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The effect of asset growth and company size on company value with profitability as a moderating variable

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ABSTRACT

This study aims to empirically examine the effect of Asset Growth and Company Size on firm value with profitability as a moderating variable case study on metal companies and the like listed on the Indonesia Stock Exchange over five periods from 2012-2016. This research is a sociative with a form of causal relations. The population in this study were all metal companies and the like listed on the Indonesia Stock Exchange from 2012 to 2016 with the total 16 companies. Sampling in this study used a purposive sampling method. Based on predetermined Criteria, 12 companies were obtained as research samples so that the amount of data processed was 60. Based on the results of data analysis, profitability is not able to moderate the effect of asset growth on the value of the company in metal and similar companies listed on the Indonesia Stock Exchange in 2012-2016. This is indicated by the regression coefficient value of the variable between the growth of assets and profitability (X1.X3) of -0.009 with the value of t <t table (-0.351 <2.00247) with a significance level of 0.727> 0.05. Profitability is not able to moderate the effect of company size on the value of the company in metal companies listed on the Indonesia Stock Exchange in 2012-2016. This is indicated by the variable regression coefficient of interaction between firm size and profitability (X2.X3) of -0.068 with t count <t table (-1.797 <2.00247) with a significance level of 0.078> 0.05.

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1. INTRODUCTION

The capital market is a good medium for obtaining information about the condition of a company and in the capital market it can bring together two parties who have excess funds with those who need funds. From an economic point of view, the Capital Market has several functions, the first of which is as a means for companies to raise funds from the public (investors and creditors). Second, the Capital Market is a means for the public to invest in financial instruments such as stocks, mutual funds, bonds and others. With the Capital Market, the public can place their funds according to the profit and risk characteristics of each instrument (Darmadji, 2001 in Wulandari, 2015).

In fact, the capital market is a market that is not much different from traditional markets, where there are sellers and buyers, and transactions such as price bargaining also occur. The capital market is also defined as a meeting place between parties providing funds (investors) and parties providing funds in accordance with the regulations in force in the capital market. The capital market has a big role for the economy of a country because it carries out 2 (two) functions, namely as an economic function and a financial function (Darmadji, 2001 quoted from Wulandari, 2015).

Before Investors and Creditors invest or provide credit to a company, information about the company is needed as a basis for consideration in making decisions. One form of information needed by decision makers, especially for investors and creditors, is financial reports. Therefore, accurate disclosure and presentation of information is needed by users of financial statements, so that these financial reports can provide accurate information to report users. financial so as not to mislead (Mahdiyah, 2008).

Potential investors look at several indicators to assess whether the company where they invest liquid capital or not, and assess whether the company can return the capital. Besides that, the indicators that investors need to look at are also in terms of asset growth and firm size as well as the level of company value from public perception and profitability. To get all this information, the company provides financial reports as an attraction for investors to invest their capital. Financial reports are all company information related to finance that is presented by the company, especially managers to parties who need financial information. Financial statements are a process of financial reporting. Financial reports include statements of financial position, comprehensive income, reports of changes in capital, cash flow statements and notes to financial statements which are presented in various ways, for example cash flow statements (funds), notes to other reports, as well as explanatory material which are an integral part of the financial statements. . additional information relating to these financial reports, for example financial information on industry, geography and price disclosures and changes (Indonesian Institute of Accountants 2009).

Firm value is an investor's perception of the company's level of success in managing Sudanese resources (2008:228).

One indicator to assess the value of a company that has good prospects or not in the future is to look at its stock price as measured by Tobin's Q. Tobin's Q reflects investors' expectations about the level of economic return of the company in the future (Harjani and Umara, 2005 in Kiki, 2009:72).

Companies in increasing company value do not only focus on share prices or the use of other resources, but also need to focus on the company's internal, especially on the company's financial performance. One of the indicators that need to be focused on is the growth of company assets and company size and profitability. Asset growth (grouth) is how far a company places itself in the overall economic system or the economic system for the same industry. In general, fast-growing companies obtain positive results in terms of strengthening their position in the competitive era, enjoying significantly increased sales and accompanied by an increase in market share. Companies that grow fast also enjoy the benefits of the positive image they get, but companies also have to be careful, because the success they get can cause the company to be vulnerable to negative issues. Some things that need to get important attention because they can reduce negative news sources that describe the company's ability to maintain, develop and build compatibility of quality and service with consumer expectations. Fast growth also consumes human resources that are owned to optimally contribute. So that fast growth does not mean uncontrollable cost growth, then in managing growth, companies must have operational control with an emphasis on cost control.

