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Influence of Sales Growth of Manufacturing Companies Listed on the Indonesian Stock Exchange

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ABSTRACT: The aim of this research is to determine the effect of return on equity, dividends and stocks prices on sales growth of manufacturing companies listed on the Indonesian Stock Exchange (BEI). The data used is secondary data in the form of manufacturing company financial reports. The research results showed that simultaneously there was no positive and significant influence on all variables. Partially shows that all variables have no significant effect on sales growth. Future researchers can prioritize company interests and think about useful policies.

KEYWORDS: ROE, Dividend, Stocks Prices, Sales Growth

I. INTRODUCTION

In capital market transactions, the stocks price is considered one of the most important factors because the stocks price can reflect the value of the company. so, investors can adjust purchases to the funds they have and provide an objective measure of the value of investment in the company. The value of the company can be seen by the company's ability to manage assets to generate profits.

If the company's performance increases, the value of the company will increase, so investors will be interested in investing their capital in the company because of the large returns they will receive. In stock trading, stocks prices can change from time to time. There are times when stocks prices increase (bullish), but there are times when stocks prices also decrease (bearish).

Therefore, before an investor decides to invest, it is a good idea for the investor to carry out an analysis that can provide an idea of the return that will be received in the future. Some alternative analyzes include fundamental analysis and technical analysis.

Fundamental analysis is an analysis that tries to estimate future stock prices by estimating the value of fundamental factors that influence future stock prices and applying the relationship between these variables to obtain stock price estimates. Fundamental analysis is also called company analysis because it includes several factors originating from the company's internal environment such as the company's financial condition and company management in calculating the intrinsic value of stocks, while technical analysis is an attempt to estimate stock prices by observing changes in stock prices in the past period, and efforts to determine when investors should buy, sell or hold their stocks by using technical indicators or using graphic analysis.

This analysis uses several factors originating from outside the company, such as exchange rate developments, capital market conditions, interest rates and inflation. As stock trading continues to grow rapidly and the level of stock risk increases, the need for relevant and adequate information for investors in making investment decisions also increases. This information is needed to determine the variables related to stock price fluctuations and the relationship between variables.

In this research the variables used are return on equity (ROE), profitability, dividends and sales growth. ROE is an indicator of company performance, the concept states that prosperity can only be created when the company is able to meet all its operating costs and capital costs. The cost of capital is taken into account in ROE so as to provide fair consideration for capital owners.

Mangatta's (2011) research shows that ROE has no effect on stock prices. Meanwhile, Simanjuntak's (2011) research shows that ROE has a significant effect on stock prices. Profitability can briefly be interpreted as a company's ability to generate profits. Profitability is one measurement of a company's performance.

The profitability of a company shows the ability of a company to generate profits during a certain period at a certain level of sales, assets and stock capital. The profitability of a company can be assessed in various ways depending on the profits and assets or capital that will be compared with each other. In this research, profitability is measured using the Return On Equity proxy. ROE, as a conventional performance indicator, does not pay attention to the cost of capital in its calculations.

ROE only looks at the final result (company profit) without paying attention to the risks faced by the company, even though risk and cost of capital indicate how far the company has created value for capital owners (Munawir, 2014). As one part of profitability, ROE has the ability to show company performance through profit after tax using the capital owner's own capital.

Dividends can help provide good information about company management to the capital market, so it can be said that dividends can be seen as a signal about the company's prospects. The decision to increase dividends is only made if management is confident that it can maintain the increase in the future.

The problem is that dividend payments will not cause problems as long as they do not affect the company's funding and investment policies. This is because dividends will influence the company's funding policy, because it will reduce cash and encourage the company to issue new stocks. The reasons behind the choice of dividends on stock prices are, on the one hand, dividends are profits that investors will receive from their investment. Every investor wants a rate of return commensurate with the amount of their investment in a company. On the other hand, the company must maintain its performance so that dividend payments to investors are in line with investors' expectations. Financial reports have an important role in reducing the negative view of dividends in investments.

Sales growth is an increase in the number of sales from year to year or from time to time. Companies that have a high sales growth rate will require more investment in various asset elements, both fixed assets and current assets. Management needs to consider the appropriate funding source for spending on these assets.

A company that has high sales growth will be able to meet its financial obligations if the company purchases its assets with debt, and vice versa. Meanwhile, research conducted by Rahmandia (2013) shows that company growth has an insignificant negative effect on stock prices. Meanwhile, research conducted by Deitiana (2019) shows that company growth has no effect on stock prices.

