



Profit Growth: Influenced by Financial Performance and Moderated Firm Size

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ABSTRACT

The purpose of this study is to analyze the effect of firm size moderation on financial performance on profit growth. Secondary data was collected as a sample of companies listed in the Infrastructure Sector listed on the Indonesia Stock Exchange for the period 2019-2021. The sampling in this study uses the purposive sampling method with the following criteria: (1) Infrastructure sector companies listed on the IDX in 2019-2021. The data needed in this study was taken from the Indonesian Capital Market Directorate (ICMD) 2019-2021. This study used multiple linear regression analysis where the partial test used the t statistical test and simultaneous testing using the ANOVA statistical test and before this test was carried out the classical assumption test was carried out. The results of this study show that sales, total asset turn over and return on assets do not affect profit growth, company size affects profit growth, company size is unable to moderate the relationship between sales, total asset turn over and return on assets on profit growth.

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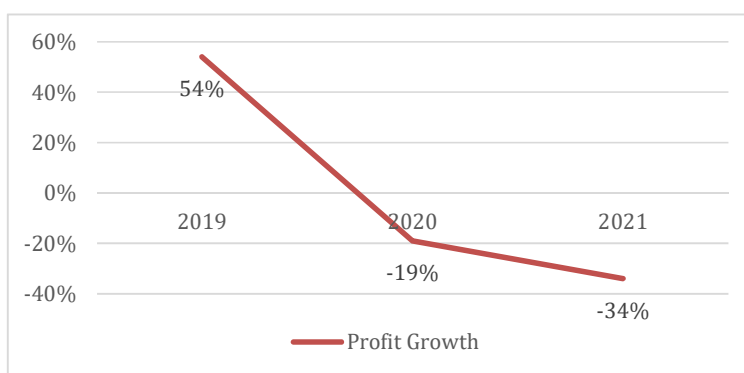
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INTRODUCTION

The purpose of establishing a business is to gain profit, which is often referred to as business objectives or profit-oriented. Profit is the profit from the company's business activities (Kalsum, 2021). Profit is also a tool that can be used as a measure of the prosperity of a company within a certain period of time and as an example of the performance of a company's management, if it can control its management within a certain period of time. Increasing annual profit is the desire of every company, but in practice the company still cannot guarantee profits for the following year (Aisyah & Widhiastuti, 2021).

Profit growth refers to the change in the percentage increase in profits earned by the company and can reflect the company's efforts to increase net income compared to the previous year. Profit growth is one of the aspects needed by financial managers to evaluate a company's financial performance. Profit maximization is considered better because profit maximization can attract investors to invest in the company. Therefore, a model is needed to estimate profit growth in the future (Saraswati & Nurhayati, 2020).

Profit growth can be realized through financial reports, because these reports reflect profit reports according to company activities, changes in equity reports, balance sheets and cash flow statements, which can be used to evaluate the company's financial development. The company prepares information for internal and external parties to make financial decisions through analysis that includes a system of financial indicators. Profit growth can be influenced by factors including sales levels, changes in past profits, company size and age (Nurhayati et al., 2020). The following is a graph of profit growth of several manufacturing companies listed on the IDX between 2019 and 2021.



Picture 1. Graph of Profit Growth of Several Manufacturing Companies Listed on the IDX between 2019 and 2021

The level of sales of a company's products actually varies due to several factors. Factors that affect the level of sales of a product are factors that appear repeatedly every year. Profits increase when the return exceeds or is greater than the total cost of the company. To increase turnover, companies must continue to strive to increase sales levels (Rice, 2016). Sales are the company's most important source of income. The results of Rice, (2016) show that sales growth has a positive effect on profit growth, but the results of this study are not in line with (Ridwan & Martian, 2020) that sales growth has no effect on profit growth.

