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The Impact of Company Growth and Company Size on Dividend Policy in Automotive and Component Sub-Sector Companies Listed on the Indonesian Stock Exchange During the Period 2020–2023

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ABSTRACT

This research seeks to examine and evaluate how corporate growth and firm size influence dividend policy among manufacturing companies in the automotive and components subsector from 2020 to 2023. The study employs a quantitative methodology and focuses on 18 manufacturing firms in the automotive and components subsector that are publicly traded on the Indonesia Stock Exchange during the specified timeframe. Through purposive sampling methods, the researchers selected 15 companies from this subsector for analysis. The analytical approach utilized multiple linear regression analysis conducted with SPSS version 19 software. The findings reveal that corporate growth does not significantly impact dividend policy decisions, whereas firm size demonstrates a positive and statistically significant influence on dividend policy. When examining the combined effect of both variables, the results indicate that company growth and firm size together influence dividend policy, though this collective impact lacks statistical significance.

Keywords: Company Growth, Company Size, Dividend Policy

1. Introduction

Today's business world is developing very rapidly, with many companies making efforts to attract consumer attention because consumers are one of the keys that ensure the level of industrial development. This certainly requires each company to be able to survive and adapt to all changes and human needs that are increasing day by day. Each industry competes to produce goods and/or services that are superior and have high selling value compared to their competitors, as an effort to meet consumer demands and needs to obtain high-quality commodities (Rivandi & Indriati, 2022).

Companies in the automotive and components sector are included in the list of manufacturing companies that have undergone progress and expansion in Indonesia at the Indonesia Stock Exchange. The automotive and component sub-sector has a very increasing market share. Indonesia has a thriving automotive and component sub-sector with numerous companies meeting high market demands. As this industry continues to expand, Indonesia has a promising market for growth. Consequently, these companies stand to benefit from growing sales and increased profits (Fitriani, 2019).

Rapid technological development requires entities to be more developed and innovative in facing competition. Companies will maximize their operational activities to develop their companies. To maximize

company operational activities certainly requires large funds or capital. This capital can be obtained from external company investment, among other sources. Investment is an activity of investing capital or funds with the desire to obtain future profits (Setyawan, 2022).

This makes the automotive and component sub-sector require a lot of external funding. Because Indonesia has wide-open market potential in the automotive industry, this is a good opportunity for industry players so they can attract many local and foreign investors to invest their capital in the capital market. This research aimed to examine and evaluate how corporate growth and firm size influence dividend policy among manufacturing companies in the automotive and components subsector from 2020 to 2023.

2. Literature Review

2.1. Financial Statements

Financial statement analysis is an end result of accounting procedures that produce estimates about a condition of financial situation, business results, and changes in financial condition of a company. Studying financial reports can offer a glimpse into the fiscal well-being of a business, assisting in decision-making by offering a clearer understanding of its financial position (Safhira & Darwis, 2022). Financial statements are documents that detail the financial transactions of a business or organization over a period of one year. These statements can be compiled by management to show responsibility for various tasks and to meet external reporting requirements. Financial statements serve as a tool that can be used to obtain information about the position of financial statements and as a result of how far the company's cooperative achievements are in one year. From Munawir's opinion, it can be concluded that financial statements are records or activities in companies in the form of numbers that contain important information and conditions where company performance runs well in one cooperative year (Ayu et al., 2021).

2.2. Dividend Policy

Dividends can be distributed to shareholders based on the number of shares they own. Dividend policy involves deciding how to allocate company earnings among shareholders. Higher dividend payments indicate good company prospects, thus receiving positive feedback from investors to buy shares, which can increase company value (Oktaviani & Mulya, 2018). Dividend policy can be defined as a decision that regulates the portion of company income allocation for company interests that will be reinjected as capital (reinvestment) or decided to be saved (retained) and the portion that will be distributed back to shareholders. Based on this definition of dividend policy, it can be said that the interests of shareholders and company interests form the basis of dividend policy (Goldwin & Handayani, 2022).

