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Influence Policy Liabilities, Size,Growth Corporate and Profitability and Value of the Company in the Agricultural Sector in Indonesia

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Abstract
The purpose of this study are to examine and analyze the effect of debt policy, the size and growth of the profitability and value of the company either directly or indirectly. This research is *explanatory*research. This research uses secondary data drawn from companies listed on the Indonesia Stock Exchange. This study population is the agricultural sector companies *listed* on the Indonesia Stock Exchange. The study included five variables: the variable value of the company, profitability, debt policy, *Size*and growth of the company. The independent variable is the value of the company. Variabel *interviening* is profitability. Methods of data analysis using path analysis. The results showed that the debt policy has a negative and significant impact on profitability. The size of the company has no significant effect on profitability. The company's growth has a positive and significant impact on profitability. Debt Policy positive effect on firm value. The size of the company has no significant effect on the value of the company. The company's growth has a positive and significant impact on the value of the company. Profitability has a positive effect on firm value.
Keywords: debt, size, growth, profitability and corporate*value.*

1. Introduction

Companies that have a high value of the company will make the company gain the trust of the public, because of the high value of the company shows that the company's good performance. For companies *go*public,the fair market value of the company is determined by the mechanism of supply and demand in the stock are reflected in the listing price.

Corporate debt policy also affects the value of the company. Debt policy is often measured using the *debt to equity ratio* (DER). DER higher the lower the company's ability to pay its liabilities. At the end of the increased debt will affect the level of net income available to shareholders. DER low is expected to reduce the rate of bankruptcy.

Debt policy including funding policy the company that funds from external sources. The determination of this debt policy with regard to capital structure as the debt is one of the compositions in the capital structure. Companies are judged at risk if they have a large portion of debt in the capital structure. But otherwise, if the company uses little or no debt at all the companies rated unable to take advantage of additional external capital to improve the company's operations.

Another factor affecting the value of the company is firm size*(Size).*Companies that have a large total assets or in other words, a large-sized indicate that the company has reached a stage of maturity. At the stage of maturity of this company is considered to have good prospects for the future. Companies with a large size is a stable company and be able to generate profits (Daniati and Suhairi, 2006).

Variables *Earning Growth* directly affect the value of the company, where the value of the company here proxied by growth. When the stock price reflects the capitalization of earnings expectations to be expected in the future, then the profit increase will raise the price of the stock. If investors believe that the *Earning Growth* will continue to rise, then the value of the company will also increase (constand *et*al.,1991).

Profitability is one of the factors that influence the value of the company (Amirya and Atmini 2007) in Lifessy (2011). Profitability is the company's ability to generate profits at the rate of sales, assets and certain capital (Hanafi, 2003: 8). One important indicator for investors to assess the company's prospects in the future is to look. Basedtheory, *Signaling*apabilaROE company experienced an increase in positive responses given by investors on the circumstances which led to an increase in stock prices resulting in the increase in value of the company, on the other hand is based on *a*trade-offtheory,profitability is influenced capital structure, which increase the debt can reduce the tax burden and the cost of the agency so that menadi higher net income.

Various studies have been conducted to evaluate the company's performance in the capital markets using financial ratios derived from the financial statements. In this study the ratio used as a proxy for the value of the company is the *Price to Book Value* (growth). Relly and Brown (2000) states that the growth rate can be used for all kinds of companies because the book value can be a rational measure to assess the company. Similarly, the growth rate can be used to compare companies that have the same accounting standards within an industry sector. Even these measurements can be applied to companies with negative earnings or even negative cash flow. Tandelilin (2010) said that the relationship between the market price and the book value per share may also be

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used as an alternative approach to determining the value of a stock, because theoretically, the market value of a stock should reflect the book value.

