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THE FACTORS THAT INFLUENCE THE DIVIDEND POLICY AND ITS IMPACT ON FUTURE EARNINGS GROWTH OF COMPANY IN CONSUMER GOODS INDUSTRY SECTOR LISTED IN BEI DURING 2010-2014 PERIOD

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Abstract

This study aimed to analyze the factors that influence the dividend policy and its impact on future earnings growth. Variable used include size, leverage, lagged dividend policy, growth, and profitability. This study uses a quantitative approach to the analyze and use two stages least square as a model. This study used a sample of firm in the sector of consumer goods industry that distribute the minimum dividend 2 times on 2010-2014. The results showed that variable size, dividend payment of the previous period, and profitability has a positive and significant impact on dividend policy. While variable growth leverage and significant negative effect on dividend policy. For the second model variables profitability have a significant negative effect on the future earnings growth. While the variable leverage has significant negative effect on the future earnings growth. Other variables such as dividend policy, size, and growth have no significant effect on future earnings growth.

Keyword: Dividend policy, Profitability, Firm growth, Firm size, Financial leverage

Abstrak

Penelitian ini bertujuan untuk menganalisis faktor-faktor yang mempengaruhi kebijakan dividen dan dampaknya terhadap pertumbuhan pendapatan di masa depan. Variabel yang digunakan meliputi ukuran, leverage, tertinggal kebijakan dividen, pertumbuhan, dan profitabilitas. Penelitian ini menggunakan pendekatan kuantitatif untuk menganalisa dan menggunakan dua tahap least square sebagai model. Penelitian ini menggunakan sampel perusahaan di sektor industri barang konsumsi yang membagikan dividen minimum 2 kali pada tahun 2010-2014. Hasil penelitian menunjukkan bahwa ukuran variabel, pembayaran dividen pada periode sebelumnya, dan profitabilitas berpengaruh positif dan signifikan terhadap kebijakan dividen. Sedangkan variabel pertumbuhan leverage dan signifikan berpengaruh negatif terhadap kebijakan dividen. Untuk variabel model kedua profitabilitas memiliki pengaruh negatif yang signifikan terhadap pertumbuhan pendapatan masa depan. Sedangkan variabel leverage berpengaruh signifikan terhadap pertumbuhan pendapatan di masa depan. Variabel lain seperti kebijakan dividen, ukuran, dan pertumbuhan tidak berpengaruh signifikan terhadap pertumbuhan pendapatan di masa depan.

Kata kunci: Kebijakan dividen, Profitabilitas, Pertumbuhan perusahaan, Ukuran perusahaan, Leverage keuangan.

JEL identification: M21

1. Research Background

Dividend policy has been analyzed for decades, but until now the reasons for establishing

a dividend policy by the company that can be universally accepted (Rafique, 2012) have yet to be found. Dividend policy is one of the most difficult topics to solve from 10 financial economics problems (Rafique, 2012). The harder we stare dividend picture, the more it looks like a puzzle, with pieces that do not fit in the same (Black, 1976, in Rafique, 2012). Many researchers who choose the advanced countries as the research object, so that the dividend policy of developing countries rarely encountered in financial literature. Dividend policy in developing countries has different characteristics than the developed countries (Rafique, 2012).

Table 1. Some of the Dividend Policy Test Result

Research (Year)	Independent Variable	Finding
Kajola, Desu, and Agbanike (2015)	Firm growth, firm size, financial leverage, profitability, liquidity, tangibility, dividend volatility	Firm size, financial leverage, profitability, dividendvolati
Leon and Putra (2014)	Corporate tax, firm growth, profitability, cash flow, debt to equity ratio, market to book ratio	Firm growth has negative effect and profitability has positive effect
Rafique (2012)	Current or anticipated earnings, corporate tax, firm growth, firm size, financial leverage, profitability	Firm growth and profitability has positive effect

From Table 1 above, chosen few variables with a minimum of two journals with different research results or used in one study but the results are significant. So, in this study were chosen variables, namely: sales growth, firm size, financial leverage, and dividend payments in the previous period.

Table 2. Some of the Future Earnings Growth Test Results

Researcher (Year)	Independent Variable	Finding
Zhou and Ruland (2006)	Dividend policy, firm size, profitability, firm leverage, past earning growth	Dividend policy and leverage have positive effect, firm size, profitability, and past earning growth have negative effects
Flint, Tan, and Tain (2010)	Dividend policy, firm size, profitability, firm leverage, past earning growth	Dividend policy has positive effect, leverage and past earning growth have negative effects

From Table 2 above, the chosen few variables with a minimum of two journals with different research results and used in one study but the results are significant. So, in this study were chosen variables, namely: dividend payout ratio, size, and financial leverage, profitability.

