shareholder will be subject to a maximum Indonesian income tax of 20%. There are two indicators commonly used to measure a company's dividend policy (Warsono, 2003: 275), namely:

The Dividend Yield is a ratio that connects dividends paid to the price of ordinary shares of the company. Systematically, dividend yield can be formulated as follows:

Dividend Yield = (Share Dividend) / (Share price)

Some shareholders use dividend yield as a measure of risk and as an investment filter. The shareholders will strive to invest their funds in stocks that produce high dividend yield.

The dividend payout ratio is the second indicator used to measure dividend policy. Dividend payout ratio is the ratio of the ratio between dividends and profits available to ordinary shareholders. Systematically, the dividend payout ratio can be formulated as follows:

Dividend payout ratio (DPR) = Dividend / (Profit available to ordinary shareholders)

Dividends can also be used by managers as a single sign of future corporate prospects (Bhattacharya, 1979), (Miller & Rock, 1985) in (Mougoue & Mukherjee, 1994). The increase in dividends is perceived by investors as a positive sign of the company's current condition and bright prospects in the future. Conversely, a decrease in the amount of dividends that are distributed (divident cut) implies a decline in the condition of the company in the future because there are no new investment activities so that most of the retained earnings are allocated for payment of dividends.

Companies that have high growth have the opportunity to pay lower dividends because they have a profitable opportunity to fund their investments internally, so they are not motivated to pay a greater share of profits to investors. Conversely, low-growth companies try to attract outside funding to fund their investments by sacrificing a large portion of their profits in the form of dividends. The statement was supported by Sulistyowati (2010) who argued that companies that have investment opportunities would prefer internal funding rather than external, as a result dividend policies put more emphasis on small dividend payments.

This ratio is to measure how much profit dividends can be generated from investments in shares. The Dividend Yield can be calculated as follows:

Dividend Yield = (Market price per share) / (Earning per share).

3. Data set and method

Research is a quantitative study. The average difference test is preceded by Common Factor Analysis to analyze which factors in the Investment Opportunity Set (IOS) can represent the company's growth ratio so that it can be used to separate companies with high and low growth potential. Furthermore, an analysis with a regression model is carried out to find out if there are indeed differences in funding decisions and dividend policies on the growth potential of different companies.

The population in this study are all public companies listed on the Indonesia Stock Exchange. The sample in this study were public companies listed on the Indonesia Stock Exchange which were selected by purposive

sampling method, namely samples were chosen based on the suitability of the characteristics of the sample according to the sample selection criteria determined as follows:

1. The company is listed on the IDX for five years, the period 2013 to 2017;
2. The company is not a financial institution, banking, insurance, or government company with reasons to anticipate the influence of certain regulations that are characteristic that can affect variables in research;
3. The company publishes financial statements throughout the research period in full;
4. The company does not have negative profits or suffer losses in the study period.

Based on these criteria, the number of companies studied is 196 companies listed on the IDX. With the distribution of the largest head office in Jakarta as many as 149 companies.

The data used in this study are secondary data which includes financial statement data, dividends, stock closing prices, the number of outstanding shares obtained from the Indonesian Capital Market Directory (ICMD).

Table 1. *Research Variable Measurement*

Variable	Measurement
Investment Opportunity Set (IOS)	1.PPE / BVA = (book value of fixed assets): (book value of total assets) 2.MVA / BVA = (total assets - total equity + (total outstanding shares x stock closing price)): (total assets) 3.MVE / BVE = (number of outstanding shares x stock closing price): (total equity) 4.PER = (stock closing price): (earnings per share) 5.CAP / BVA = (additional share capital in 1 year): (total assets)
Dividend Policy	DY = (Dividend per share: stock closing price)

$$H_0 DY_{ptt} = DY_{ptr} \quad (1)$$

$$H_1 DY_{ptt} \neq DY_{ptr} \quad (2)$$

Testing for the hypothesis is using a different mean test. The mean difference test is used to compare the two groups' averages whether there are differences between the two. If the comparison of the two groups on average is less than 0.05, it can be said that the two groups differ significantly. Testing is done by the following Mean Difference Test formula:

$$Ttest = \frac{X_1 - X_2}{\sigma\, x_1 - x_2} \quad (3)$$

$$\sigma\, x_1 - x_2 = \sqrt{\frac{S^1}{n_1} + \frac{S^2}{n_2}} \quad (4)$$

4. Findings

To analyze funding decisions and dividend policy, Common Factor Analysis will be carried out first.

Table 2. *Common Factor Analysis*

IOS	PPE/BVA	MVA/BVA	MVE/BVE	CAP/BVA	PER
Communalities	0,633	0,799	0,823	0,546	0,853
Faktor	1	2	3	4	5
Eigen values	1,633	1,017	1,004	0,955	0,391
Faktor / IOS	PPE/BVA	MVA/BVA	MVE/BVE	CAP/BVA	PER
1	0,891	0,818	0,341	0,205	0,108
2	-0,069	-0,389	0,717	0,541	0,231
3	0,023	-0,043	0,040	-0,461	0,888

Grouping samples into two groups, namely companies that have high growth potential and potentially low-growth companies using factor analysis. Factor analysis is used because it can identify latent dimensions or form representations of the original variables. Table 2 shows the common factor results of an analysis of the IOS proxy as a proxy for company growth. Communality is the number of variants of the original variables divided into all variables included in the analysis.

