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THE EFFECT OF SALES GROWTH AND DAR ON THE PROFITABILITY OF INFRASTRUCTURE SECTOR COMPANIES LISTED ON THE IDX IN 2020-2022

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Abstract:
Infrastructure is the most important thing in the progress of a country. Several countries in the world have been able to develop forward thanks to a strong infrastructure foundation supported by good synergies between government companies and the private sector. Infrastructure development is an important matter in the process of growing a nation in the economic, educational, social, cultural, agricultural, and other sectors. This study aims to determine the effect of sales growth and DAR (Debt to Assets Ratio) on company profitability (Return on Asset). This research was conducted on infrastructure sector companies listed on the Indonesia Stock Exchange for 2020-2022. The population in this study are all infrastructure companies listed on the Indonesia Stock Exchange (IDX) for 2020-2022, totaling 37 companies. The sample selection used a purposive sampling technique with several predetermined criteria, so the number of samples was 11 companies. The research data is secondary data obtained from the Indonesian Stock Exchange (IDX) 2020-2022. Data were analyzed using panel data regression with the help of Stata software version 14 to determine the significant level of each independent variable regression coefficient to the dependent. The results showed that sales growth and DAR (Debt to Asset Ratio) simultaneously had a positive effect on company profitability (Return on Asset). Sales growth has no effect on profitability, and DAR (Debt to Asset Ratio) has a negative effect on company profitability (Return on Asset).

Keywords: Sales Growth, Debt to Assets Ratio, Return on Asset, Indonesia Stock Exchange, Infrastructure.

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INTRODUCTION

Infrastructure is the most essential thing in the progress of a country. Several countries in the world have been able to develop forward thanks to a robust infrastructure foundation supported by good synergies between government companies and the private sector. Infrastructure development is an important matter, according to the Ministry of Public Works and Public Housing, explaining that in the process of growing a nation in the economic, educational, social, cultural, agricultural, and other sectors (www.data.pu.go.id). The active role of the government, the private sector, and the community is urgently needed for the implementation of sustainable infrastructure development.

However, the current uncertain and difficult-to-predict economic developments have greatly affected the business world in Indonesia. It can be seen by the increasing level of competitive competition between companies from various sectors. Strong companies will survive, whereas

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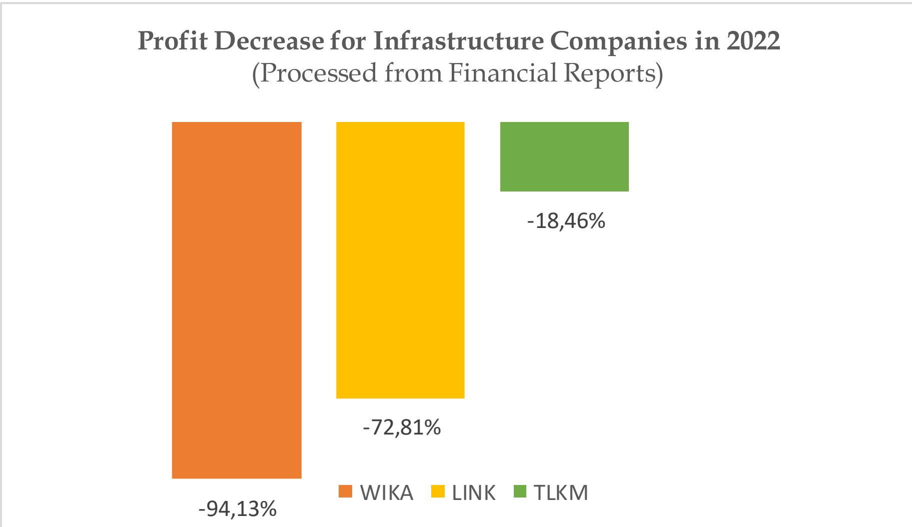
companies that cannot compete will likely go bankrupt. Competition in the business world makes every company increasingly improve its performance to achieve corporate goals. One of the company's goals is to achieve maximum or maximum profit. This condition also requires the company to keep trying to survive and develop its business as much as possible.

One of the efforts to achieve its goals, the company must always try to maximize its profits to achieve optimal results and profit levels. The company's survival is influenced by many things, namely, the company's profitability. Profitability is one of the factors to assess whether a company's performance is good or bad or the company's ability to earn profits. Investors need to analyze financial statements as a material consideration in making investment decisions to be able to obtain the expected return. A financial ratio analysis that can be used is one of the profitability ratios. Kasmir (2012) in his book explains that the profitability ratio assesses a company's ability to make a profit.