Asset growth is a change in stock prices and capital structure policies, the results of the analysis obtained are that asset growth has a positive effect on the price of changes in shares, this means that information about the company's growth will be responded positively by investors, resulting in increased stock prices and asset growth. , has a negative influence on capital structure policy, which means that if the company is growing, the manager sets a capital structure that uses more equity than debt. Good asset growth will trigger an increase in company value. The higher the company's asset growth, the investor's perception of the company will certainly be positive.

The aspect of financial performance is an important thing to be highlighted by investors before investing their capital. Assessment of the company's financial performance as a result of the management decision-making process is a complex matter because it involves the effectiveness of the use of capital and the efficiency of the company's activities concerning the value and security of the various demands that arise against the company. One way to measure company performance can be seen from its level of profitability.

According to cashmere (2012:354). Profitability is the company's ability to seek profit or profit in a certain period. Investors remain interested in a company's profitability because profitability is probably the single best indicator of a company's financial health. The profitability ratio consists of profit margin, basic earning power, return on assets, and return one equity. In this study the profitability ratio is measured by return on equity (ROE)

Return on assets (ROE) is a ratio that shows the company's ability to generate net income to return shareholder equity. ROE is a financial ratio used to measure the profitability of equity. The greater the ROE results, the better the company's performance. An increase in the ratio indicates an increase in management performance in managing operational financing sources effectively to generate net profit (increased profitability). So it can be said that apart from paying attention to the effectiveness of management in managing the investments owned by the company, investors also pay attention to the performance of management who is able to manage financing sources effectively to create net profit.

The relationship between asset growth and profitability on firm value influences one another. This is evidenced by the higher the level of asset growth and profitability, the company's value will increase. A high level of asset growth can have a positive influence on investors or potential investors. This is evident from investors' perceptions that high asset growth can provide benefits for shareholders so that potential investors do not hesitate to invest their capital. Likewise with profitability. The higher the company's ability to earn profits, the higher the level of investor confidence in investing their shares so that the value of the company increases.

Company size is measured based on the size of the company by looking at the total assets or total sales owned by the company. Large companies tend to have strong internal control systems with the consequence that auditors spend little time on compliance testing and substantive testing. Company size can show how much information is contained in it, as well as reflect management's awareness of the importance of information, both for external parties and internal parties. Large companies will have large assets, large sales, good employee skills and good systems. sophisticated in managing the company so that it will trigger an increase in the value of the company if the size of the company increases.

2. RESEARCH METHOD

The type of research used in this study is associative with causal causal relationships (Sugiyono, 2014: 59) because this research can provide empirical evidence and can determine the effect of asset growth and company size on company value with profitability as a moderator variable.

According to Sugiyono (2016: 81) the sample is part of the number and characteristics possessed by the population. This research uses purposive sampling. According to Sugiyono (2016: 85) purposive sampling is a sampling technique with a certain balance. This purposive sampling technique is carried out by selecting a sample from a population based on specified criteria. Based on the sampling criteria mentioned above, the metal and similar sub-sector companies that are eligible to be used as samples in this study are 6 companies.

3. RESULTS AND DISCUSSION

The Indonesia Stock Exchange classifies industrial companies based on the sectors they manage, consisting of: the agricultural sector, the mining sector, the basic chemical industry sector, the various industrial sectors, the consumer goods industry sector, the property sector, the infrastructure sector, the financial sector, and the services trade sector. investment.

