International Journal of Education, Information Technology and Others (IJEIT), August, 2022, 5 (4), 65-73
DOI: https://doi.org/10.5281/zenodo.6972690
p-ISSN: 2654-2528 e-ISSN: 2623-2324
Accredited by Directorate General of Strengthening for Research and Development
Available online at https://jurnal.peneliti.net/index.php/IJEIT

Factors Affecting Firm Growth of Non-Cyclical Consumer Industry Companies Listed on Indonesia Stock Exchange in 2022

Angsari Sitorani Raharjo[1], Henny Setyo Lestari[2]

[1]Student of Magister Management, Trisakti University, Jakarta, Indonesia
[2]Lecturer of Magister Management, Trisakti University, Jakarta, Indonesia

Received: 14 July 2022
Revised: 19 July 2022
Accepted: 28 July 2022

Abstract

The primary purpose of this paper is to determine the factors that influence the growth of companies in the non-cyclical consumer industry sector. This sector is an industrial sector that produces or distributes primary consumer goods which are basic needs so that they are not affected by economic growth. The sample consists of 39 companies in the field of consumer non-cyclical listed on the Indonesia Stock Exchange in 2022. This study uses multiple regression analysis to analyze the variables that are the focus of the study. This study showed that company size and return on assets (ROA) significantly positively affected company growth. In contrast, the current ratio had an insignificant negative effect, and company leverage had a positive but not significant effect on company growth. The impact given between variables is statistically significant. Company managers can use this research to optimize company growth. They can pay attention to aspects such as increasing market share, reducing operating costs, increasing profits to increase the company's net income and need to anticipate the impact of competing companies that will affect company revenues

Keywords: *Company Growth; Return on Asset; Consumer Non-Cyclical*

(*) Corresponding Author: ninaikhwatiwahidah19@gmail.com

How to Cite: Raharjo, A., & Lestari, H. (2022). Factors Affecting Firm Growth Of Non-Cyclical Consumer Industry Companies Listed on Indonesia Stock Exchange in 2022. *International Journal of Education, Information Technology, and Others*, *5*(4), 65-74. https://doi.org/10.5281/zenodo.6972690

INTRODUCTION

The Indonesia Stock Exchange classifies the non-cyclical consumer industry as an industrial sector that produces or distributes primary consumer goods that are basic needs so that they are not affected by economic growth. Included in the classification of consumer non-cyclical are companies engaged in primary material retail, food stores, drug stores, and others. Companies in the consumer non-cyclical tend to be stable so that they become the target of investors during times of recession. Because even though the country's economic conditions are fluctuating, companies in this sector will continue to grow. With these conditions, many entrepreneurs are interested in establishing companies in this field. The increasing number of companies in this field forms a tight business competition. With this competition, companies must continue developing their company growth.

Growth is an increase or decrease in the company's assets (Oka, 2011). According to the Indonesian Institute of Accountants (IAI, 2009), company assets are company resources for operational activities that occurred in the past and as a company's economic benefits in the future. Sales growth can increase the company's competitiveness in the market if the company's growth increases. According to

(Vuković et al., 2022), each company's growth can be assumed by increasing the company's size over a certain period. Business diversity affects the business development of a company that is more stable. Growth is used to create an increase in the value and strength of the company as well as an increase in the economy. (Chung et al., 2019) explained that company growth shows a degree of heterogeneity between companies, which is difficult to predict. A reasonable growth rate is evidenced by the appropriate economic development of the company and the absence of significant conflicts. Internal growth is the key to a company's success (Vuković et al., 2022). One of the company's internal assessments uses data from the company's annual financial statements.