This ratio also provides a measure of the level of management effectiveness of a company. Given this, based on the annual reports of several companies in the infrastructure sector, namely Link Net Tbk (LINK), Telkom Indonesia (Persero) Tbk (TLKM), and Wijaya Karya (Persero) Tbk (WIKA), these three companies experienced a decline in company profits. Various factors can cause a decline in the profitability of the company itself. One of them is that many of the company's assets need to be more active and managed efficiently, thereby reducing the value of profitability. This condition illustrates that companies in the infrastructure sector are unable to manage their assets to obtain maximum profits. So, it is necessary to know the factors that affect the company's profitability.



Source: Author, 2023

Figure 1. Profit Decrease for Infrastructure Companies in 2022

It was also accompanied by a decrease in the profitability ratio (ROA) at PT Link Net Tbk (LINK) of -77.04%; PT Telkom Indonesia (Persero) Tbk (TLKM) of -17.44%; and PT Wijaya Karya (Persero) Tbk (WIKA) of -94.12%.

This profitability ratio also provides a measure of the level of effectiveness of a company's management. So, it is necessary to know the factors that affect the company's profitability. Based

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on this description, this study aims to examine the effect of sales growth and Debt to Asset Ratio (DAR) on company profitability (ROA).

Signaling Theory. Signaling theory is a company management behavior in giving instructions to investors regarding management's views on the company's prospects for the future (Brigham & Houston, 2014). The information contained in the financial statements is a company signal to stakeholders that can influence decision-making. The signal theory explains that managers do signaling to reduce information asymmetry. The quality of investors' decisions is influenced by the quality of the information disclosed by the company in the financial statements. The quality of this information aims to reduce information asymmetry, so companies must disclose information owned by the company, both financial and non-financial information. Information in the form of published corporate bond ratings is expected to signal a particular company's financial condition and illustrate the possibility that may occur related to the debt held.

Return on Assets (ROA). According to Kasmir (2016), the profitability ratio is a ratio to assess a company's ability to make a profit and provides a measure of the effectiveness of a company's management. Companies can maximize their profits if their financial manager knows what factors affect profitability. All factors contained in a company influence the company's ability to earn profits. In order to optimize results, it is essential to focus on three key areas: asset management, cost management, and debt management, as suggested by Fahmi (2012).

$$\mathrm{ROA} = \frac{\text{Net Income}}{\text{Total Assets}} \times 100\%$$

Sales Growth. One of the factors that influence profitability is sales growth. Sales growth is an increase in sales from year to year or from time to time (Kennedy et al., 2013). It is supported by research conducted by Anissa (2019), which says that sales growth positively affects profitability. The opposite was expressed by Meidiyustiani (2016), who said that sales growth had no effect on profitability. Sales have a strategic influence on a company because assets or assets must support sales, and when sales are increased, assets must also be added; by knowing sales from the previous year, the company can optimize existing resources.

$$Sales\ Growth = \frac{Sales_t - Sales_{t-1}}{Sales_{t-1}} \times 100\%$$

Debt to Asset Ratio (DAR). According to Kasmir (2012), the Debt to Asset Ratio (DAR) is a debt ratio used to measure the ratio between the value of debt and the value of assets. Sanjaya & Sipahutar 2019) states that the Debt to Asset Ratio affects Return on Assets. In this study, it was explained that for companies with a large amount of debt, it is likely that the company's liquidity level will be maintained. However, the opportunity to earn large profits will decrease due to interest costs, which ultimately impact decreasing profitability.

$$\mathrm{DAR} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

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METHODS

This research was conducted using quantitative methods. The population in this study are infrastructure companies listed on the Indonesia Stock Exchange. This study used a total population of 37 companies. A sample of 11 infrastructure companies was obtained. The data collection used in this study was researched using non-participant observation methods with infrastructure company financial reports as secondary data obtained from the official website of the Indonesia Stock Exchange.

RESULT AND DISCUSSION

Hypothesis Test Results from Multiple Linear Regression Analysis. Multiple linear regression analysis in this study uses the best model from the tests, the Common Effect Model. The following table shows regression testing results with the Common Effect Model method.