The activity ratio measures how effective a company's asset management is, in this study Total Asset Turnover (TATO) is used as the activity ratio. A high TATO value indicates that the company is able to use its funds effectively and can be a positive signal for investors, because the faster the company's asset turnover, the higher the yield and profit obtained. High profits indicate that the company is in good condition, therefore investors are interested in investing in companies whose capital is used for production activities that generate and increase profits. Research conducted by Jannah & Dzulkiorom., (2019) which states that Total Asset Turnover (TATO) has a positive and significant effect on company profit growth.

The profitability of a company is measured by profitability ratios, one of which can use the return on assets (ROA) indicator. ROA is the ratio of net income to total assets, which measures the return on total investment of shareholders (Brigham & Houston, 2019). According to Kusoy et al., (2020) claims that profitability has a positive effect on profit growth. The results of this

study are supported by the research findings of Rinny et al., (2021). However, the results of this study are different from research Rahayu & Sitohang, (2019) which found that profitability has no effect on profit growth.

Based on the background description above, the authors are interested in raising this issue as material for scientific writing with the title: "Moderation Effects of Firm Size on Financial Performance on Profit Growth". Based on the background described above, the authors determine the formulation of the problem as follows: 1) Does the Level of Sales Affect Profit Growth? 2) Does Total Asset Turn Over affect Profit Growth? 3) Does Return on Assets Affect Profit Growth? 4) Does Company Size Affect Profit Growth? 5) Is the size of the company able to moderate the level of sales, total assets turn over and return on assets on profit growth?

METHODS

The research used in this research is causal associative research. The core population of this study are companies listed in the infrastructure sub-sector of the Indonesia Stock Exchange from 2019 to 2021. A certain number of samples are taken from the existing population using a purposive random sampling technique, namely a purposive sampling technique. The sample used in this study was selected based on the following criteria:

1. Infrastructure sector companies are listed on the IDX in 2019-2021.
2. The data owned by the company is complete and in accordance with the variables studied.

The data used in this research is quantitative time series data, namely. Secondary data in this study are the annual financial reports of the infrastructure companies listed on the Indonesia Stock Exchange (IDX). These financial reports were obtained from the IDX website (www.idx.co.id) and the company's website.

RESULTS AND DISCUSSION

The results of the descriptive statistical analysis are shown in table 1:

Table 1. Descriptive Statistics Results

| Descriptive Statistics | | | | | |
|-------------------------------|----|---------|---------|---------|----------------|
| | N | Minimum | Maximum | Mean | Std. Deviation |
| SALES | 69 | -,3700 | 7,3100 | ,6316 | 1,4380 |
| TATO | 69 | ,0000 | 2,2500 | ,8652 | ,5372 |
| ROA | 69 | -,1900 | ,3600 | ,0620 | ,0943 |
| SIZE | 69 | 26,8500 | 31,1000 | 29,3891 | 1,2657 |
| GROWTH | 69 | -3,7700 | 1,4700 | ,0183 | 1,1339 |
| Valid N (listwise) | 69 | | | | |

1. The level of sales has an average value of 0.6316. While the standard deviation value is 1.4380. This indicates that the variable sales level is not normally distributed, because the standard deviation value is greater than the average value of the variable.
2. Total asset turnover has an average value of 0.8652. While the standard deviation value is 0.5372. This indicates that the total asset turnover variable is normally distributed, because the standard deviation value is smaller than the average value of the variable.
3. Return on Assets has an average value of 0.0620. While the standard deviation value is 0.0943. This indicates that the variable Return on Assets is not normally distributed, because the standard deviation value is greater than the average value of the variable.

4. Firm size has an average value of 29.3891. While the standard deviation value is 1.2657. This indicates that the variable company size is normally distributed, because the standard deviation value is smaller than the average value of the variable.
5. Profit growth has an average value of 0.0183. While the standard deviation value is 1.1339. This indicates that the variable company value is not normally distributed, because the standard deviation value is greater than the average value of the variable.