Table 3. Average Cash Dividend per Share Period 2010-2015

No.	Industry	Average Cash Dividend
1	Agriculture	64,57
2	Mining	76,55
3	Basic Industry and Chemicals	47,93
4	Miscellaneous Industry	83,51
5	Consumer Goods Industry	1313,44
6	Property, Real Estate and Building Construction	12,40
7	Infrastructure, Utilities and Transportation	20,17
8	Finance	35,72
9	Trade, Services and Investment	18,42

Based on Table 3 above, it can be seen that the dividend companies in the industrial sector has an average consumption of the highest compared to companies engaged in other sectors. Terms of assumptions sample selection are a company in the consumer goods industry that distributes dividends for 2 times during the period 2010-2014.

1.2 Literature Review

Here is some literature review either it is a review of theoretical and empirical research that will be used as the basic theory in building a conceptual model of research and develop hypotheses.

1.2.1 Effect of Dividend Policy against Firm Size

Eriotis (2005), in Rafique, (2012) reported that company in Greece each year distributes dividend payout ratio depends on the specified income and the size of the company. Lloyd *et al.,* (1994) in Rafique, (2012) says that the size of the company has no say in determining the dividend payout ratio. They found that a large company is more mature and easier to obtain outside funding (capital market), thereby reducing reliance on internal funding, this has led the company could distribute dividends in larger quantities. In addition, large companies pay dividends in large quantities to reduce agency cost (Lloyd *et al.,* 1985 in Rafique, 2012). Thus, the firm size has a positive relation to the dividend policy.

H1: Firm size has a positive relation on dividend policy.

1.2.2 Effect of Financial Leverage to Dividend Policy

In agency theory said that one of the functions of dividend payment is monitor outcomes of performance management. This supervision will avoid the policy manager to invest in projects that are less profitable. Debt also has the same functionality as dividends in reducing agency cost. With the debt, the debtor will oversee the company, thereby reducing the risks of investing in projects that are less profitable. It can be concluded that while the company has a high debt, the supervisory function of the dividend will be reduced, and vice versa. Therefore, financial leverage has negative effect on dividend policy.

H2: Financial leverage has negative effect on dividend policy.

1.2.3 Effect of Previous Dividend Period on Dividend Policy

Dividend payment set by the company depends not only on current income, but also past earnings and dividend payments during that period (Pruitt and Gitman, 1991, the Sunday, 2015). If the company lowers the amount of the dividend, the company sends a negative signal to the company. So, the number of dividends paid today also influenced the dividend already paid in the previous period. So, we can conclude that there is a positive correlation between previous dividend payments period and dividend payments during this period.

H3: Previous dividend period has positive effect on dividend policy.

1.2.4 Effects of Growth on Dividend Policy

Growth can affect dividend policy. Companies with a high growth rate tend to hold back earnings to make investments rather than distribute them as dividends. Strong growth requires substantial funds, so it can reduce the payment of dividends (Myers, 1984 in Leon, 2014). Amidu and Abor, (2006) found a negative relationship between sales growth and dividend payments. Gill *et al.,* (2010) also found a negative relationship between sales growth dividend policies.

H4: Growth has negative effect on dividend policy.

1.2.5 Effect of Profitability on Dividend Policy

Amidu and Abor, (2006 in Leon, 2014) found that companies with a high level of profitability tend to pay dividends in large numbers. Similar results were found by Pruit and Gitman, (1991) that the profitability has a positive influence on dividend policy. Baker and Powell, (2000) states that companies with high profit level is expected to pay higher dividends than companies that have low profitability level.

H5: Profitability has positive effect on dividend policy.

1.2.6 Effect of Dividend Policy on Future Earning Growth

Jensen, (1986, in Zhou 2006) explains that a manager in a company that has a free cash flow of excess lead managers to over-invest. So that the lower dividend payments resulting a lower growth as well. This is a result of over-investment.

H6: Payment dividend payment has positive effect on future earning growth.

1.2.7 Effet of Firm Size on Future Earning Growth

Chan *et al.,* (2003) found that large companies tend to have a lower growth than small firms. While small companies are more likely to have a higher growth rate than large enterprises. It can be concluded that there is a negative relationship between firm size against future earnings growth.