2.3. Company Growth

Company growth is an annual change in assets from total assets (Hutomo et al., 2020). In order to determine growth, one must calculate the percentage change in total assets from the previous year to the current year (Gunawan & Harjanto, 2019). Company growth is measured by dividing the difference between current year total balance sheet and previous year total balance sheet by previous year total balance sheet (Nai et al., 2022). Growth refers to how well a company establishes its presence in the broader economic context or within the specific industry's economic landscape. In this research, asset change serves as the metric for assessing growth, indicating whether a company's total assets have increased or decreased (Fajriah et al., 2022).

2.4. Company Size

The size of a business can indicate how well it is doing. When companies are bigger, they often rely on loans to grow and expand. Larger companies benefit from greater access to capital markets, which facilitates the acquisition of external funding. This accessibility, coupled with increased operational flexibility, often leads to a greater reliance on debt to meet the firm's expanding financial needs (Zalfi et al., 2023). Company size is indicated by the total assets it holds, which serve as the basis for measurement in this analysis. Well-established large corporations have a distinct advantage in accessing capital markets over smaller companies. They have greater flexibility and ease in securing needed funds. These large corporations with widely traded shares may also be more inclined to seek funding from foreign sources. This enables them to confidently issue new shares to support their operational and financial requirements (Hidayat et al., 2022).

3. Methodology

This research is conducted on companies operating in the Automotive and Component Sub-Sector that were publicly listed on the Indonesia Stock Exchange from 2020 to 2023. Using a quantitative research design, the study analyzes a sample of 60 financial report entries. The data collection method used by researchers is documentation study. This documentation study is obtained by reading, recording, collecting, and analyzing data and information contained in available reports or documents. In this study, various techniques including multiple linear regression analysis, hypothesis testing, determination of coefficients, and testing of classical assumptions were employed for data analysis.

4. Results and Discussion

4.1. Classical Assumption Test

The study's classical assumption testing includes assessments for normality, multicollinearity, and heteroskedasticity. The table below presents the research findings:

Table 1. Classical Assumption Test Results

Assumption Test Type	Test Method	Decision Criteria	Test Results	Conclusion
Normality Test	Kolmogorov-Smirnov Test	Sig. >0.05 (normal data)	Asymp Sig (2-tailed)= X1=0.017, X2=0.70, Y=0.06	Data is normally distributed
Multicollinearity Test	VIF (Variance Inflation Factor) and Tolerance	VIF < 10 and Tolerance >0.1	VIF X1= 1.006, VIF X2=1.006, Tolerance X1= 0.994, X2=0.994	No Multicollinearity
Heteroskedasticity Test	Scatter Plot	Points scattered randomly with no clear pattern	Points on scatterplot scattered randomly	No Heteroskedasticity
Autocorrelation Test	Model Summary	Using Durbin Watson test	DW=1.277, Located between -2 and +2	No Autocorrelation

Source: Data processed with SPSS version 19

4.2. Normality Test Results

The two-tailed asymptotic significance value in table 1 is 0.70, surpassing the threshold of 0.05. This indicates that the data follows a normal distribution, aligning with the rationale for conducting the Kolmogorov-Smirnov normality test as previously discussed.

4.3. Multicollinearity Test Results

According to the table, the VIF and tolerance values for each independent variable fall within acceptable limits (VIF < 10; tolerance > 0.10), thereby indicating that multicollinearity does not affect the regression model, suggesting that there is no evidence of multicollinearity among the variables.

4.4. Heteroscedasticity Test Results

The heteroscedasticity test results reveal a random and patternless distribution of data points, indicating that the regression model is free from heteroscedasticity issues.

4.5. Autocorrelation Test Results

The D-W statistic value of 1.277 indicates that there is no evidence of autocorrelation in the study, as it falls within the range of -2 to +2 where positive or negative autocorrelation would be expected.