This research is a development of several previous studies. The difference between this research and previous research is that this research focuses on manufacturing companies in general as research objects. The aim of this research is to determine the influence of dividend policy, roe, stock prices on sales at IDX companies

II. LITERATURE REVIEW

A. Signalling Theory

Signaling theory emphasizes the importance of information issued by a company on investment decisions of parties outside the company. Information is an important element for investors and business actors because information basically presents information, notes or descriptions for past, current and future conditions for the survival of a company and how the market affects it. Complete, relevant, accurate and timely information is needed by investors in the capital market as an analytical tool for making investment decisions.

According to Hartono (2020), information published as an announcement will provide a signal for investors in making investment decisions. If the announcement contains a positive value, it is expected that the market will react when the announcement is received by the market. When the information is announced and all market players have received the information, market players first interpret and analyze the information as a good signal (good news) or a bad signal (bad news).

If the announcement of the information is a good signal for investors, there will be a change in the volume of stock trading, if it is a bad signal, investors will hold back their investment in the company. One type of information issued by a company that can be a signal to parties outside the company, especially investors, is the annual report. The information disclosed in the annual report can be accounting information, namely information related to financial statements, and non-accounting information, namely information that is not related to financial statements. The annual report should contain relevant information and disclose information that is considered important to be known by users of the report, both inside and outside the company. All investors need information to evaluate the relative risk of each company so that they can diversify their portfolios and combine investments with the desired risk preferences. If a company wants its stocks to be purchased by investors, the company must disclose financial statements openly and transparently.

B. Dividend Irrelevance Theory

This theory was developed by Modigliani and Miller in Brigham, et al. (2013) which states that the size of the dividend payout ratio is not a determining factor in the value of a company, but is determined by net profit before tax and the company's risk class. Modigliani and Miller also argue that the increase in company value is influenced by the company's ability to gain profit or earning power from the company's assets. Modigliani and Miller's statement is based on the following assumptions:

a. Investors are rational

b. There are no transaction costs and tax costs

c. There is equality of information among investors

d. Investors have certainty of future investment and of the company's future profits.

C. Bird In Hand Theory

The theory was put forward by Myron Gordon (2020) which states that dividend policy affects the value of the company which is reflected in the stock price even in a perfect market. They assume that "a bird in the hand is worth more than a thousand birds in the air". This statement means that investors prefer dividend distribution at this time compared to capital gains in the future because the future is uncertain in a perfect market.

D. Return On Equity (ROE)

Return On Equity is a company's financial ratio related to profitability. This ratio is a component of the balance sheet ratio and the profit and loss ratio. ROE is used to measure a company's ability to generate profits based on its own capital.

According to Kasmir (2019:204), ROE is a ratio to measure net profit after tax with its own capital. Meanwhile, according to Van Horne and Wachowich (2017:109) ROE compares net profit after tax with the equity that stockholders have invested in the company.

Return On Equity is used to measure the level of profit from investments that have been invested by the owner of the capital itself or stockholders. A high return on capital (ROE) exceeds the cost of capital used, meaning that the company has been efficient in using its own capital, so that the resulting profit has increased from previous years.

E. Dividends

According to Musthafa (2017) dividends are a portion of the profits received by stockholders from a company. If the company's profits are not distributed to stockholders, and reinvested in the company, then it is called retained earnings.

Dividends distributed to stockholders are profits obtained by the company, while the distribution of dividends itself is carried out based on the dividend policy of each company (Gumanti, 2020).

According to the theory, the conclusion above is that the dividends carried out by companies vary, they make policies according to the conditions of each company. This policy is made so that the company can continue to survive in the following years.

