The Effect of Asset Growth With Profitability and Company's Value (Case Study: Coal Company was Listed in Bursa Efek Indonesia during 2014-2016 Period)

Mulyanto Nugroho
Department of Accounting
Faculty of Business and Management
University of 17 Agustus 1945 Surabaya

ABSTRACT
Indonesia as big country has also many industries. One of potential industry that is Indonesia had is coal field. In this research will test the effect of asset growth with profitability and company's value in coal's company. As population in this research is all of coal's company which is listed in Bursa Efek Indonesia during 2014-2016 period. Purposive sampling method is utilized to take sample. Eight coal's company were selected to be sample of this research. Analysis was conducted with inner, outer, and simultaneously model with Partial Least Square (PLS) program version 2.0. Result of this research are, firstly, asset growth has positive impacts significantly with profitability. Second, asset growth also has positive impacts significantly with company's value. Third, profitability has negative impacts significantly with company's value.

Keywords: Asset Growth, Profitability, Company's Value, Partial Least Square, Purposive Sampling

INTRODUCTION

Economic growth in Indonesia nowadays is in good condition for coal industries. In other hand, coal industries has main role for Indonesia in many field such as revenue/income, main energy resources, raw material of some other industries, and has big impact in economic field. Coal industries also have an important role in community empowerment. In Indonesia, coal industries together with other mineral companies contribute gross domestic product (GDP) as well as contribute greatly revenues.

One of the objective function of 'go public' companies is enhancing prosperity the owner or shareholder from increasing company's value. Company's value is a condition which has been achieved by a company as a picture of public confidence in the company after through several process of activity for several years since the company was established. Company's value can be reflected from the value of its shares. If the value of shares is high then it can be said that the value of the company is good. Company's value is very important because it reflects the performance of the company that can affect the perception of investors to the company.
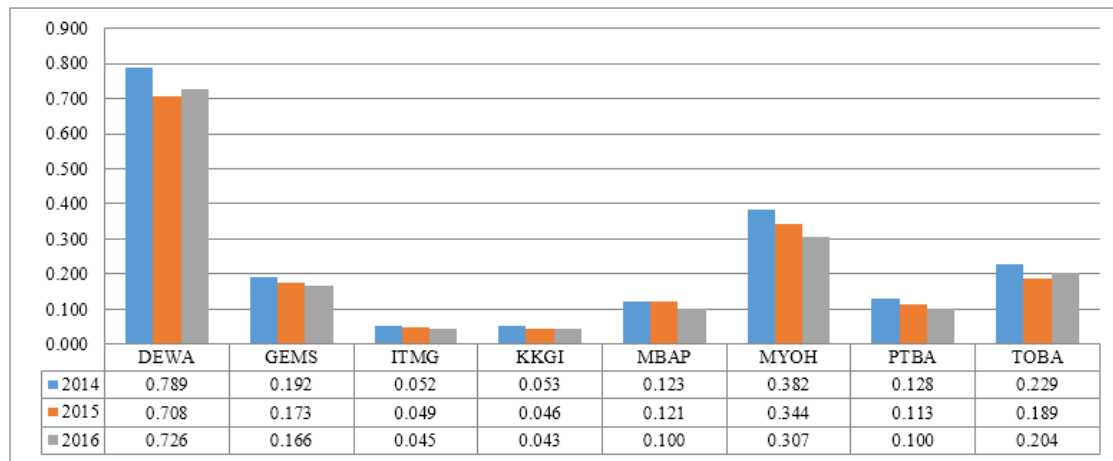
Figure 1. PBV value, eight issuer of coal industries, during 2014-2016 period

According to [1], company values are able to give power for share owner maximum whenever if the share ownership's price is increasing.

The figure 1 shows PBV value from eight issuers of coal industries during three years namely by 2014-2016 period. Eight issuers is fluctuated. The trend from eight issuers of coal industries is positive increasing in 2014-2016. The industry who has PBV value more than one, then it can be named by overvalue. Vice versa, the industry who has PBV value less than one, then it can be named by undervalue. For example Darma Henwa Tbk. (DEWA), this industry has the highest PBV value through all industries listed in 2014-2016. Even though this industry categorized undervalue and it has small stock value, but this industry is the best industry. It can be said that because the industry has the highest stock price when it compared to other industries. The high value of PBV means also the high value of the industry. Company value is a very important thing for the industry, because it deals directly with the survival of the company itself.