Table 2. Multiple Linear Regression Analysis Test, Hypothesis Test Results

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.058	.264		4.007	.000
	x1	.092	.189	.062	.486	.629
	x2	-.030	.010	-.394	3.083	.003

a. Dependent Variable: y

Source: Data processed with SPSS version 19

Table 3. R Square Test Results

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.394 ^a	.155	.123	.30327877

a. Predictors: (Constant), x2, x1

b. Dependent Variable: y

Source: Data processed with SPSS version 19

4.6. Multiple Linear Regression Analysis

From the regression findings illustrated in the preceding table, the following equation is obtained:

$$Y = 1.058 + 0.092X_1 - 0.030X_2 + e$$

The regression equation can be interpreted as follows:

- 1) Constant (a): A value of 1.058 for the constant suggests that, in the absence of company growth and company size effects, the dividend policy stands at 1.058.
- 2) Company Growth Variable Regression Coefficient (X1): The estimated regression coefficient of 0.092 suggests a positive relationship, wherein each 1% increase in Company Growth leads to a 0.092 unit rise in the dividend policy.
- 3) Company Size Variable Regression Coefficient (X2): The estimated coefficient of -0.030 implies an inverse relationship, whereby each 1% rise in company size corresponds to a 0.030 reduction in dividend policy.

4.7. Coefficient of Determination (R²)

The adjusted R Square of 0.155 in the model indicates that only a small percentage (15.5%) of the changes in dividend policy can be attributed to company growth and size. The remaining 84.5% of the variations can be attributed to factors not considered in this study, such as debt policy, profitability, and liquidity.

4.8. Hypothesis Testing with Partial Significance Test (T-Test)

4.8.1. Effect of Company Growth on Dividend Policy

The study determined that there is no strong correlation between company growth, measured by the rise in total revenue from the previous year to the current year, and dividend policy. Evidence for this can be seen in the t-count of 0.486, which is lower than 1.672, and a significance value of 0.629, which is higher than the accepted threshold of 0.05. Accordingly, the hypothesis is not accepted. The research results demonstrate that the level of company growth, whether high or low, does not influence the dividend payout ratio. This suggests that firms tend to distribute dividends without reference to their growth rate, indicating that dividend policy is formulated separately from investment considerations.

4.8.2. Effect of Company Size on Dividend Policy

Company size, as proxied by current year total assets, exhibits a statistically significant and positive effect on dividend policy. This is evidenced by a t-statistic of 3.083 (> 1.672) and a p-value of 0.003 (< 0.05), thereby validating the proposed hypothesis. This positive effect illustrates that large company size guarantees the company will make loans, because large companies tend to use their large assets and debt usage to finance their business activities, thus impacting the proportion of dividends to be distributed to shareholders.

Increased assets followed by increased operational results will increasingly add external parties' trust in the company, making it possible for creditors to be interested in investing their funds in the company.

4.8.3. Hypothesis Testing with Simultaneous Significance Test (F-Test)

It can be inferred from the study that, both company growth and size do not have a substantial combined impact on dividend policy. The comparison of F-count and F-table results reveals that 4.780 is greater than 3.15, indicating that the variables of company growth and size together influence the dividend policy. The data in the table reveals a meaningful p-value of 0.012, suggesting that the factors of company growth and size do not collectively exert a significant influence on the dividend policy.

5. Conclusion

Drawing upon the research findings and discussion, it can be concluded that company growth does not have a statistically significant impact on dividend policy in the automotive and component sub-sector listed on the Indonesia Stock Exchange from 2020 to 2023. However, company size demonstrates a significant influence. Moreover, the combined effect of both company growth and company size proves to be significant in determining dividend policy within the same sub-sector and period.

According to the evidence presented in this study, several recommendations can be proposed to improve the components studied. For researchers, this study serves as comparison material between theories that the author has studied and their application in the field based on data and facts that occur. For companies, so that dividend policy can be well received by investors, companies need to increase transparency in conveying financial information. Presenting growth data and financial performance openly can help investors understand the reasons behind dividend policy decisions. Companies with large size have the potential to obtain better funding access and risk diversification. Therefore, financial management needs to integrate strategies to utilize these advantages by establishing consistent and attractive dividend policies that simultaneously reflect the company's financial health.

For future researchers, this study is limited to automotive and component sub-sector manufacturing companies listed on IDX for the 2020-2023 period that only compile their corporate sustainability reports, so there are still many other objects that can be studied. For future research, it is expected to develop research on objects with more significant samples. This study uses two independent variables: Company Growth and Company Size, and the dependent variable is Dividend Policy. For future research, it is hoped that other financial ratio variables can be added such as debt policy, profitability, liquidity, and income stability.

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