Financial statements or Financial Statements are the final product of the company's transaction data processing (Hery, 2015). Financial statements are essentially the result of the accounting process that is used as an instrument to convey financial data or company activities to interested parties. In other words, this financial report is an information tool that shows the company's financial health condition and company performance. Financial statement analysis is the application of tools and techniques to obtain estimates and conclusions that are useful in business analysis. The analysis technique commonly used is financial ratio analysis. Financial ratios are a company's financial analysis tool to assess a company's performance based on the comparisons contained in the financial statements (Sukamulja, 2021). Ratios allow for better comparisons over time or between companies. Ratio analysis can be used to guide investors and creditors in deciding or considering the company's future achievements. In this study, researchers used three financial ratio analyses as research variables: Liquidity Ratio, Leverage Ratio, and Profitability Ratio.

LITERATURE REVIEW

Company Growth

According to (Oka, 2011), growth is the fluctuation of the company's total assets in the past which will describe the profitability and growth of the company in the future. The difference can express growth in the decrease or increase in total assets owned by the company for one period (one year). Asset growth describes the growth of company assets that will affect the company's profitability. The percentage change in total assets is a good indicator for measuring company growth. In this study, the company's growth is measured by the ratio of asset changes that can compare the increase or decrease in the company's total assets. According to (Sampagnaro, 2013), sales growth is an indicator that is easy to use as a measure of company growth because sales growth does not affect changes in horizontal and vertical production integration. (Vuković et al., 2022) measure the company's growth using company size, current ratio, profitability calculated based on ROA and ROE, and company leverage.

Company size

Company size can be used as a parameter of the size of a company. Firm size is also a factor that affects firm value—the larger the company, the more resources can be used in the company's production. (Vuković et al., 2022). (Carvalho et al., 2013) stated that the size of the company can be expressed in the total assets of the company. The greater the total assets of the company, the bigger

the company. According to (Yohanas, 2014) companies that achieve significant total assets can show that the company has reached a certain level of maturity. In addition, significant total assets can reflect the stability of the company. Company performance can also be seen from the size of the company. Investors tend to prefer large companies over small ones because they are believed to have a good performance in generating profits.

Current Ratio

The current ratio is a ratio that functions to calculate the company's ability to pay all of the company's short-term obligations using its current assets (Sukamulja, 2021). The higher the current ratio value, it means that the company is more liquid or the more significant the company's ability to carry out its operational activities as well as to pay its short-term obligations. This value can also describe the health level of the company.

Return on Asset (ROA)

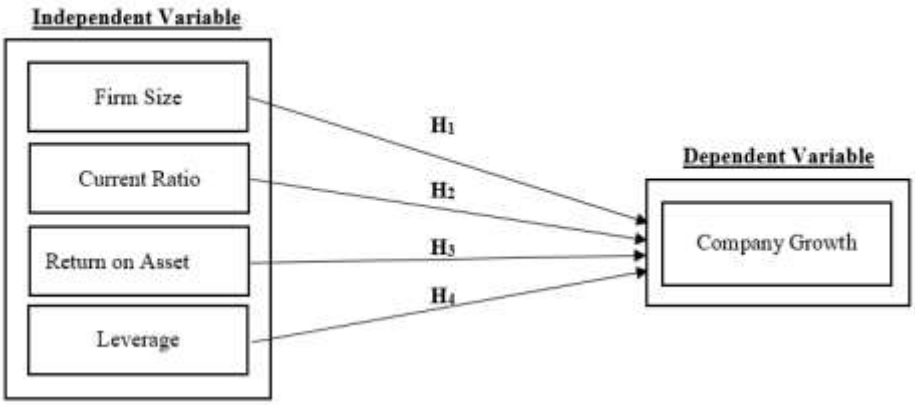
The profitability ratio measures the company's ability to generate profits from its business activities (Hery, 2015). Profitability ratios can be calculated by comparing the components in the financial statements. The profitability calculation can be assessed by comparing net income with total assets, called Return on Assets (ROA). The greater the profitability ratio, the greater the company's profit growth rate due to the addition of equity as a source of financing for the company's operational activities (Yohanas, 2014). Investors use the profitability ratio as one of the indicators in assessing the sustainability of a company and predicting the condition of its development in the future. A high level of profitability can indicate that the company is in good condition and is in the process of developing. Hence, investors expect the company to provide a return under investor expectations. Profitability used in this study is profitability calculated by Return on Assets (ROA). Return on Assets is a ratio that measures the company's ability to generate net income from assets owned and the rate of return on the company's investment (Sukamulja, 2021).