According to that phenomenon, this research has characteristic to use as measurement of company value. They are asset growth and profitability. Nevertheless, to analysis the influencing of company value, this research is also want to prove whether the variable is able to influence the profitability or not. The profitability is known and it has big effect of company value's increasing.

Asset growth is wishing of both internal and external stakeholder of company because the asset growth has good signing the developing of company. At investor view, asset growth of the company is signing of company's benefit. Company with high potential is tending to have high cash flow in the future. It is also having high capital value in order to seek investor for capital investment. His action will be influencing through company's value increasing.

The relationship of asset growth and company value that has been done by previous research shows heterogonous result. According to [2] with research entitle the effect of capital structure and company growth through profitability and company value in manufacturing industry which is stated about company growth has positive influence and significant to company value. Company growth is important to internal and external stakeholder because the good company growth has good signing for developing company. This result has contradict with previous research. According to [10] with entitle the relationship of good corporate governance, selling growth, total asset growth through company value shows total asset growth has no

significantly influence stock price. So that, total asset growth has no significantly effect through company value.

Asset Growth is also one of the factors that can affect profitability, where asset growth illustrates the growth of company assets which will affect the profitability of the company which believes that the percentage change in total assets is a better indicator of measuring the company's growth. The increasing growth of the company will use external funds in the form of fewer debts. In the other hand, the company has achieved high profitability. So that, for covering operational funds be able to use the profits obtained by the company.

The relationship between asset growth and profitability in previous research, it shows results as according to [3] who were conducting research with the title of the effect of capital growth, and asset growth on risk based capital, net premiums and profitability in life insurance companies which is stated that assets growth have a significant positive effect on profitability. Assets in insurance industry companies are always dominated by investments (investments) which is one of the main financial management activities except the insurance business. Investment can be in the form of funds deposited, stocks, bonds, securities, mutual funds and so on.

Profitability is one of factor that can influence company value whereas company be able to carry out its operating activities, then they must be in a profitable condition. Without profits, it will be difficult for companies to withdraw capital from outside. The influence of profitability in a company will greatly affect the policies of investors who will invest. Thus, profitability is said to affect the company's value. The relationship between profitability and company's value by previous research shows results as according to [4] who were conducting research entitle the analysis of the effect of profitability, dividend policy, debt policy, and managerial ownership on company value states that ROE is used as an indicator of profitability has significant influence on PBV that is used as an indicator of the value of the company. These results are different from previous studies as according to [5] who was conducting research entitle of capital structure, profitability and cost structure on the value of the ceramic industry, porcelain, and glass companies stated that the profitability variable has no significant effect on the variable company's value. This also can be seen from the level of probability.

According to research background that is described above, here are some research problem to be solved:
1. Does asset growth affect profitability?
2. Does asset growth affect the company's value?
3. Does profitability affect the company's value?

The objective of this research, such as:
1. To analysis the effect of asset growth to profitability.
2. To analysis the effect of asset growth to company's value.
3. To analysis the effect of profitability to company's value.

LITERATURE REVIEW
Management Accountant
According to [6] management of accountant is a process to identify, collect, measure, classify, and make report whereas the information that delivered have beneficial effect to internal user. This can be happened in order to plan, control, and make decision.

Asset Growth

According to [7] assets are facilities or economic resources that are owned by a business entity or company whose acquisition price or fair value then it must be measured objectively.

Profitability

According to [8], profitability is ratio that used to measure the capability of company to get profit from their business activities. Based on [9], profitability is also ratio to measure the capability of company to achieve profit. Ratio will give level of effectiveness of the company. This can be shown from profit that produces by selling and income investment. The main of ratio is showing company efficient.

Hypothesis

Hypothesis is a temporary answer to the research problem whereas the research problem has been expressed in the form of a question sentence [11]. The hypothesis was proposed in this research like these:

H1 = There is significant effect of asset growth to profitability

H2 = There is significant effect of asset growth to value of the firm

H3 = There is significant effect of profitability to value of the firm

RESEARCH METHOD

Population and Sample

Population is an area of generalization consisting of objects or subjects that have certain quantities and characteristics were set by the researcher to be studied and then it can be drawn some conclusions. In this research, the population is all coal companies which is listed on the Bursa Efek Indonesia (BEI) in period 2014-2016.