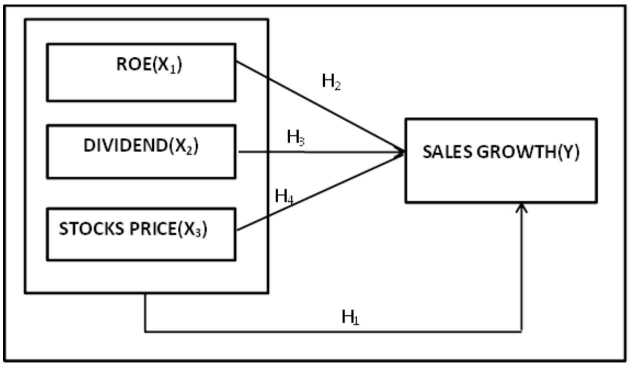
F. Stock Price

Stock price is an indicator of the company's value, in the eyes of investors, the stock price reflects the level of success of company management. The better the company's performance in generating profits, the better the market perception of the company's value so that the stock price will increase, and vice versa. According to Sunariyah (2003), stock price is the price of a stock on the market that is currently taking place on the stock exchange. Stock prices can be influenced by market situations, including the stock price in the primary market determined by the underwriter and the company that will go public (issuer), based on the company's fundamental analysis.

The role of underwriters in the primary market, in addition to determining the stock price, also carries out the sale of stocks to the public as prospective investors. While the stock price in the secondary market is determined by demand and supply between buyers and sellers. The amount of demand and supply is influenced by several factors, including internal company factors related to internal policies in a company along with the company's performance that has been achieved. Internal factors are also related to things that should be controlled by management, such as earnings per stock, the amount of dividends distributed, the performance of the company's management, and the company's prospects in the future. While external company factors are things beyond the company's ability or beyond the management's ability to control, including the emergence of political turmoil in a country, changes in monetary policy, and high inflation rates.

G. Framework

A conceptual model that reflects the theory related to the problem factors is called a thinking framework. This study tests Roe (X_1), Dividend (X_2), Stock Price (X_3) and Sales Growth (Y).



I. Hypothesis

H_1 = Return on equity, dividends and stock prices affect sales growth value
H_2: = Return On Equity (ROE) affects sales
H_3 = Dividends Affect Sales
H_4 = Stock Prices Affect Sales

III. RESEARCH METHODOLOGY

In this study, the data used is secondary data in the form of financial reports of basic materials sector manufacturing companies listed on the Indonesian Stock Exchange for the 2020-2023 period. The data is in the form of financial reports that can be obtained from the Indonesia Capital Market Directory (ICMD), the IDX website www.idx.co.id and from various other sources that can support this research

The data used in this study is secondary data, in the form of financial reports of manufacturing companies listed on the Indonesia Stock Exchange for the 2020-2023 period. namely research data obtained indirectly or through intermediary media (obtained through other people or through documents) and can be accessed via the internet (online), in this study the data was obtained through the Indonesia Capital Market Directory (ICMD), the BEI website www.idx.co.id and from various other sources that can support this research. The data collection method used in this study is the documentation method.

The population used in this study were manufacturing companies in the basic material sector listed on the Indonesia Stock Exchange in 2020-2023 with a research population of 93 companies, especially basic materials. The purposive sampling technique is a sampling technique to select samples based on several criteria so that later the samples used are more representative.

The results of the sample selection of 20 basic materials sector companies listed on the Indonesia Stock Exchange for 3 years.

IV. RESULT OF DISCUSSION

Table 1. After Ln On Sales Growth

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
SALES GROWTH	60	4.68	9.55	7.3842	1.01912
ROE	60	4.62	8.74	6.4815	.89793
DIVIDEND	60	4.62	10.30	7.2053	1.57575
STOCK PRICES	60	4.78	11.24	6.9754	1.37295
Valid N (listwise)	60				

Source: The author's processed results

A. Classical Assumption Test

Table 2. Linearity Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	PRESS	Durbin-Watson
1	.202[a]	.041	-.010	2773.60532	562993064.145	2.112

a. Predictors: (Constant), STOCK PRICES, DIVIDEND, ROE
b. Dependent Variable: SALES GROWTH

Source: The author's processed results

Table 3. One-Sample Kolmogorov-Smirnov Test

			Unstandardized Residual
N			60
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		.96845220
Most Extreme Differences	Absolute		.056
	Positive		.056
	Negative		-.053
Test Statistic			.056
Asymp. Sig. (2-tailed)[c]			.200[d]
Monte Carlo Sig. (2-tailed)[e]	Sig.		.912
	99% Confidence Interval	Lower Bound	.904
		Upper Bound	.919

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.
e. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 299883525.

Source: The author’s processed results

Table 4. Autocorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.311[a]	.097	.049	.99405	2.253

a. Predictors: (Constant), STOCK PRICES, DIVIDEND, ROE
b. Dependent Variable: SALES GROWTH

Source: The author’s processed results

The data from table 4 shows that the DW value obtained is 2.253 based on the decision-making criteria that the DW value is between -2 and +2. It can be concluded that in this study there was no autocorrelation in the regression model.