H7: Firm size has negative effect on future earning growth.

1.2.8 Effect of Profitability on Future Earning Growth

The increasing levels of profitability of the company, the greater the company's retained earnings. If companies choose to reinvest in the growth of companies will be higher. It can be concluded that profitability was positively related to future earnings growth.

H8: Profitability has positive effect on future earning growth.

1.2.9 Effect of Financial Leverage on Future Earning Growth

Brander and Lewis (1986, in Flint *et al.,* 2010) found that the use of debt will lead the company to be more aggressive in investing. Debt has the same properties as dividends in reducing agency cost. The high debt will reduce the level of excess funds that will provide a signal about the company's future cash flow. Therefore, we can conclude high debt will affect the future high earnings growth.

H9: Financial leverage has positive effect on future earning growth.

1.2.10 Effect of Past Earning Growth on Future Earning Growth

Little, (1960) states in the theory of "*higgledy piggledy Growth",* the company that grew rapidly during this period, the next period will grow faster as well. So, if past earnings growth increases, future earnings growth will also increase. If past earnings growth is declining, future earnings growth will also be reduced. It can be concluded that past earnings growth positive effect on future earnings growth.

H10: Past earning growth has positive effect on future earning growth

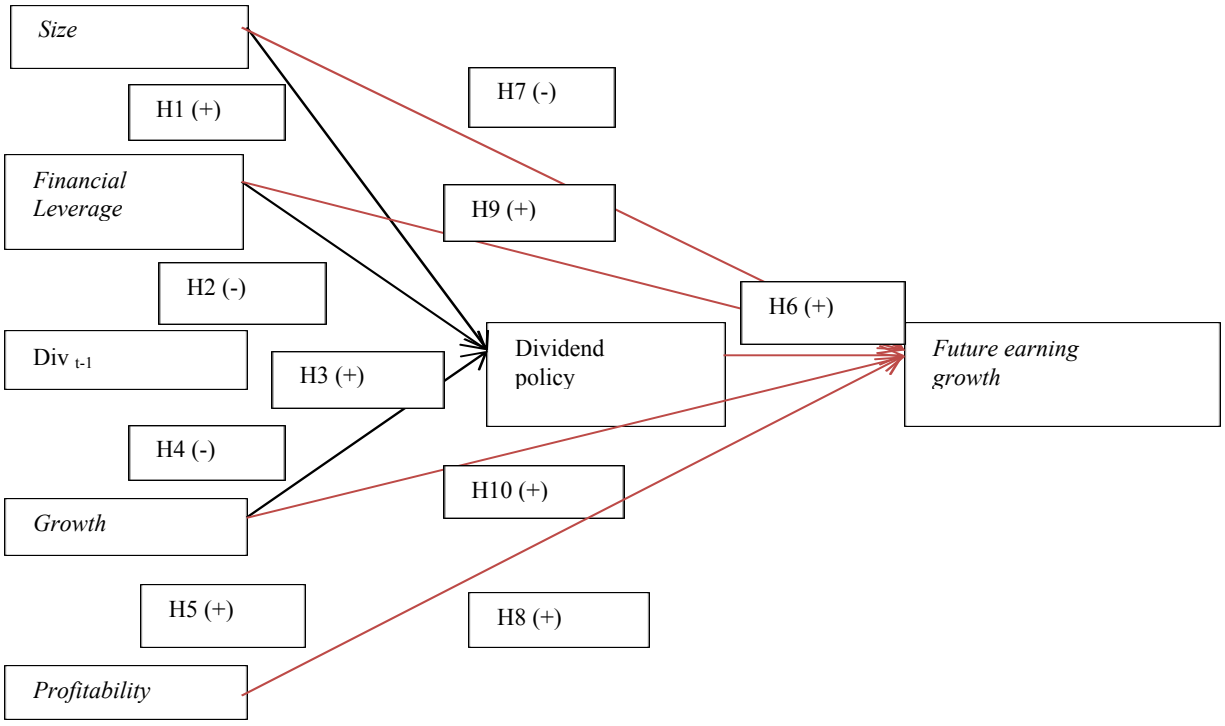

Figure 1. Conceptual Model Research

Based on the above theoretical basis, it can be described as follows research conceptual model.