Based on this data, it can be seen that the investment opportunity set price measurement (PPE / BVA and MVA / BVA) shows the ability to explain the company's growth potential rather than other measurement methods. This method states that the company's growth prospects are partly expressed in prices and the company's growth prospects are partially expressed in stock prices and growing companies will have a relatively high market value for assets in place compared to companies that do not grow.

For the description of statistical data on the basis of potential growth which is proxied by Book value of plant, property, and equipment to asset ratio (PPE / BVA) we can see the funding decisions and dividend policy as follows:

Table 2 presents the results of the descriptive analysis on the basis of the Book value of plant growth, property, and equipment to asset ratio (PPE / BVA) proxy for the variables used in this study. The data in this table consists of funding decision variables (DER), variable dividend policy (DY). In companies with the potential to grow high in DER, an average of 1.79 is obtained, meaning that a company with a high growth potential has a debt that is far greater than its capital, whereas a company with a potential for low growth has a DER average of 0.72, meaning non-growing companies have debts that are smaller than the capital they have in the funding structure. Companies with high potential to grow have an average dividend yield of 0.74, whereas those with a low growth potential have an average dividend yield of 1.71 Dividend yields of companies with high potential to grow are lower than those of companies that have low growth potential. This shows that companies with high growth potential pay lower dividends than companies that have low growth potential.

For the description of statistical data on the basis of potential growth, we can see the market to book of asset ratios (MVA / BVA) dividen policy as follows:

Companies with high potential to grow have an average dividend yield of 1.16, while those with a low growth potential have an average dividend yield of 1.29 Dividend yields of companies with high potential to grow are lower than those of companies that have low growth potential. This shows that companies with high growth potential pay lower dividends than companies with high growth potential.

Testing the hypothesis to find out whether there are differences in dividend policy between companies that have high growth potential and companies that have low growth potential. First, it will be tested with a Book value of plant, property, and equipment to asset ratio (PPE / BVA) database. Test results are obtained as follows:

Table 3. *Mean Difference Test on Dividend Policy (PPE / BVA database)*

Variable	The type of company	N	Mean Difference Test		
			Mean	t count	Sign (2 tailed)
DY	Grow High	490	0,74	-2,768	0,006
	Low Grow	490	1,71		

The second will be tested with a Market to book of asset ratio (MVA / BVA) database. Test results are obtained as follows:

Table 4. *Mean Difference Test on Dividend Policy (MVA / BVA database)*

Variable	The type of company	N	Mean Difference Test		
			Mean	t count	Sign (2 tailed)
DY	Grow High	490	1,16	-0,353	0,725
	Low Grow	490	1,29		

The results of testing the second hypothesis show that the PPE / BVA dividend policy has different averages for companies that have the potential to grow a high average of 0.74 DY while those that have the potential to grow low are 1.71 but the sig value is 0.006 <0,05 means that the difference in dividend policy between companies that have the potential to grow high and low is significantly different when proxied by PPE / BVA. While the results of the testing of the next hypothesis show that the dividend policy with MVA / BVA database has different averages for companies that have the potential to grow an average height of 1.16 DY while those that have the potential to grow low are 1.29 but the sig value is 0.725>0,05 means that the difference in dividend policy between companies that have the potential to grow high and low is not significantly different.

Dividend policies of high-growth companies pay lower dividends because they have a profitable opportunity to fund their investments internally, so they are not motivated to pay a greater share of profits to investors. Conversely, low-growth companies try to attract outside funding to fund their investments by sacrificing a large portion of their profits in the

form of dividends. These two behaviors of increase and decrease if only read by using a study of dividend policy alone will make investors misdirected. Because, in theory the provision of large dividends as if showing the amount of profits generated by the company so that he is able to provide greater dividends. Conversely, if the company provides smaller dividends, it shows as if the profits obtained by the company decrease so that it is unable to provide greater dividends, or at least maintain its dividend policy. Information asymmetry on this dividend policy is also sought by financial managers not to occur. So that many companies try to maintain their dividend policy or at least provide a more smooth dividend policy. However, it means that the best for readers of dividend policy and / or investors and potential investors is not to read dividend data singly. But also read the company's investment data.

Eli Safrida (2014, 289-299) shows that there is a significant effect between profitability and dividend policy. This shows that investment activities will indeed affect dividend policy. Although there are actually inconsistencies in the results of several research results on whether the dividend policy is a policy determined on the basis of the results of the investment? Or is it simply the residual policy of the funding decision?

This study shows that the influence of a very large investment decision on the policies taken by the company. So that the increase, decrease and fixed dividend policy are strongly influenced by the company's investment decisions. Not only by the profits that the company has made in the current year. So that looking at dividend policy as a residual policy also becomes incorrect. Finally, this study shows that investment decisions, funding decisions and dividend policies are not residual policies for each. But both are carefully considered by financial managers to provide correct information about the state of the company to others. This research finally provides perspective and other evidence from the Signaling Hypothesis theory on dividend policy. Dividend policy is proven to signal a possible investment in the future which means giving a prediction on the amount of profit that will be obtained by the company. So these three decisions / policies have the same effect on each other.

5. Conclusion

Dividend policies proved to be significantly different in policies between companies that grew high and low and followed the pecking order theory. To get more in-depth research results researchers suggest further research using confirmatory analysis on the Investment Opportunity Set (IOS).

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