According to research Miyajima, *et al.* (2003) stated that *Size* significant positive effect on profitability is proxied by the ROA. This is different from research Campbell (2002) states that *Size* significant negative effect on profitability (ROA). Santika research and Kusuma (2002) and Paranita (2007) concluded profitability proxied by the ROA significant positive effect on firm value proxied by growth. This contrasts with research Suranta and Institution (2003), which concluded that the profitability (ROA) significant negative effect on the value of the company (growth).

Influence policy proxied by DER debt to firm value (growth) in the study Taswan (2003), Paranita (2007) and Wahyudi and Pawestri (2006) showed a significant positive effect. While Pancawati study (2011) showed that the debt policy (DER) significant negative effect on the value of the company (growth).differences in the effect *Size* on firm value (growth) can be seen from the study Soliha and Taswan (2002), Paranita (2007) and Rachmawati and Triatmoko (2007) concluded that *Size* significant positive effect on the value of the company (growth). While in Siallagan and Machfoedz study (2006) showed that *Size* significant negative effect on the value of the company (growth).

The agricultural sector has an important role in the economic development of Indonesia, the agriculture sector in Indonesia Stock Exchange is divided into sub-sectors of crops, plantation, farming, fishing, forestry and others have contributed an average of 12:56% from 2011 through 2014 and occupies contributions order to three to gross domestic product (GDP) of Indonesia

development of the agricultural sector in the capital market, according to data from the *Indonesia stock Exchange* in 2013, showed good performance throughout 2005 to 2011dimana average stock price index occupies the highest joint mining indices even in 2006 agriculture sector index briefly topped 1000 points, although in terms of *returns,*the agricultural sector is highly volatile stocks that *annual return* experienced a negativeof 199.72%.

The purpose of this study among others to test and analyze the effect of debt policy, the size and growth of the profitability and value of the company either directly or indirectly.The uniqueness of this study lies in the profitability asvariables *interviening* differentwith previous research that is supported by the foundation of the theory that there is a relationship between the debt policy, *Size,*growth on profitability and corporate value. This research was also done because in some previous studies have shown that there is an effect between all of the variables, but the role of profitability in me*interviening* effect of debt policy, *Size,*growth company to company value is still less tested by several researchers. The important thing that distinguishes this study with previous research is that previous studies have only partial testing of each variable, while this study integrates the variables that have been studied in a *path analysis* (path analysis).

2. Methods

This research isresearch. *explanatory*Data used in the form of *annual reports* the companies in the Indonesia Stock Exchange 2010-2015. The data obtained from the *Indonesian Capital Market Directory* (ICMD) in 2015, BEI corner, http://www.sahamok.co.id and http://www.IDX.statistik.co.id. Population in this study is a company- agricultural sector companies *listed* on the Indonesia Stock Exchange. The study was conducted by collecting secondary data from 22 companies in the agricultural sector whose shares are listed on the Stock Exchange which is composed of three sectors, namely plantations, fisheries and other agricultural sectors.

The study included five variables: the variable value of the company, profitability, debt policy, *Size,*and growth company. The variables of this study include:

The independent variable is the value ofcompany which ais a ratio showing how the company's market value when compared to its book value. One of the *proxies* used in assessing the value of the company is the *Price to Book*Value.variable *Interviening* is a variable that connects the influence of the dependent variable with the independent variable. Research in imenggunakan as variable *interviening* is profitability is the company's ability to generate a profit and support the growth of both short-term and long-term.

Analysis of descriptive statistics are methods relating to the collection and presentation of a range of data measured by average, standard deviation, minimum and maximum of maisng each study variable. Then proceed with path analysis.

3. Research findings

The results showed that the average policy corporate debt 2011 and 2014 was 1.17%. Debt policy value in the range of 0.16% to 4.52%. Whereas the standard deviation of the debt policy the company from 2011 until 2014 was 0.94%. it means the sample firms had rather low debt policy views of the debt policy sample company approached the average value and the variation gets smaller.