2. Research Methods

This study uses secondary data, with the object of the company is in the consumer goods industry sector minimal dividends for 2 times in the period 2010-2015 are listed in the Indonesia Stock Exchange which has a complete financial statement.

The research variables consist of the dividend payout ratio and future earnings growth as the dependent variable, while profitability, size, leverage, dividend payments the previous period, and growth as an independent variable. This study uses a two stage least square regression that is processed with the help of Eviews 8.0 for Windows. The classical assumption used as follows.

2.1 Normality Test

Normality of the data is important, because if the data is normally distributed, then the data is considered to be representative of the population. Normality test used is the Jarque-Bera test. Data are expressed in normal distribution if the probability of Jarque-Bera > 5%.

2.2 Multicollinearity Test

Multicollinearity means independent between variable contained in the regression model has a perfect or near perfect linear relationship (high correlation coefficient or even 1). A good regression model should not have perfect or near-perfect correlation between the independent variable. The presence or absence of multicollinearity can be known or seen from the correlation coefficient of each independent variable is greater than 0.8 then their multicollinearities.

2.3 Heteroskidastity Test

Heterokedastity is the residual variance which is not the same at all of the observations in the regression model. Heterokedastity should not happen in a good regression. The method used for the test is a heterokedastity glejser test. Glejser test conducted between independent variables means regressing to the absolute value residual. If the value of significance between independent variable with absolute residual is more than 0.05 then there is no heterokedastity problem.

2.4 Autocorrelation Test

Autocorrelation is the correlation between observation members organized by time or place. Autocorrelation should not happen in a good regression model. Test method using Durbin-Watson test. Here is the decision making of the Durbin-Watson test.

a. DU < DW < 4-DU then H_0 accepted, means no autocorrelation.
b. DW < DL or DW < 4-DU then H_0 rejected, there is autocorrelation.
c. DU < DW < DL or 4-DU < DW < 4-DL meaning there is no certainty or definitive conclusions.

2.5 Dividend Policy

Dividend policy is the company's decision to distribute funds to the shareholders in the form of shares. Dividend policy can be measured using the dividend payout ratio. Dividend payout ratio is measured by dividing the dividend per share to net income.

$$\mathrm{DPR} = \frac{\mathrm{DPS}}{\mathrm{EPS}} \quad \text{...} \quad (1)$$

2.6 Future Earning Growth

Future earnings growth is the company's revenue growth in the future. Future earnings growth can be measured by the total sales of t + 1 share with total sales of the deductible period t1.

$$\mathrm{Growth}_{\,t+1} = \frac{\text{Net Income } t+1}{\text{Net Income } t} \quad \text{.................................} \quad (2)$$

2.7 Independent Variable

Firm size

Firm size describes the size of the company. Firm size can be measured using the natural log of the total assets.

$$\text{Firm size} = \text{In total asset} \quad \text{.....} \quad (3)$$

Financial leverage

Financial leverage describes how big the company's use of debt. Financial leverage can be measured using the debt to equity ratio. Debt to equity ratio is measured by dividing the total debt to total equity.

$$\text{DER} = \frac{\text{Total debt}}{\text{Total Equity}} \quad \text{.....} \quad (4)$$

2.8 Previous Dividend Period

Dividend payments of the previous period can be measured from t-1 dividend payments from companies in the consumer goods industry listed in Indonesia Stock Exchange of 2010-2014.

$$\text{DPRT}_{\text{T}-1} = \frac{\text{DPS } 5-1}{\text{EPS}_{t-1}} \quad \text{.....} \quad (5)$$

Profitability

Profitability describes the level of corporate profits from any asset invested by companies. Profitability can be measured using the ratio of return on assets. ROA is measured by the share of net income by total assets.

$$ROA = \frac{Net\ Income}{Total\ Asset} \quad \text{.....} \quad (6)$$

Past earning growth

Past earnings growth illustrates the company's past growth rate. Past earnings growth can be measured by dividing the total sales of t-1 with total sales of t-2 subtracted by one.

$$Past\ Earning\ Growth = \frac{Net\ Income_{\ t}}{Net\ Income_{\ t-1}} - 1 \quad \text{.....} \quad (7)$$

3. Results and Discussion

In this study, the object of the study is a company in the consumer goods industry sector pay dividends of at least 2 times in the period 2010-2015. This study uses the 19 companies that have fulfilled the requirements predetermined.