The sample can be defined as part of number and characteristics possessed by the population. If large populations and researchers are not likely to study everything in the population, researchers can use samples which is taken from that population. The sample is a portion of the population. The sample consists of a number of members selected from the population.

The sampling technique that be utilized in this study is non probability sampling, researchers precisely use purposive sampling technique. Purposive sampling can be defines as a sampling technique with certain considerations made by selecting objects based on specific criteria set by the researcher. The consideration of sampling is the object of research must meet the following criteria:

1. A coal company that goes public or is listed on Bursa Efek Indonesia in period 2014-2016.
2. Coal companies that are still actively operating on Bursa Efek Indonesia until 2016.
3. The coal company has complete data needed in this study during 2014-2016.
4. A coal company that discloses Corporate Social Responsibility (CSR).
5. Coal companies that obtain net income in a row during 2014-2016.

In this research, the sampling technique uses non probability sampling. It is a sampling technique that does not provide the same opportunity for each element or member of the population to be selected as a sample.

Table 1. Sample that is used in this research

No	Kode Saham	Nama Emiten
1	DEWA	Darma Henwa Tbk
2	GEMS	Golden Energy Mines Tbk
3	ITMG	Indo Tamangraya Megah Tbk
4	KKGI	Resource Alam Indonesia Tbk
5	MBAP	Mitrabara Adiperdana Tbk
6	MYOH	Samindo Resources Tbk
7	PTBA	Tambang Batubara Bukit Asam (Persero) Tbk
8	TOBA	Toba Bara Sejahtra Tbk

Definition of Variable and Operational
Independent variable often be called as variable stimulus, predictor, and antecedent. The independent variable is defined by variable that affects or causes changes or the emergence of the dependent variable (bound). So that the Independent Variable can be said to be an influencing variable. This research uses independent variables or (X) as follows:

Asset Growth
Asset Growth is a change in total assets that owned by the company and calculated objectively. Asset Growth is also defined as a change in total assets owned by the company and calculated objectively.

$$\text{Asset growth } = \frac{\text{Total aset (t)} - \text{ Total aset (t}-1)}{\text{Total aset (t}-1)}$$

Profitability
Profitability is the ratio used to measure and assess the ability of a company as a whole which is indicated by the size of the level of profit gained.

Return On Asset (ROA)
The return on assets is defined as a ratio that shows how much the assets contribute to create net income. This ratio is generated by dividing net income on total assets. The following is the formula used to calculate the return on assets

$$\text{Return On Asset} = \frac{\text{Laba Bersih}}{\text{Total Aset}}$$

Return On Equity (ROE)
The return on equity is a ratio that shows how much equity contributes to create net income. This ratio is calculated by dividing net income into equity. The following is the formula used to calculate returns on equity:

$$\text{Return On Equity} = \frac{\text{Net Income}}{\text{Total Equity}}$$

Net Profit Margin (NPM)
Net Profit Margin is the ratio used to measure the percentage of net income on net sales. This ratio is generated by dividing net income from net sales. The following is the formula used to calculate the net profit margin:

$$\text{Net profit Margin} = \frac{\text{Net Income}}{\text{Net Selling}}$$

Dependent variables are often referred to as output variables, criteria, and consequent. The dependent variable is the variable that is affected because of the independent variables. This research uses the dependent variable (Y) that is company's value. Company's value is the value of assets. If the company has good prospects in the future, the market value will be high. The market value whereas so high can provide prosperity for shareholders.

This are some indicator of company value:

a. Price of Book Value (PBV).
Price of Book Value (PBV) is a comparison between stock market prices and book value of shares. The book value per share is obtained from the comparison of the total equity of the shareholders and the number of shares outstanding. The following is the formula used to calculate PBV:

$$\text{Price Book Value} = \frac{\text{Price of stock t}}{\text{book value of stock t}}$$

b. Price of Earning Ratio (PER).
Price of Earning Ratio (PER) describes market appreciation for the company's ability to generate profits. PER is calculated in units of time. For investors, the smaller the PER of a stock, the better because the stock is cheap. The following is the formula used to calculate PER:

$$\text{Price Earning Ratio} = \frac{\text{Price of Stock}}{\text{EPS}}$$

c. Tobin's Q.
The high value of the company is the desire of the owners of the company, because with a high value shows the prosperity of shareholders is also high. The wealth of shareholders and companies is presented by the market price of shares which is a reflection of investment decisions, funding, and asset management. The value of the company can be measured by Tobin's Q. Here is the formula used to calculate Tobin's Q:

$$\text{Tobins'Q} = \frac{[(\text{CP x Total of Stock}) + (\text{TL} + 1)] - CA}{\text{TA}}$$

