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The Effect of Assets and Liabilities Management on Companies Value in Banking Industry on Indonesian Stock Exchange

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ABSTRACT. High or low corporate value is determined by asset and liability management. company value requires asset and liability management because both assets and liabilities are the source and use of funds to balance the left and right positions in the company's balance sheet. The purpose of this study is to determine the effect of asset and liability management on firm value in the banking industry. This study uses a quantitative approach with the type of data used secondary data. The independent variable in this study is asset management proxied by TATO and liabilities proxied by DER, while the dependent variable is firm value proxied by Tobin's Q. The research sample is banking companies listed on the Indonesia Stock Exchange for the 2020-202022 period. The samples used were 41 companies with a total of 46 samples. The results of this study indicate that TATO (X1), DER (X2) have an effect on firm value. TATO has a positive and significant effect on firm value. DER has a negative and insignificant effect on firm value.

KEYWORDS: *Asset and Liabilities Management, Company Value*

INTRODUCTION

Background Indonesia is a developing country whose development is very rapid. This can be seen fromgrowing and growing company from year to year. The banking industry is an industry that plays a very important role and is a very vital sector for a country, that is where the heart of a country is located. Banks are the driving force behind a country's economy, both in developed and developing countries.

Banks are one of the financial institutions that are still widely used by the public or commonly referred to as customers (Mahmud, 2016). In its business activities, banks rely heavily on public trust because banks must protect the financial confidentiality of their customers and also maintain the security of money or assets deposited by their customers with the bank. The role of banking is urgently needed to encourage the continuity of economic activity through its functions and authorities which are regulated in Law Number 10 of 1998 concerning banking, where a bank is a business entity that collects funds from the public in the form of savings and distributes them to the public in the form of credit and other forms in in order to improve people's standard of living.

Domestic economic growth slowed down, the slowdown was influenced by weak export performance due to falling global demand and prices for Indonesia's mainstay commodity goods which had not yet recovered. However, this domestic economic growth was still supported by strong consumption, especially government spending and stable investment, in the form of non-construction investment. This resulted in slightly better banking liquidity conditions than the previous year. In addition, banking resilience is still maintained supported by capital which is at a high level so that it is good enough to absorb potential risks.

The company's management has clear objectives in managing its business so as to avoid a financial crisis which results in the company being taken over by another company by selling part of the company's shares. In financial management, the company's goals include achieving maximum profits and prospering company owners or shareholders and maximizing company value as seen in the company's share price. Sartono (2010) states that the value of the company can reflect the value of assets owned by the company such as securities, in this case shares, which are one of the securities issued by the company. So high corporate value will be followed by high shareholder prosperity.

The value of the company itself is influenced by several things such as company income, company debts, assets owned by these three things which are related to one another, meaning that when the company's income is insufficient it will have an impact on operational activities that are not optimal, as well as when the company has Debt that is felt to be greater than income results in the company selling its assets to other parties in order to pay debts (Novia, 2017).

Increasing the value of the company requires asset and liability management because both assets and liabilities are the source and use of funds to balance the left and right positions in the company's balance sheet. Asset management is a combination of management, finance, economics and work practices that are applied to physical assets with the aim of being able to provide an excellent level of service at the most efficient cost. The role of asset management is needed to analyze and optimize sources of income and an efficient service system to reduce costs through optimization studies towards profit orientation and intermediation for investors for marketable assets (Batubara, 2017).

Based on the description of the background of the problem and identification of problems regarding the importance of managing assets and liabilities to increase the value of the company. The purpose of this research is to find out and describe the development of asset management, liability on company value.

Identification Of Problems

a. Does asset management have a positive effect on firm value in the banking industry?
b. Does Liability have a positive effect on firm value in the banking industry?

Research Purposes

The purpose of this study is to determine the effect of asset and liability management on firm value in the banking industry.

Hypothesis Development

H1: Asset Management has an effect on company value.
Asset management has an important role in determining the value of the company. Asset management involves managing and optimizing the use of these assets to achieve company goals, including increasing company value.

H2: Liability Management has an effect on company value
Liabilities have a significant effect on firm value. Companies need to pay attention to and manage their financial obligations carefully to ensure that financial expenses are kept under control, liquidity is maintained, and risks related to liabilities are properly managed.