Table 4. Descriptive Statistics

	DIVT	DIV	GRT	GRT_	LEV	PRO	SIZE
Mean	0,423	0,412	0,192	0,32468	0,757	0,165	15,10
Median	0,317	0,301	0,133	0,14125	0,5435	0,119	14,72
Maximum	2,568	2,567	2,488	5,51977	3,1088	0,657	20,65
Minimum	0	0	-	-	0,1041	-0,015	12,2
Std. Dev	0,426	0,422	0,519	0,8478	0,638	0,130	1,751

Skewness	1,867	2,001	0,394	3,01665	1,669	1,260	0,729
Kurtosis	8,726	9,292	10,68	18,7516	5,735	4,019	3,433
Observatio	95	95	95	95	95	95	95

Here is a classic assumption test results:

3.1 Normality Test

Table 5. Normality Test Result

Jarque-Bera (Probability)	0.27

Normality test uses the Jarque-Bera method. According to the Jarque-Bera method, the data is said to be normally distributed if the significance value greater than 0.05 (5%). The probability of Jarque-Bera test results found 0.278513 (27.85%). when seen from these results, it can be concluded that the data are normally distributed.

3.2 Multicollinearity Test

Table 6. Multicollinearity Test Result

	DIV T 0	**GRT 0**	**LEV**	**PROF**	**SIZE**
DIV T 0	1,000000	-0,07738	0,10622	0,47487	-0,01502
GRT 0	-0,07738	1,000000	0,02557	0,14743	0,05101
LEV	0,10622	0,02557	1,000000	0,24633	0,2249
PROF	0,47487	0,14743	0,24633	1,000000	0,03936
SIZE	-0,01502	0,05101	0,2249	0,039359	1,000000

In Multicollinearity test of data is said to have a high correlation if there are no more than 0.80 correlations between the independent variables. Judging from the above data that the relationship was not found more than 0,80. Can be concluded that the data is not their multicollinearity.

3.3 Heteroskidastity Test

Heteroskidastity testing cannot be performed on the data panel, only this heteroskidastity problem can be solved by giving weighting (GLS weight cross-section).

3.4 Autocorrelation Test

3.4.1 Autocorrelation test model 1

Table 7. Durbin-Watson Test Result Model 1

Durbin-Watson Stat	1,99803

By using the program Eviews 8.0 Durbin Watson discovered the value of 1.99803. This study used a sample of 95 and the number of variables as much as 8. Then to find the value of dL and dU can be seen from the Durbin Watson Table.

DW = 1,998032. dL = 1,358. dU = 1,715 .4-DW = 2,001968

From the above data, it can be concluded that there is no positive autocorrelation and there is no negative autocorrelation.

3.4.2 Autocorrelation test model 2

Table 8. Durbin-Watson Test Result Model 2

Durbin-Watson Stat	2,05522

3.5 Discussion on Regression Analysis

Based on the data processing of the variables studied, the known results of the regression equation as follows:

Model 1

$$Div_t = -0{,}090 + 0{,}012\,Size_t - 0{,}065\,Lev_t + 0{,}444\,Div_{t-1} - 0{,}071\,Gr + 1{,}191\,Prof$$

Model 2

$$Gr_{t+1} = 0{,}183 + 0{,}340\,Div_t - 0{,}005\,Size_t - 1{,}495\,\pi_t + 0{,}301\,Lev_t + 0{,}083\,Gr_t$$

Test F Result Model 1

Table 9. Test F Result Model 1

F-Statistic	39,65506
Prob (F-Statistic)	0,00000

Based synchronously / simultaneously Testing in Table 10, obtained the value of F count equal to 39.65506 with a significance of 0.000, ie 0.000> 0.05. This means that the sales growth, firm size, financial leverage, and dividend payments the previous period independent variables together affect the dependent variable dividend policy significantly, so the model can be used to predict the dividend policy of an enterprise.

Table 10. Test F Result Model 2

F-Statistic	5,446788
Prob (F-Statistic)	0,000203

Based synchronously / simultaneously Testing in Table 11, obtained the value of F count equal to 39.65506 with a significance of 0.000, ie 0.000> 0.05. This means that the independent payout ratio, size, financial leverage, and profitability independent variable together affect the dependent variable future earnings growth significantly, so the model can be used to predict the dividend policy of an enterprise.