Based on table 2 it can be seen that the coefficient of determination of Adjusted R Square has a value of 0.133 so that it can be stated that the ability of the independent variables (sales level, total asset turnover, return on assets and company size) in explaining the variation of the dependent variable (profit growth) is limited but supports it together because it has increased. The value of Adjusted R Square (R2) is changed to the form of a percentage, meaning that the percentage of the contribution of the independent variable to the dependent variable. The R2 value of the first hypothesis is 0.133, meaning that the percentage contribution of the current ratio, return on assets, total asset turnover and earnings per share) to the dividend policy variable is 18.4% while the remainder (100% -13.3% = 86.7%) is influenced by other variables outside the model.

Simultaneous significance test (F test) in table 2 shows that all independent variables simultaneously are significant explanations for the dependent variable.

In accordance with the results of the research hypothesis which states that between variables have a significant relationship to the dependent variable, it requires multiple linear regression to create an analysis model.

Table 2. Statistical Test Results t

| Model | Coefficients ^a | | | t | Sig. |
|------------|-----------------------------|------------|---------------------------|-------|-------|
| | Unstandardized Coefficients | | Standardized Coefficients | | |
| | B | Std. Error | Beta | | |
| (Constant) | 12,382 | 3,64 | | 3,402 | 0,001 |
| SALES_X1 | 0,119 | 0,091 | 0,151 | 1,314 | 0,193 |
| TATO_X2 | 0,248 | 0,306 | 0,118 | 0,812 | 0,420 |
| ROA_X3 | 1,819 | 1,641 | 0,151 | 1,109 | 0,272 |
| 1 SIZE_X4 | 0,415 | 0,120 | 0,463 | 3,450 | 0,001 |
| X1_X4 | 0,003 | 0,003 | 0,129 | 1,035 | 0,304 |
| X2_X4 | 0,008 | 0,010 | 0,103 | 0,751 | 0,455 |
| X3_X4 | 0,013 | 0,056 | 0,031 | 0,226 | 0,822 |

a. Dependent Variable: GROWTH
 F Test : 0,010
 Adjusted R Square: 0,133

The effect of the level of sales on profit growth

The results of the regression coefficient in table 2 shows that sales growth has a negative t count of 1.314 with a probability of 0.193. This shows that the p value (0.193) > significance level (0.05), so that H1 means the level of sales has no significant effect on profit growth.

Increasing the level of sales cannot support the increase in profits that can be obtained by the company. Therefore, it can be concluded that some companies seem unable to manage sales made to obtain profits, both from services during and after sales, such as minimizing warranty costs by minimizing the presence of defective products. The results of this study are supported by

research conducted by Elisa & Maryanti, (2021), which states that the level of sales has no significant effect on profit growth.

Effect of total asset turnover on profit growth

The results of the regression coefficient in table 2 show that total asset turnover has a positive t count of 0.812 with a probability of 0.420. This shows that the p value (0.420) > significance level (0.05), so that H2 means that total asset turnover has no significant effect on profit growth.

When viewed from the regression equation formed, it is known that when there is an increase in the total asset turnover ratio, it illustrates that the management's efforts have not had an effective impact on managing all the assets owned by the company. The results of this study are not in accordance with the theory which states that if a company's effectiveness in using assets obtains a high level of sales, it is expected that profit will increase. This is because infrastructure companies are companies engaged in the procurement and construction of long-term buildings, facilities or infrastructure. Where the nature of the payment is based on the level of completion so that in the total assets there are accounts receivable that have not yet been paid and the possibility of costs arising from these receivables can increase. So it can be concluded that the profit growth obtained by the company is not solely influenced by the large number of sales but is more dependent on the good utilization of its assets. The results of this study are in line with research conducted by Erawati & Widayanto, (2016) which states that total asset turnover has no effect on profit growth.

Effect of Return on Assets on profit growth

The results of the regression coefficient in table 2 show that Return on Assets has a positive t count of 1.109 with a probability of 0.272. This shows that the p value (0.272) > significance level (0.05), so that H3 means that Return on Assets has no significant effect on profit growth.