H3: Asset and Liability Management simultaneously affect company value
Asset management and liability management spontaneously affect firm value. These two aspects are interrelated and need to be managed properly to achieve increased corporate value.

METHOD

Type of research and description of the study population

This research is a research through a quantitative approach. The data used is in the form of secondary data which is then processed in order to obtain information that is used to answer the research hypothesis. The population used in this study is the banking industry registered on the IDX from 2020-2022.

Sampling technique

The sampling technique uses purposive sampling, so that the total sample is 41 banks which are sorted based on the sample criteria:

a. Banking sub-sector companies listed on the Indonesia Stock Exchange.
b. Banking companies that publish their financial reports for 3 (three) consecutive years from 2020-2022.

Variables and Operational Definitions of Variables

In this study the variables used consisted of independent variables and dependent variables. The independent variable in this study is Asset and Liability Management while the dependent variable is company value.

Variable Operational Definitions

a. Asset Management

Asset management in this study proxied by Total Asset Turnover (TATO) is used to see a company's ability to generate profits through total asset turnover calculated from sales volume to determine how far all assets are capable of generating sales.

This ratio compares net sales to total assets owned so that later it will show the ability of assets to be utilized effectively in supporting sales activities (Kasmir, 2016). The Total Assets Turnover Ratio (TATO) is influenced by several elements, including the level of sales and the company's total assets (Nurdiansyah, 2018). Total Assets Turnover (TATO) can be calculated by the formula (Fahmi, 2013)

b. Liability

Liability in this study is proxied by Debt to Equity (DER) used to measure the percentage of liabilities in the company's capital structure. This ratio is important for measuring a company's business risk which increases with the addition of total liabilities.

c. Company Value

To measure company value, researchers used the Tobin's Q ratio. This ratio not only provides an overview of the fundamental aspects but also provides an overview of the extent to which the market evaluates the company from various aspects.

Data analysis technique

Descriptive Statistics has the aim of getting an overview of the data used in the research seen from the average value, standard deviation, variance, maximum, minimum and sum.

Classic assumption test

Normality test aims to test whether the residual values generated by the regression are normally distributed or not. A good regression model is one that has normally distributed residual values.To find out whether the residuals are normally distributed or not, namely the Kolmogorov-Smirnov statistical test. The data is said to be normally distributed if the Kolmogorov-Smirnov results show a significant value > 0.05, and vice versa.

Multicollinearity Test aims to examine the relationship between independent variables in the regression model (Ulfa and Fun, 2018). To find out whether multicollinearity occurs in the regression or not, that is by looking at the Tolerance or Variance Inflation Factor (VIF) values. If the Tolerance value is > 0.10 or VIF < 10, then in the regression model there is no multicollinearity between the independent variables. A good regression model is a model that has no correlation between the independent variables.

Autocorrelation Test aims to test whether in linear regression there is a correlation between residual errors in period t and errors in period t-1 (previous). If there is a correlation, then there is called an autocorrelation problem (Ghozali and Ratmono, 2017: 121). Detect autocorrelation using Durbin Watson values.

Heteroscedasticity Test carried out to find out whether in a regression model there is variance discomfort from the residuals on one observation to other observations. Usually cross-sectional data contains heteroscedasticity situations because this data collects data that represents various sizes of small, medium and large (Ghozali, 2016).

Hypothesis testing

a. Partial Coefficient Test (t test)
In testing the hypothesis it can be said to be significant when the T-statistics value is greater than 1.96, whereas if the T-statistics value is less than 1.96 it is considered insignificant (Ghozali, 2016).

b. Simultaneous Regression Coefficient Test (F Test)
The F test was carried out to see the effect of all the independent variables together on the dependent variable. The level used is 0.5 or 5%, if the significant value of F <0.05 it means that the independent variables simultaneously affect the dependent variable or vice versa (Ghozali, 2016). The purpose of the F-test is to find out whether the independent variable has a simultaneous effect on the dependent variable. The F test is simultaneously used to determine whether or not there is an influence between the independent variables on the dependent variable. The F test uses several basic analyzes to determine the influence and relationship of variables in research.

c. Determination Coefficient Test (R^2)
According to Ghozali (2016), the coefficient of determination test aims to measure how far the model's ability to explain the variation of the dependent variable. The value of the coefficient of determination is between zero and one. The small value of R^2 indicates that the ability of the independent variables to explain the dependent variable is very limited. A value that is close to one means that the independent variable provides almost all the information needed to predict the variation of the dependent variable.