Company Leverage

According to (Sukamulja, 2021) the leverage ratio, which can also be called the solvency ratio, is a ratio that describes the proportion of the company's debt. Leverage is a measure of the company's ability to meet obligations from the company's operating results to pay off interest or principal payments (Sofiana, 2022). The higher the debt ratio, the higher the company's debt-financed assets. The debt to asset ratio is calculated by comparing the total value of the company's debt or debt with the total assets of the company. Generally, the value of good debt to asset ratio is less than 0.5, but this condition may vary according to the average industry ratio of similar companies.

Framework

Figure 1. Theoretical Thinking Framework



Hypothesis

H1: Firm size has a statistically significant positive impact to company growth.
H2: Current Ratio has a statistically significant positive impact on company growth.
H3: Return on Assets (ROA) has a statistically significant positive impact to company growth.
H4: Leverage has a statistically significant positive impact on growth company.

Variables and Measurements

The variables and measurements used in this study aim to determine the relationship between the independent variable and the dependent variable, where each measurement is as follows:

Table 1. Identification and Measurement of Variables

Variable Type	Variable Name	Proxy	Symbol	Definition	Reference
Dependent Variable	Company Growth	Sales Growth Rate	GROWTH	The difference between total sales in year t and year (t-1) is then divided by total sales (t-1)	(Vuković et al., 2022)
Independent Variable	Firm Size	Ln(Total Assets)	SIZE	Ln(Total Assets)	(Vuković et al., 2022)
	Liquidity	Current Ratio	CR	Current Assets divided by Current Liabilities	(Vuković et al., 2022)
	Profitability	Return on Asset	ROA	Net Income divided by Total Asset	(Vuković et al., 2022)

	Leverage	Debt to Asset Ratio	LEV	Total Debt divided by Total Asset	(Vuković et al., 2022)

RESEARCH METHOD

This study uses a quantitative approach with a purposive sampling technique. A *quantitative method* is used to examine the population of a research sample with random sampling techniques or data collection with research instruments. Purposive sampling is a sampling technique by weighing the data used with specific criteria. The sample in this study includes companies in the non-cyclical consumer industry sector, as many as 39 companies out of a total of 86 non-cyclical consumer companies listed on the Indonesia Stock Exchange in 2022. Data processing in this research uses E-Views software.

The selection of data as research samples is based on the following criteria:

a. Companies in the non-cyclical consumer industry sector listed on the Indonesia Stock Exchange in 2019.
b. Companies in the non-cyclical consumer industry that present financial reports for the last five years (2017-2021).
c. Companies in the non-cyclical consumer industry sector present annual reports in rupiah.
d. Companies in the non-cyclical consumer industry sector that have positive profits.

RESULTS AND DISCUSSION

Data Testing Method

Table 2. Chow Test Results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.391964	(38,152)	0.0841
Cross-section Chi-square	58.230004	38	0.0189

Based on the test results in Table 2, it is found that the value of the probability cross-section chi-square is 0.0189, which is smaller than 0.05. So the model used is an estimate with a fixed effect. Furthermore, the Hausman test was carried out to compare the fixed effect with the random effect

Table 3. Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	27.222240	4	0.0000

Based on the test results in Table 3, it was found that the value of the random cross-section probability was 0.0000 less than 0.05, so it was found that the suitable model used in this study according to the Hausman test is the Fixed Effect Model. Based on the model selection, it can be concluded that the model in this study is the Fixed effect Model.