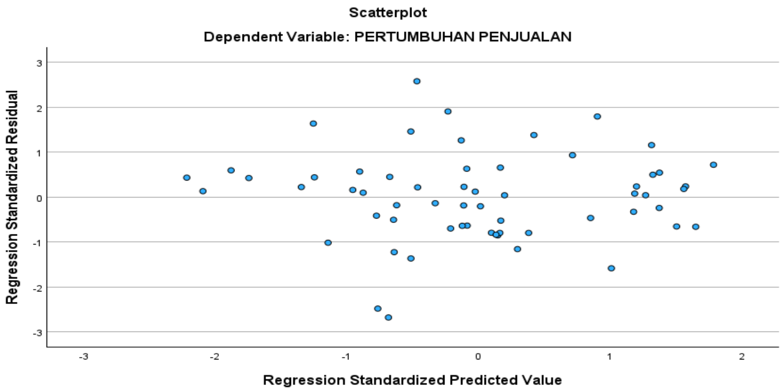


Figure 1. Heteroscedasticity Test

Source: The author’s processed results

From the test results with the graphic method in Figure 1, it can be seen that the scatterplot output above shows that the points are spread out and do not form a certain pattern clearly. Thus, it can be concluded that there is no heteroscedasticity problem.

Table 5. Multicollinearity test

Coefficients[a]

Model	Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.	Collinearity Statistics Tolerance	VIF
(Constant)	3393.907	538.789		6.299	<,001		
ROE	-.443	.306	-.163	-1.448	.152	.992	1.008
DIVIDEND	.003	.065	.006	.052	.959	.990	1.010
STOCK PRICES	-.050	.039	-.146	-1.291	.201	.984	1.016

a. Dependent Variable: SALES GROWTH

Source: The author's processed results

Based on table 5 above, it can be concluded that the proposed regression model does not show symptoms of multicollinearity because the three variables have VIF values less than 10 and the Tolerance value is more than 0.1.

B. Hypothesis Testing

The determination coefficient test is carried out to determine how much endogenous variables are simultaneously able to explain exogenous variables. The higher the R2 value, the better the prediction model of the proposed research model.

Based on the calculation results in table 5 above, the determination coefficient value R^2¬ is 0.097, which means that this indicates that the contribution of the independent variables, namely Return On Equity (ROE), Dividends, Stock Prices to the dependent variable, namely Sales Growth, is 9.7%. While the remaining 90.3% is explained by other factors outside the model being studied. This test is carried out to determine whether the regression equation model used in this study is good or not. In the F Test, the regression coefficients of all dependent variables are tested simultaneously (simultaneously) so that it can be seen whether the resulting regression model can be used to make predictions or not. The F test is carried out by comparing sig F <α (0.05).

Table 6. Simultaneous Regression Coefficient Test

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	9.237	3	3.079	3.295	.025[b]
	Residual	71.007	76	.934		
	Total	80.244	79			

a. Dependent Variable: SALES GROWTH

b. Predictors: (Constant), STOCK PRICES, ROE, DIVIDEND

Source: The author's processed results

Based on the results of the F statistical test in the table above, it shows a significance value of 0.025. The significance value obtained is less than 0.05, so it can be concluded that the regression model is suitable for use. The t test is conducted to determine the effect of the independent variable partially (individually) on the dependent variable. The t test is conducted with the provision that sig t <α = 0.05. The results of hypothesis testing using the t test can be seen in the table 5 above.

1) Test the effect of Return on Equity (ROE) on Sales Growth
   With a significance level of α = 0.001, the significant value of the Dividend variable is 0,152, which is greater than 0.001. So it can be seen that Return on Equity (ROE) has no significant effect on stock prices, so hypothesis 1 is rejected.
2) Test the effect of dividends on Sales Growth
   With a significance level of α = 0.001, the significant value of the Stock Price variable is 0.959, which is greater than 0.001. So it can be seen that dividends have no significant effect on Sales Growth, so hypothesis 1 is rejected.
3) Test the effect of Stock Price on Sales Growth
   With a significance level of α = 0.001, the significant value of the Stock Price variable is 0.201, which is greater than 0.001. So it can be seen that Stock Price has no significant effect on Sales Growth, so hypothesis 1 is rejected.