Table 11. Partial Test Result Model 1

Variable	Variabel Dependen: Div t Prob	Hypothesis	Result of Study	Explanation
Size t	0,0731*	+	+	H1 Accepted
Lev t	0,0086***	-	-	H2 Accepted
Divt-1	0***	+	+	H3 Accepted
Gr t	0,0190***	-	-	H4 Accepted
Prof t	0***	+	+	H5 Accepted
R-squared	0,690193			

3.6 Effect of Dividend Policy on Firm Size

At t test found that H1 is accepted, it indicates that the Firm Size has significant positive effect on the payment of dividends. This is supported by the results of research Kajola, (2015). Lloyd *et al*., (1994, in Rafique, 2012) says that the size of the company has no contribution in determining the dividend payout ratio. They found that a large company is more mature and easier to obtain outside funding (capital market), thereby reducing reliance on internal funding, this has led the company could distribute dividends in larger quantities. In addition, large companies pay dividends in large quantities to reduce agency cost (Lloyd *et al*., 1985 in Rafique, 2012).

3.7 Effect of Financial Leverage to Dividend

In the above t-test found that financial leverage has a significant negative relationship to

the dividend policy. This is supported by the results of the study by Rafique (2012), but contrary to Kajola research. In agency theory said that one of the functions of dividend payment is to monitor management performance. This supervision will avoid the manager to invest in projects that are less profitable. Debt also has the same functionality as dividends in reducing agency cost. With the debt, the debtor will oversee the company, thereby reducing the risks of investing in projects that are less profitable. It can be concluded that while the company has a high debt, the supervisory function of the dividend will be reduced, and vice versa.

3.8 Effect of Previous Dividend Policy Period on This Period

In the above t-test found that the dividend policy of the previous period has significant positive effect on dividend policy of this period. Dividend payment set by the company depends not only on current income, but also past earnings and dividend payments during that period (Pruitt and Gitman, 1991). Dividend Sticky theory explains that the company generally does not change the dividend policy. This is due to the market will be sensitive to a reduction in the amount of the dividend divided illustrated by the decline in stock prices. So, the amount of dividends paid today also influenced the dividend already paid the previous period.

3.9 Effect of Growth Firm on Dividend Policy

From the results of the above t-test found that firm growth has a negative effect on dividend policy. These results are supported by the results of research by Leon, (2014) and Kajola, (2015). These results contrast with the results of Rafique, (2012) who found a positive relationship between firm growths on dividend policy. Companies with a high growth rate tend to hold back earnings to make investments rather than distribute them as dividends. Strong growth requires substantial funds, so it can reduce the payment of dividends (Myers, 1984 in Leon 2014). Amidu and Abor, (2006) found a negative relationship between sales growth and dividend payments.

3.10 Effect of Profitability on Dividend Policy

From the results of the t test above was found that profitability has a positive effect on dividend policy. These results supported the research results by Kajola (2015), Leon, (2014) and Rafique, (2012). Similar results were found by Pruit and Gitman, (1991) that the profitability has a positive influence on dividend policy. Baker and Powell, (2000) states that companies with high profit level is expected to pay higher dividends than companies that have low profitability level. Companies with a high profitability level will have higher cash; it is encouraging companies to distribute dividends in an amount higher.

Table 12. Model 2 Test Result

Variable	Dependent Variable: Gr t+1 Prob	Hypothesis	Result	Explanation
Div t	0,2349	+	+	H6 Rejected
Size t	0,7805	-	-	H7 Rejected
Prof t	0,0125**	+	-	H8 Accepted
Lev t	0,0002***	+	+	H9 Accepted
Gr t	0,4204	+	+	H10 Rejected
R squared	0,145460			

3.11 Effect of Dividend Policy on Future Earnings Growth

From the results of the t test above can be seen a positive effect but not significant between dividend policy on future earnings growth. This is supported by the results of research by Zhou, (2006) and Flint, (2010) which found a positive relationship between dividend policy and future earnings growth. Jensen, (1986, in Zhou, 2006) explains that the company with excess free cash flow resulted in managers to over-invest. Therefore, the lower dividend payments resulted in a

low growth as well. This is a result of over-investment. In accordance with the residual theory, the dividend distributed by the company should be derived from the residual value. This means that the dividend be distributed from funds remaining, after the company took all investment opportunities. If there are no funds remaining undistributed dividends. Because of the distributed dividend derived from the residual, the dividend payment will not affect the company's future earnings growth.