The t test or partial regression coefficient test is used to determine whether profitability moderates the relationship between asset growth and firm size on firm value. To determine the t table, the t table is searched for a significance of 0.05/2 = 0.025 (2 sided test) with degrees of freedom df = n-k-1. Decision making based on the significance of accepting or rejecting the hypothesis is carried out with the following criteria:

- If the significance <0.05 then the hypotheses (Ho1, Ho2, Ho3, Ho4) are rejected, meaning that partially profitability moderates the relationship between asset growth and firm size on firm value. If the significance > 0.05 then the hypothesis (Ho1, Ho2, Ho3, Ho4) is accepted, meaning that partially profitability is unable to moderate the relationship between asset growth and firm size on firm value.

Table 1. Partial Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.089	.333		9.274	.000
	Asset growth	.008	.015	.129	.516	.608
	Company size	-.049	.127	-.049	-.382	.704
	Profitability	.055	.019	.848	2.836	.006
	PA*Profitability	-.009	.026	-.123	-.351	.727
	UP*Profitability	-.068	.038	-.694	-1.797	.078

a. Dependent Variable: Nilai Perusahaan

From the results of the regression model test, it can be seen that the effect of profitability in moderating the effect of asset growth on firm value, with a regression coefficient value of -0.009, the regression coefficient value is negative which indicates the influence of the opposite relationship between the profitability variable in moderating the effect of asset growth on firm value metal and the like. The results of this study found that asset growth has no significant negative effect on firm value. The higher the growth of assets, the lower the value of the company. The greater the company's growth rate, the greater the costs that will be required to manage the company's operational activities, because the company will focus its funds more on the needs of the company's growth compared to shareholder welfare. This will cause investors to distrust the company and the company's value will decrease. This has an impact on the company's profitability will decrease because investors are reluctant to invest their capital. Company growth is how far the company is able to place itself in the overall economic system or economic system for the same industry (Meidawati, 2016).

This is consistent with the results of statistical analysis of the coefficient value for the interaction variable between asset growth and profitability (X1.X3) of -0.009. The significance test can also be carried out by comparing the probability significance value that has previously been determined, namely 0.05 with the value df = n-k-1 or df = 60-3-1 = 57. The significance value of the interaction variable between asset growth and profitability (X1.X3) of 0.727 indicates a value that is greater than the value at a predetermined significance level of 0.05 (0.727 > 0.05).

From the results of the regression model test, it can be seen that the effect of profitability in moderating the effect of firm size on firm value, with a regression coefficient value of -0.068, the regression coefficient value is negative which indicates that there is an inverse relationship between the profitability variable in moderating the effect of firm size on firm value metal companies and the like. Profitability proxied by Return On Equity (ROE) is the ratio between profit after tax and total equity. The results of this study do not support the second hypothesis, namely the effect of firm size on firm value with profitability as a moderating variable. It has a negative effect indicating that the interaction between firm size and profitability on a large scale does not necessarily increase firm value.

The interaction between firm size and profitability has no significant effect indicating that large firm size is not always followed by an increase in firm value. The larger the size of the company, the more debt needed by the company to fund its operational activities, the use of debt owned by the company is not efficient because the interest costs are greater than the profitability obtained by the company, so that this can increase the risk within the company, as a result, investor interest in investment can decrease.

This is consistent with the results of statistical analysis of the coefficient value for the interaction variable between firm size and profitability (X2.X3) of -0.068. The significance test can also be carried out by comparing the probability significance value that has previously been determined, namely 0.05 with the value df = n-k-1 or df = 60-3-1 = 57. The significance value of the interaction variable between company size and profitability (X2.X3) is 0.078 indicates a value that is greater than the value at a predetermined significance level of 0.05 (0.078 > 0.05).

4. CONCLUSION

Based on the results of the analysis and discussion described in the previous chapter IV, this study can be concluded as follows: Profitability is unable to moderate the effect of asset growth on firm value in metal and similar companies listed on the IDX in 2012-2016. This is shown by the regression coefficient value of the interaction variable between asset growth and profitability (X1.X3) of -0.009 with a t count < t table (-0.351 <2.00247) with a significance level of 0.727 > 0.05. Profitability is not able to moderate the effect of company size on firm value in metal and similar companies listed on the IDX in 2012-2016. This is shown by the regression coefficient value of the interaction variable between firm size and profitability (X2.X3) of -0.068 with a t count <t table (-1.797 <2.00247) with a significance level of 0.078 > 0.05.

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