Table 2. Description of variable

Variable	Operational	Scale
Asset Growth (X1)	Asset Growth	Ratio
Profitability (X2)	ROA ROE NPM	Ratio
Value of the firm (Y1)	PBV PER Tobins'Q	Ratio

Data Analysis Method
Data analysis in this study using SEM (Structural Equation Modeling) with PLS (Partial Least Square) program application version 3.0 M3 PLS (Partial Least Square) was utilized by World as a general method for estimating path models that use latent constructs with multiple indicators. PLS (Partial Least Square) is a powerful factor indeterminacy analysis method because it does not assume the data must be measured by a certain scale, the number of samples is small. PLS (Partial Least Square) can also be used to confirm the theory. Partial Least Square (PLS) is used in this study because Partial Least Square (PLS) modeling can be

based on (1) theory, (2) results of empirical research, (3) analogy, relationships between variables in other fields of science, (4) normative matters, for example government regulations, laws and parts thereof, (5) other rational relations. So that the theoretical basis for Partial Least Square (PLS) can be strong, weak and even explorative.

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RESULT AND DISCUSSION
Evaluate measurement (outer) model and validity testing
An indicator is declared valid if it has a loading factor above 0.50 to the intended construction. The PLS output for loading factor gives as following results:
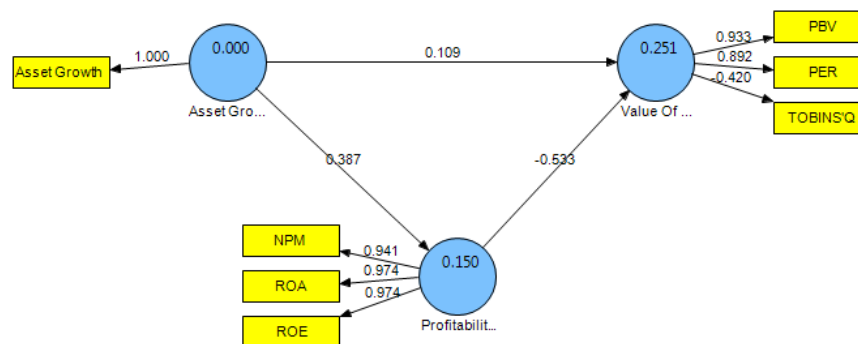

Figure 2. Value of loading factor original

Table 3. Discriminant validity cross-loading

	Asset Growth	Profitabilitas	Value Of The Firm
Asset Growth	1.000000		
NPM		0.940880	
PBV			0.932698
PER			0.892446
ROA		0.974380	
ROE		0.973901	
TOBINS'Q			-0.420292

Based on outer loading above, then the indicator of the variable value of the firm is removed from the model because it has a loading of less than 0.50 and is not significant, the loading value is less than 0.50 and is not significant as an indicator so it must be removed from the model.
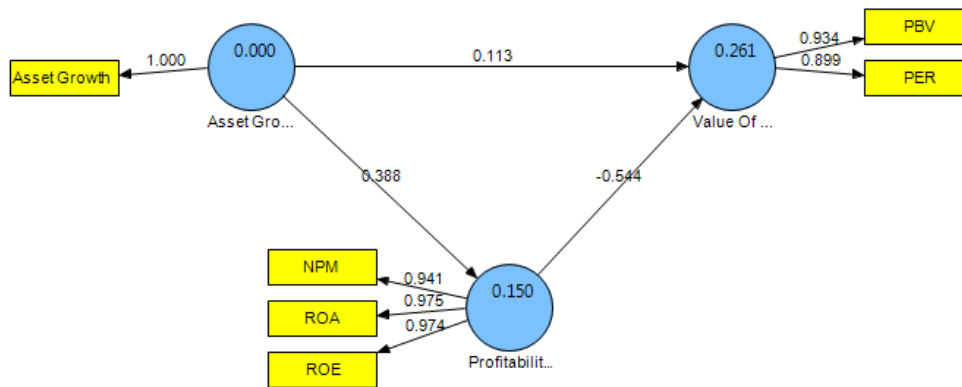
Figure 3. Loading droping

Table 4. Outer loading

	Asset Growth	Profitabilitas	Value Of The Firm
Asset Growth	1.000000		
NPM		0.940538	
PBV			0.933602
PER			0.898897
ROA		0.974531	
ROE		0.974098	

Table 4 above shows that the loading factor gives a value above the recommended value of 0.5. Thus the indicators used is valid or have met Convergent Validity.