Table 4. Goodness of Fit (R^2) Test Results

Effects Specification			
Cross-section fixed (dummy variables)			
R-squared	0.282950	Mean dependent var	0.079228
Adjusted R-squared	0.084818	S.D. dependent var	0.149218
S.E. of regression	0.142750	Akaike info criterion	-0.863544
Sum squared resid	3.097368	Schwarz criterion	-0.141806
Log likelihood	127.1955	Hannan-Quinn criter.	-0.571321
F-statistic	1.428088	Durbin-Watson stat	2.334265
Prob(F-statistic)	0.022413		

Based on the test results in table 4, it was found that the Adjusted R-Squared was 0.0848 or 8.48%. This explains that 8.48% of the company's growth is influenced and can be explained by the four independent variables in this study. In contrast, the other 91.52% are influenced outside the regression model.

Data analysis method

Table 5. Table of Descriptive Statistical Analysis Results

ANALISIS	GROWTH	SIZE	CR	ROA	LEV
Mean	0.079228	29.40618	2.862075	10.70329	0.433634
Median	0.073014	29.17768	2.061906	7.925846	0.412557
Maximum	0.504026	32.82039	16.53888	62.27777	2.894348
Minimum	-0.487470	27.08104	0.614071	0.052581	0.083064
Std. Dev.	0.149218	1.416594	2.570932	10.24095	0.266522
Skewness	-0.232506	0.302783	2.748907	2.233833	4.065529
Kurtosis	4.967000	2.051388	12.47925	8.824864	38.23018
Jarque-Bera	33.19326	10.29093	975.6681	437.8488	10621.65
Probability	0.000000	0.005826	0.000000	0.000000	0.000000
Sum	15.44947	5734.205	558.1046	2087.142	84.55861
Sum Sq. Dev.	4.319600	389.3074	1282.280	20346.15	13.78058
Observations	195	195	195	195	195

From the results of this analysis, it is found that companies in the non-cyclical consumer industry have an average company growth of 0.079 and a maximum of 0.504 with a minimum growth ratio of -0.487. The standard deviation obtained is 0.149. The standard deviation value more significant than the average indicates that the processed data varies.

The current ratio in non-cyclical consumer industrial companies has an average ratio of 2.862, a maximum of 16.538 with a minimum ratio of 0.614 and a standard deviation of 2.571. The standard deviation value, which is smaller than the average, indicates that the data processing is less varied.

Firm Size in non-cyclical consumer industrial companies has an average value of 29.406 and a maximum of 32.820, with a minimum value of 27,081 and a standard deviation of 1.416. The standard deviation value smaller than the average indicates that the processed data is less varied.

The results of the analysis of Return on Assets in this study have an average value of 10.703%, with a maximum value of 62.278% and a minimum value of

0.053%. The standard deviation value is 10.241. The standard deviation value smaller than the average indicates that the processed data is less varied.

The average leverage value of non-cyclical consumer industrial companies has a value of 0.434 with a maximum value of 2.894 and a minimum value of 0.007%. The standard deviation value is 0.267, and the standard deviation value smaller than the average indicates that the processed data has a uniform or less varied data.

Table 6. Table of Fixed Effect Analysis Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-3.576301	1.780069	-2.009080	0.0463
SIZE	0.120591	0.060073	2.007420	0.0465
CR	-0.010933	0.008852	-1.235146	0.2187
ROA	0.011917	0.002477	4.811295	0.0000
LEV	0.030299	0.061776	0.490457	0.6245

R-squared	0.282950	Mean dependent var	0.079228
Adjusted R-squared	0.084818	S.D. dependent var	0.149218
S.E. of regression	0.142750	Akaike info criterion	-0.863544
Sum squared resid	3.097368	Schwarz criterion	-0.141806
Log likelihood	127.1955	Hannan-Quinn criter.	-0.571321
F-statistic	1.428088	Durbin-Watson stat	2.334265
Prob(F-statistic)	0.022413		