C. The Effect of Return On Equity, Dividends and Stock Prices on Sales Growth

The results of the Hypothesis test concluded that ROE, Dividends and Stock Prices did not have a significant effect on sales growth in the basic materials sub-sector listed on the IDX in 2020-2023. The results of this study indicate that the greater the profit distributed to shareholders, this causes the demand for shares not to increase among investors. This study is not in line with the research Putra and Badjra (2015). The Effect of ROE, Dividends and Stock Prices on Sales Growth which has an impact on the company's financial performance (in Basic Materials Sector Manufacturing companies listed on the Indonesia Stock Exchange) which produces a significant positive.

D. The Effect of Return On Equity (ROE) on Sales Growth

The results of the hypothesis test concluded that Return On Equity (ROE) has no effect on stock prices in the basic materials sub-sector listed on the IDX in 2020-2023. So it can be said that hypothesis 1 which states that Return On Equity (ROE) has no effect on Sales Growth is rejected.

Return On Equity is a ratio used to determine how much a company's ability to generate profits. However, the poor condition of Return On Equity indicates that the company is having difficulty generating profits. This is because net profit fluctuates which tends to decrease from year to year, causing the rate of return on capital for shareholders to be weak or poor. Companies must be able to pay more attention to the rate of return on profit which is an attraction for investors to invest their capital because if not, this will result in a lack of interest

This research was conducted by Manggale and Widyawati (2021). The Effect of Return On Equity (ROE), Dividends and Stock Prices on Sales Growth That Impacts the Company's Financial Performance (In Manufacturing Companies in the Basic Materials Sector Listed on the Indonesia Stock Exchange). The Effect of Return On Equity (ROE) on Sales Growth is significantly positive.

E. The Effect of Dividend Policy on Sales Growth

From the analysis of the research results that have been conducted, it can be seen that dividends are not significant on sales growth. This shows that the amount of dividends does not affect sales growth, the higher the level of dividends distributed to shareholders, indicating that the stock price of a company is not affected.

The results of this study indicate that the greater the profit distributed to sales holders in the form of dividends that are stable and increasing will not affect investor confidence in the company's ability to generate profits. This causes the demand for shares to increase among investors, which this study is different from the research conducted by Brona, et al. (2023). The Effect of Return On Equity (ROE), Dividends and Stock Prices on Sales Growth That Impacts the Company's Financial Performance where the effect of Dividends on Sales Growth is significantly positive. However, in line with previous research by Putra and Badjra (2015) which produced negative results. Impact on the Company's Financial Performance where the effect of Dividends on sales growth is significantly negative.

F. The Effect of Stock Prices on Sales Growth

The results of the hypothesis test concluded that Stock Prices have no effect on Sales Growth in the Basic Materials sub-sector listed on the IDX in 2020-2023. So it can be said that the hypothesis stating that Sales Growth has no effect on stock prices is accepted.

Sales growth shows the extent to which equity guarantees all debts. If the Sales Growth value is high, the higher the composition of the company's debt compared to its equity, which has a major impact on the company's burden on external parties. This is because the company will fulfill its debt obligations first before giving stock prices to investors. Investors will tend to avoid stocks with sales growth values that are too high. This causes less demand for the company's shares. So that the company's stock price decreases.

This study is different from that conducted by Hartina (2019). The Effect of Stock Prices on Sales Growth in Capital Structure as an Intervening Variable), with the test results stating that Stock Prices have an effect on Sales. In line with previous research by Manggaleand Widyawati (2021) which produced negative results that had an Impact on the Company's Financial Performance (In Basic Materials Sector Manufacturing Companies Listed on the Indonesia Stock Exchange). the effect of Dividends on sales growth has no effect.

V. CONCLUSION

1. Partially shows that all research variables have no effect on sales growth.
2. For further researchers to increase the variables or use other variables and increase the research sample so that further research is more precise and accurate.

3. Increase the number of research samples by extending the research period so that the research results can better reflect the actual conditions.
4. For companies in the basic materials sector, they can prioritize the interests of the company and think about useful policies.
5. The data used in this study is secondary data that has the possibility of errors in entering data in the form of numbers.
6. There are several companies in the basic materials sector that do not yet have complete research data related to financial difficulties in sales, dividends, and stock prices.

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