Discriminant validity indicator can be seen in Cross-Loading between the indicator and its construct by using PLS Algorithm report select Dicriminant Validity then cross loading the following output of smart PLS.

Table 5. Discriminant validity cross-loading

	Asset Growth	Profitabilitas	Value Of The Firm
Asset Growth	1.000000	0.387628	-0.097895
NPM	0.279579	0.940538	-0.562120
PBV	-0.074211	-0.495669	0.933602
PER	-0.109009	-0.415381	0.898897
ROA	0.412423	0.974531	-0.453683
ROE	0.429308	0.974098	-0.428990

An indicator is defined valid whereas it has the highest loading factor to the intended construction that compared to loading factor to another construction. The table above shows that the loading factor for the Asset Growth variable with its indicator has a higher loading factor than the indicator on the other variables. Thus, latent contacts predict indicators on their blocks better than indicators in other blocks. Another method to see discriminant validity is average variance extracted (AVE). This method has funtion to see the value of the square root. The recommended value is above 0.5. Table 6 is the AVE values result of this study.

Table 6. Average Variance Extracted (AVE)

	AVE
Asset Growth	1.000000
Profitabilitas	0.927730
Value Of The Firm	0.839814

Table 6 above gives the value of Average Variance Extracted (AVE) above 0.5 for all constructs are contained in the research model. The lowest value of Average Variance Extracted (AVE) is 0.839814 in the value of the firm construct.

Result of Reliability Testing

Reliability testing is utilized by looking at the Composite Reliability value of the indicator block that measures the construct. The result of Composite Reliability will show a satisfaction value if it is over than 0.7. Table 7 is the result of value of Composite Reliability on the output.

Table 7. Composite reliability

	Composite Reliability
Asset Growth	1.000000
Profitabilitas	0.974684
Value Of The Firm	0.912905

Table 7 shows that the composite reliability value for all constructs is over than 0.6 which shows that all constructs in the estimated model to meet the criteria of discriminant validity.

Structural Modelling Testing (*Inner* Model)

After the estimated model meets the criteria for the Outer Model, the structural model (Inner model) is then tested. Here are the R-Square values in the construct below:

Table 8. R Square value

	R Square
Asset Growth	
Profitabilitas	0.150255
Value Of The Firm	0.261485

R Square (R^2) is often named by the coefficient of determination. It is also use to measure the goodness of fit of the regression equation which is giving the proportion or percentage of total variation in the dependent variable that explained by the independent variable. R^2 values are located between 0-1, and the suitability of the model is said to be better if R^2 is getting closer to 1. The R^2 table above gives the meaning such as:

1. Value of 0.150255 for variables (X2) Profitability which means that variables (X1) Asset Growth can be explained by variables (X2) Profitability of 15% and the remaining 85% are not explained in this study.

2. Value of 0.261481 for variable (Y) Value of the Firm which means that (X1) Asset Growth and (X2) Profitability is able to explain the variable (Y) Value of the Firm by 26.1% and the remaining 73.9% is not explained in this study.

Hypothesis Testing

To prove the hypothesis by looking at the significance of the influence between variables by looking at the parameter coefficients and the t-statistical significance value. In PLS3.0 this is done by looking at the Algorithm Boostrapping report, and this is the results:
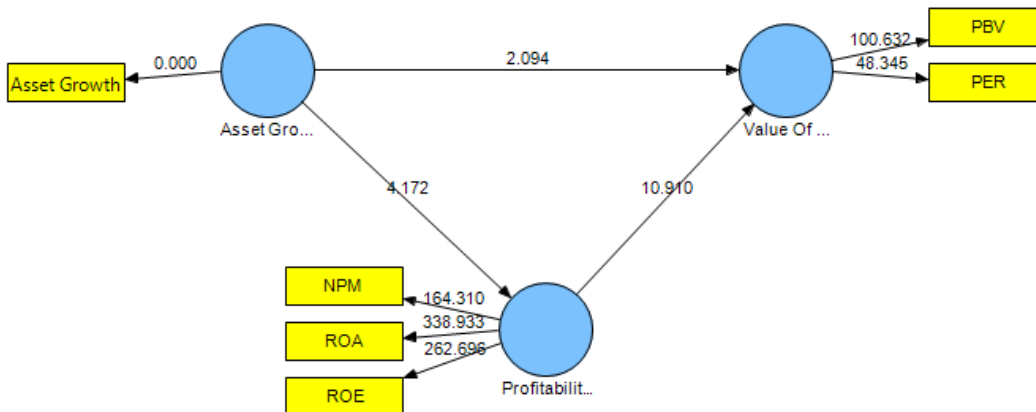