Based on the regression equation formed, it can be seen that if there is an increase in the ratio of return on assets, it will not have an impact on the increase or decrease in profit. This is not in line with the theory which states that the higher the return on assets, the more efficient and effective the company is in obtaining profits from its assets, so that it can support higher profits in the future. This is due to the company's inability to utilize its assets efficiently to earn profits or in other words, manufacturing companies are capital-intensive companies, dense in their assets. However, the condition of many assets is not able to provide a large profit contribution for the company because there are company assets that are unemployed. This can be seen from the condition of the data used, in which the condition of high return on assets does not affect the resulting profit growth. The results of this study are in line with research conducted by Elisa & Maryanti, (2021), which states that return on assets has no significant effect on profit growth.

Effect of Company Size on profit growth

The results of the regression coefficient in table 2 show that firm size has a positive t count of 3.450 with a probability of 0.001. This shows that the p value (0.001) < the significance level (0.05), so that H4 means that company size has a significant positive effect on profit growth.

Companies that have large total assets show that the company has reached the maturity stage and is considered to have good prospects for quite a long time, besides that it also reflects that the company is relatively stable and is considered more capable of generating profits

compared to companies with small total assets (Petra et al., 2020). However, from the results of the study it can be concluded that both large companies and small companies are not capable of optimally.

Company size moderates the level of sales on profit growth

The results of the regression coefficient in table 2 show that the interaction variable between sales growth multiplied by company size has a positive t count of 1.035 with a probability of 0.304. This shows that the p value (0.304) > significance level (0.05), so that H5 means that company size is not able to moderate sales growth on profit growth.

Based on the results of previous research conducted by Rice, (2016) which showed results that company size cannot be a moderating variable between sales levels and profit growth. But if we look at the relevant theories, then company size is important for a company. Company size is the size of a company which is indicated or assessed by total assets, total sales, total profits, tax burden and others. Then the size of the company according to Sunaryo & Mahfud, (2016) states that the size of the organization determines the number of members related to choosing how to control activities in an effort to achieve goals.

Company size moderates total asset turnover on profit growth

The results of the regression coefficients in table 2 show that the interaction variable between total asset turnover multiplied by company size has a positive t count of 0.751 with a probability of 0.455. This shows that the p value (0.455) > significance level (0.05), so that H6 means that company size is not able to moderate total asset turnover on sales growth.

Total asset turnover explains how efficiently the assets owned by a company have been optimally utilized to increase sales and obtain income that is useful for increasing profits. Company size is a scale where the classification of the size of the company can be seen from various ways, namely the total assets owned by the company, sales of assets, market value of shares and others that are highly correlated. This can be seen from the total assets owned by the company. High total asset turnover is followed by a large company size, so the total assets owned by the company should tend to be large, but in this study, increased sales did not have an impact on increasing profits generated. The research results are supported by Saraswati & Nurhayati, (2020) who concluded that company size cannot moderate the relationship between Total Asset Turnover and profit growth.

Company size moderates Return on Assets on profit growth

The results of the regression coefficients in table 2 show that the interaction variable between return on assets multiplied by firm size has a positive t count of 0.226 with a probability of 0.822. This shows that the p value (0.822) > significance level (0.05), so that H7 means that company size is not able to moderate the return on assets on profit growth.

This is because the size of the company is not able to provide strength in increasing profits. Small or large a company does not guarantee that the company will be able to use the capital obtained from the company's debt to benefit the company. Large-scale companies do not necessarily have better financial management capabilities when compared to small-scale companies, where companies that have large total assets do not necessarily indicate that the company has a maturity stage, which is considered to have good prospects. The results of this

study are in line with research Maulina et al., (2021) which proves that company size cannot moderate the relationship between profitability and profit growth.

CONCLUSION

Based on the results of the analysis and discussion that has been carried out, it can be concluded as follows 1) Sales growth, total asset turnover and return on assets have no effect on profit growth. 2) Firm size affects profit growth. 3) Firm size is unable to moderate the relationship between sales growth, total asset turnover and return on assets on profit growth.

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