RESULT AND DISCUSSION

Hypothesis Testing

Hypothesis 1, hypothesis 2 (T-test)

The value (T-count) in the regression shows the effect of the independent variable on the dependent variable. The TATO variable has a t count of 2.038 with a significance number of 0.044 meaning that sig <0.05 so it can be concluded that TATO has a partial effect on Tobin's Q. The DER variable has a t count of 0.788 with a significance number of 0.433 meaning that sig > 0.05 so it can be concluded that DER has no effect on Tobin's Q.

Hypothesis 3 (F-test)

Based on the output above, it is known that the significance value for the effect of X1 and X2 simultaneously on Y is 0.018 <0.05 and the calculated F value is 4.160 > F table 3.07, so it can be concluded that H3 is accepted, which means that there is an influence of X1 and X2 simultaneously on Y.

R2 Test or Coefficient of Determination

From the results of the SPSS output, it shows that the Adjusted R Square value is 0.049. This shows that the contribution of the independent variables (TATO and DER) in explaining the dependent variable (Tobin's Q) is 4.9% while the remaining 25.5% is explained by other variables outside this research model.

DISCUSSION

Asset Management
The results of this research are that asset management has a positive and significant effect on firm value, meaning that asset management is able to influence increasing firm value because the more bank operating income that can be generated for investment in assets, the more beneficial it is for the bank in all perspectives. Rasjid, (2021) states that asset management in the banking industry is not only seen

from the loan (credit) side which is the main source of bank income, but all productive asset perspectives need more effective management so that banks are able to generate optimal income to pay obligations to depositors or other customers in the form of deposit interest so that the bank will have the ability to increase its income through placement of funds in other financial institutions.

This research is in line with the research of Karim & Alam, (2013) that there is a positive correlation with asset management and each dependent variable (Tobin's Q). Thus, it can be argued that the more operating income a bank can generate to cover investments in assets, the more beneficial it is for the bank in all perspectives. Putri, Rikumahu, & Aminah, (2018) and Adnyana & Badjra, (2014) state that companies that are able to generate optimal income by using efficient assets will be able to minimize their capital costs so that companies will have the ability to increase their income levels in the future.

Liability

The results of the study show that liabilities have a negative and insignificant effect on firm value, meaning that banks with high liabilities will increase firm value, but not significant, which means that the size of the use of debt does not have an impact on increasing firm value. Herlina Rasjid, (2021) In the banking industry, debt is a source of bank funding, namely the more people who save their funds in banks, the bank's operations will run well, but it is necessary to pay attention to the level of debt in a bank where a high LFR value indicates that the bank's intermediation function is running good but liquidity is not maintained, conversely a low ratio value means that the intermediation function is not running well, meaning that a lot of funds are not channeled in the form of credit,

This is in line with research by Palupi & Hendiarto, (2018) that companies that use more debt than their own capital or companies that use less debt than their own capital will not affect the value of their company.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Based on the description above, it can be concluded :

1. The results of the study show that asset management has a positive and significant effect on company value in banking industry companies listed on the Indonesia Stock Exchange for the period 2020 - 2022. This means that if the level of asset management in a company increases, the company value also increases
2. The results of the study show that liabilities have a negative and insignificant effect on firm value in banking industry companies listed on the Indonesia Stock Exchange for the period 2020 - 2022.
3. The results of the study show that asset and liability management simultaneously affect the value of banking industry companies listed on the Indonesia Stock Exchange 2020 – 2021.

Recommendations

1. In addition to the influence of asset management and liabilities on firm value, it is necessary to pay attention to other non-financial factors such as human management, financial literacy to increase knowledge and improve financial performance.
2. It is better for future researchers to add measuring instruments for each variable to look for new models and more detailed research results regarding firm value, especially for the banking industry.
3. It is better if future researchers can add years of research during and after the Covid-19 pandemic so they can see company value during the pandemic and after the pandemic.

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