Based on the results of the panel data regression analysis table above, the panel data regression equation can be formulated as follows:

$$\mathbf{Growth_{it} = -3{,}576 + 0{,}120\ (SIZE)_{it} - 0{,}011\ (CR)_{it} + 0{,}012\ (ROA)_{it} + 0{,}030\ (LEV)_{it} + \varepsilon i}$$

Based on the T statistical test results in table 11, the company's size has a probability value of 0.0465 <0.05 with a coefficient of 0.120. This shows that firm size has a significant positive effect on company growth. The current ratio has a probability value of 0.2187 > 0.05 with a coefficient of -0.010. This shows that the Current Ratio has no significant adverse effect on the company's growth. Return on Assets has a probability value of 0.000 < 0.05 with a coefficient value of 0.011. This shows that Return on Assets (ROA) significantly positively affects company growth. Leverage has a probability value of 0.6245 > 0.05 with a coefficient of 0.030. This shows that Leverage has an insignificant positive effect on the company's growth. Based on the test results in table 6, it is found that the F-Statistic Probability is 1.428, which is less than 0.05, so it can be concluded that firm size, current ratio, the probability with ROA, and company leverage together have a significant effect. To company growth.

Regarding the results of this study, which are seen from 4 aspects or 4 variables, namely company size, liquidation by calculating the current ratio, profitability by calculating return on assets, and company leverage, company managers can see the aspects that affect the company's growth. This study found that the profitability variable with the calculation of return on assets significantly affected the company's growth. Therefore, to optimize the company's growth, company managers can pay attention to aspects such as increasing market share, reducing operating costs, increasing profits to increase the company's net income and need to anticipate the impact of competing companies that will affect company revenues. The analysis in this study can also be helpful for investors to determine the level of investment in

the future. Investors need to pay attention to aspects of the company that affect the company's sales, such as the utilization of economic resources, technical and technological development, and resource management in related companies.

CONCLUSION

Company size is an indicator that can show a company's large or small characteristics by using the total assets parameter. From the results described above, it can be concluded that the company's size affects its growth. This shows that the size of the company affects the growth of the company. This study's results align with research (Kachlami & Yazdanfar, 2016) which states that company size affects company growth. Larger companies tend to achieve higher growth rates than smaller companies.

Liquidity by calculating the current ratio is the ratio used to describe the ability of the company's assets to the company's liabilities. The higher the current ratio value, it means that the company is more liquid or the more significant the company's ability to carry out its operational activities as well as to pay its short-term obligations. Based on the results of research data processing, it can be concluded that liquidity with the current ratio has an insignificant negative effect on company growth. This shows that the size of the company does not affect the company's growth. This study's results align with research (Rahmayanti & Indiraswari, 2022), which finds that the current ratio has no effect on company growth. The current ratio does not affect the company's growth because the average company has high total assets from long-term debt.

The profitability ratio measures the company's ability to generate profits from its business activities (Hery, 2015). Return on Assets is a ratio that measures the company's ability to generate net income from assets owned and the rate of return on the company's investment (Sukamulja, 2021). Based on the results of research data processing, it can be concluded that ROA has a significant positive effect on company growth. This study's results align with research (Vuković et al., 2022) which states that Profitability calculated by ROA has a significant positive impact on company growth. The company seeks to maximize profits by achieving a return on the funds involved and maintaining the absolute value of the net assets invested, positively affecting the company's growth.

The leverage ratio, which can also be called the solvency ratio, describes the proportion of company debt. Leverage is a measure of the company's ability to meet obligations from the company's operating results to pay off interest or principal payments (Sofiana, 2022). The higher the debt ratio, the higher the company's debt-financed assets. Based on the results of research data processing, it can be concluded that leverage has an insignificant positive effect on company growth. This study's results align with research (Rahmayanti & Indiraswari, 2022), which finds that the leverage or solvency ratio has no effect on company growth. This is because most companies have very low total equity, leading to a high leverage ratio. Therefore leverage does not affect the company's growth.

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