Table 1. Regression Table

Source	SS	df	MS		Number of obs	= 33
Model	47.8783304	2	23.9391652		F(2, 30)	= 7.43
Residual	96.6663705	30	3.22221235		Prob > F	= 0.0024
Total	144.544701	32	4.5170219		R-squared	= 0.3312
					Adj R-Squared	= 0.2867
					Root MSE	= 1.7951
InROA	Coef.	Std. Err.	t	p>|t|	[95% Conf. Interval]	
Sales Growth	-.0245925	.0131065	-1.88	0.070	-.0513595	.0021746
DAR	-.0932507	.0245021	-3.81	0.001	-.1432906	-.0432107
_cons	6.2860003	1.533454	4.10	0.000	3.154272	9.417733

Source: Processed by Author, 2023

Based on the results of the regression table above, it can be described as the constant is 6.2860; this means that if sales growth and DAR are 0, then the Return on Assets is equal to the constant value, which is 6.2860 percent.

The value of the regression coefficient of sales growth is -0.2459, indicating that the value of the regression coefficient of sales growth is negative or not in the same direction. It can be interpreted that for every 1% increase in sales growth, the Return on Assets will decrease by -0.2459, provided that other variables are of a fixed value.

A DAR of -0.9325 indicates that the value of the regression coefficient of sales growth is negative or not in the same direction. It can be interpreted that for every 1% increase in DAR, the Return on Assets will increase by -0.9325, provided that other variables are of a fixed value.

Statistical Test for The Effect of Sales Growth and DAR Variables on Profitability (Return on Assets). Based on the testing results simultaneously, sales growth and DAR positively affected profitability (Return on Assets) in infrastructure sector companies in 2020-2022. In this situation, it can be seen from the regression results show that the significance value (F-statistic) is 0.0024, which means it is smaller than 0.05.

Determination Coefficient Test (R2). The adjusted R square value of the coefficient of determination is 0.2867; this shows that the contribution from sales growth and DAR has an effect of 28% on the profitability (Return on Assets) of infrastructure companies in 2020-2022. In comparison, the remaining 72% is determined by other variables not included in this study.

Partial Testing (T Test). In the multiple linear regression method, one of the tests used to assess the extent to which the independent variable influences the dependent variable partially is

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the t-test. The independent variables in this study are SalesGrowth and debt to asset ratio, while the dependent variable is the return on assets. Partial testing (t-statistic test) can be done by:

1. Comparing t arithmetic and t table.
    a. If t count > t table, H0 is rejected while H1 is accepted.
    b. If t count <t table, then H0 is accepted while H1 is rejected.
2. The test is based on the significance of the Probability value.
    a. If the prob t value is > 0.05, then the hypothesis is rejected.
    b. If the prob t value is < 0.05, then the hypothesis is accepted.

The results of processing statistical data using STATA are as follows.

The Effect of Sales Growth Variable on Profitability (Return on Assets). Based on the partial test results, sales growth has a negative effect on the profitability of infrastructure sector companies in 2020-2022. In this situation, it can be seen from the regression results, which show that the probability value of sales growth is 0.070. This value has a value above the significance of 0.05. These results indicate that sales growth has no effect on profitability (ROA).

Effect of Variable Debt to Asset Ratio (DAR) on Profitability (Return on Assets). Based on the partial test results, sales growth has a negative effect on the profitability of infrastructure sector companies in 2020-2022. In this situation, it can be seen from the regression results, which show that the probability value of the debt-to-asset ratio is 0.001. This value has a significance value of 0.05 and a coefficient of -0.9325. These results indicate that the debt to asset ratio has a negative effect on profitability (ROA).

CONCLUSION

This study examines the effect of sales growth and debt to asset ratio (DAR) on the profitability of infrastructure sector companies listed on the IDX in 2020-2022. The sales growth variable does not affect the profitability of infrastructure sector companies listed on the IDX in 2020-2022.

The results of the partial test show that the DAR variable affects the profitability of infrastructure sector companies listed on the IDX in 2020-2022. The simultaneous test results show that sales growth and DAR variables affect the profitability of infrastructure sector companies listed on the IDX in 2020-2022.

Suggestion. By discovering the simultaneous influence of sales growth and DAR variables and the partial influence of DAR variables on the level of company profitability, it is expected that companies in Indonesia will begin to pay attention to these financial aspects in their business finances.

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