Figure 4. Algorithm boostrapping report

Table 9. *Path Coefficients (Mean, STDEV, T-Values)*

	O Sa
Asset Growth -> Profitabilitas	0
Asset Growth -> Value Of The Firm	0
Profitabilitas -> Value Of The Firm	-0

Path Coefficient shows the level of significance and the relationship between research variables. With the criteria as follows:

a. If t counts > t table, which is more than 1.96, and has conclude that the hypothesis is accepted

b. If t counts < t table, which is more than 1.96 and has conclude that the hypothesis is rejected

Thus Path Coefficient gives the result as follows:

The effect of asset growth to profitability

Based on the table of influence of Asset Growth on Profitability is a significant effect with T-statistics of 4,172> 1,96. The original sample estimate value is 0.387 which indicates that the direction of the relationship between Asset Growth and Profitability is in the direction that can be interpreted that if Growth is increased then Profitability will also increase.

This shows that asset growth has a high level of influence on profitability. Because companies with good asset growth are companies that are able to manage resources to generate profits, so that they can add assets whether they already have. The large number of assets owned will affect the productivity and efficiency of the company which ultimately affects the increase in profits. Therefore, asset growth was followed by increasing profits can increase profitability.

These findings are consistent with research conducted by [3] which examines the effect of asset growth on profitability, whereas the results of the study found that asset growth has a significant effect on profitability.

The effect of asset growth to company's value

Based on the table of influence of asset growth on value of the firm (Company Value) is a significant effect with T-statistics of 2,094 > 1,96. The original sample estimate value is 0.124 which indicates that the direction of the relationship between asset growth (value of assets) to the value of the firm (company value) is in the direction that can be interpreted that if growth (asset growth) is increased then the value of the firm also will increase too.

This shows that asset growth has a high level of influence on the value of the firm. Because with the existence of asset growth will give a good sign for the development of the company. Company development can be measured based on changes in the number of company assets from period to period. Many investors assess the rise and fall of company performance can be seen from asset growth. Companies with high potential development have a tendency to produce high market capitalization values, and this will affect the increase of the value of the firm.

These findings are consistent with the research conducted by [2] which examines the effect of asset growth on the value of the firm, where the results of the study found that asset growth has a significant effect on the value of the firm. However, these findings are not consistent with the research conducted by [10] which examines the effect of asset growth on the value of the firm, where the results of the study found that asset growth did not prove to have a significant effect on the value of the firm.

The effect of profitability to company's value

Based on the table of influence of Profitability on value of the firm (company value) is a significant effect with T-statistics of 10.910 > 1.96. The value of the original sample estimate is -0.544 which indicates that the direction of the relationship between asset growth and profitability is against the direction that can be interpreted that if the profitability has decreased then the value of the firm will increase in conditions whether good or not.

This shows that profitability has a high level of influence on the value of the firm. Because if the company experiences a decrease in profit, it reflects that the company has a poor performance, thus giving rise to negative views from investors and can make the company's stock price decline, the decline in stock prices in the market means that tcompany's value was decreased.

These findings are consistent from the research was conducted by [4], it examines the effect of profitability on the company's value, where the results of the study found that profitability has a significant effect to company's value. However, these findings are inconsistent with research that conducted by [5] whereas examined the effect of profitability on the company's value. The results of his study was found that profitability was not proven to have a significant effect on the company's value.

CONCLUSION

According to data analysis, this research has conclude:
1. *Asset growth* has positive influence and significant effect to profitability.
2. *Asset growth* has positive influence and significant effect to value of the firm.
3. Profitability has positive influence and significant effect to value of the firm.

This research also has recommendation:
1. The results of this study are expected as a provider of complete and clear financial information in order to reduce asymmetric information and as a source of information about the company's financial condition by external users of financial statements.

2. The results of this study suggested the company should be more used asset growth and profitability in order to improve the company's performance for achieving good company value.

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