3.12 Effect of Firm Size on Future Earnings Growth

From the results of the t-test above was found that there is negative but insignificant relationship between firm size and future earnings growth. This is supported by the results of research Flint, (2010) and Zhou, (2006) who found a positive relationship between Zhou, (2006) and Flint, (2010). Chan *et al*., (2003) found that large companies tend to have a lower growth than small firms. While small companies are more likely to have a higher growth rate than large enterprises. From the results above that size is not significant to future earnings growth. This can be explained using descriptive statistics. From the data in Table 5.3 shown that UNVR with a size greater than MRAT, but earnings growth of more than MRAT UNVR in 2014. In 2013 ROTI AND MRAT recorded negative earnings growth while HMSP and UNVR recorded positive earnings growth. So, we can conclude that the size does not affect the earnings growth.

Table 13. Sample Comparation Table

	MRAT	ROTI	HMSP	UNVR
2010	16%	75%	26%	11%
2011	14%	16%	26%	23%
2012	10%	29%	23%	16%
2013	-122%	-1%	9%	11%
2014	-210%	27%	-6%	7%
Marke	85.600	6.504.413	451.314.112	293.755.008

Source: financial statements, the data is processed

3.13 Profitability Influence on Future Earnings Growth

From the results of the above t-test was found that the profitability negatively related to future earnings growth. This is contrary to the hypothesis, but is supported by the results of the research Zhou, (2006) and Flint, (2010). Zhou, (2006) found that companies with a high ROA will attract competitors to enter this industry. With the entry of new competitors will enhance competition in this industry. Moreover, these results are supported by the theory of "Taking Bath" in which the company will reduce the level of current profits to increase revenue in the future (Lan Sun, 2012). It can be concluded that there is a negative relationship between profitability against future earnings growth.

3.14 Effect of Financial Leverage on Future Earnings Growth

From the results of the t test above can be seen that the financial leverage positively related to future earnings growth. This is supported by the results of research by Zhou, (2006) and Flint, (2010). Brander and Lewis, (1986, in Flint *et al.,* 2010) found that the use of debt will lead the company to be more aggressive in investing. Debt has the same properties as dividends in reducing agency cost. The high debt will reduce the level of excess funds that will provide a signal about the company's future cash flow.

3.15 Influence of Past Earnings Growth on Future Earnings Growth

From the results of the t test above was found that there is positive relationship between past earnings growth against future earnings growth. This contrasts with the results of research by Zhou, (2006) and Flint, (2010). Little, (1960) states in the theory of "higgledy piggledy Growth", the company that grew rapidly during this period, the next period will grow faster as well. So, if

past earnings growth increases, future earnings growth will also increase. If past earnings growth is declining, future earnings growth will also be reduced. But past earnings growth has no significant effect on future earnings growth. There are several methods for determining the lag variable, which are Koyck methods, Almond methods, Jorgenson method, and the Pascal methods. The method of determining the lag variable in this study is the method Koyck. Koyck method uses a lag variable of one period. This method has the disadvantage, namely the possibility of disturbance correlated with the stochastic element, so that it can produce biased and inconsistent.

3.16 Coefficient of Determination Discussion (R^2)

The coefficient of determination (R2) on the DPR testing is 69%. It was concluded that 69% of the change of the dependent variables were able to be explained by size, profitability, growth, financial leverage and previous dividend payments period. 31% changes of the payment of dividends is explained by other variables outside the size, profitability, growth, financial leverage, and the previous dividend payments period.

The coefficient of determination (R2) on the testing of future earnings growth is 14%. It concluded 14% change in the dependent variable is able to be explained by (size, profitability, past earnings growth, financial leverage, and dividend payments. 86%, a change of future earnings growth is explained by other variables outside (size, profitability, past earnings growth, financial leverage and dividend payout.

4. Conclusion

The results showed that the consumer goods industry sector, size variable, dividend payments of the previous period, and profitability have a positive and significant effect. Meanwhile growth and leverage variables have significant negative effect. For the second model variables profitability has significant negative effect on future earnings growth. Meanwhile the leverage variable has significant negative effect on future earnings growth. Other variables such as dividend policy, size, and growth have no significant effect on future earnings growth.

For further research, it is expected that researchers can use a larger sample and examine the broader sector, thus providing better results.

For investors who want to invest in a company that has good future prospects, investors can choose companies with high leverage level and a low level of profitability.

Based on the implication, the business entities which increase dividend payments and debt level would send a positive signal to investors that the company is currently in good shape. Dividends shall be distributed and where possible, improved in order to attract investors to invest in these enterprises.

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