The average size of the company from 2011 until 2014 was 12.45.The size of the company is in the range of 3 to 25. While the standard deviation of a company's assets in 2011 to 2014 was11.12. That means the company

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sample size companies tend to be low seen from the size of the sample companies approaching the average value and the variation gets smaller.

The average growth of the company from 2011 until 2014 was 2.14%.Value growth in the range of 0.14% to5.72%.Whereas the standard deviation of the growth of the company from 2011 until 2014 was 1.31. This indicates that the value of standard deviation away from the mean value and dissemination of data increases.

The average profitability of companies sampled from 2011 until 2014 was Rp 0.21 million. Profitability is in the negative range of 0.68% to2.65%.Whereas the standard deviation of profitability from 2011 until 2014 was 0.43%. The average value of the company as measured by the value of the company from 2011 until 2014 was 14.32%. Value companies are in the negative range of 7.17% to 66.55%. Whereas the standard deviation value of the company from 2011 until 2014 was 0.43%.

After the descriptive analysis the next step is the development of an empirical model to perform data processing stages including normality test data and hypotheses. Hypothesis testing is done by first formulating the null hypothesis (Ho) and alternative hypothesis (Ha) to test the effect of debt policy, company size and growth of the company to profitability and corporate value. Data analysis was performed using data normality test and path analysis.

Based on the results of the regression coefficients can be used modeling as follows.
Z = - + 0,028X2 + 0,527X3 0,015X1 .... (1)
Y = - 0,013X1 + 0,050X2 + 0,566X3 + 0,265Z. .... (2)

After the classic assumption test the hypothesis test of each lane. Based on the results of that test hypotheses to explain as follows.

a. Debt Policy (X1) with a beta coefficient (β) of -0.015, with a value of *ρ-value of* 0.030. Because the value of ρ-value> or 0,030 <0,050, the H1 is accepted. Thus the first hypothesis stating the debt policy has a negative and significant impact on profitability is received.

b. Size companies coefficient beta (β) of 0.028, with a value of *ρ-value of* 0.867. Because the value of ρ-value> or 0.867> 0.050, then H2 was rejected. Thus the hypothesis that firm size factor has a positive impact on profitability declined.

c. The company's growth (X3) with a beta coefficient (β) of 0.527, with a value of *ρ-value* of 0.023 Because the value of *ρ-value* or 0,023 <0,050, the H3 is received. Thus the third hypothesis which states growth has a positive impact on profitability is received.

d. Debt Policy (X1) with a beta coefficient (β) of -0.013, with a value of *ρ-value of* 0.037 Because the value of *ρ-value* or 0,037 <0,050, the H4 is accepted. Thus the fourth hypothesis which states the debt policy has a positive impact on the value of the company was rejected.

e. Size companies coefficient beta (β) amounted to 0,050, with a value of *ρ-value of* 0.769. Because the value of *ρ-value* or 0.769> 0.050, then the H5 rejected. Thus the fifth hypothesis which states firm size factor has a positive influence on the value of the company was rejected.

f. The company's growth (X3) with a beta coefficient (β) of 0.566, with a value of *ρ-value of* 0.013. Because the value of *ρ-value* or 0,013 <0,050, the H6 accepted. Thus the sixth hypothesis stated growth has a positive effect on firm value received.

g. Profitability (Z) with a beta coefficient (β) amounted to 0,265, with a value of *ρ-value* of 0.010 Because the value of *ρ-value* or 0,010 <0,050, the H7 is received. Thus the seventh hypothesis that states have a positive effect on the profitability of the company's value declined.

Based on the test data showed that not all significant lines, so no path is eliminated. The only significant pathway debt policy and growth on the profitability and value of the company.

Based on the calculation of the coefficient of cross appears that the total effect of the debt policy factors (X1) to profitability was 26.5% which was a direct influence. The company's growth (X3) to profitability was 52.7% which was a direct influence. Variable total profitability has a direct effect on firm value (Y) of 26.5%, while the debt policy variables (X1) to the enterprise value (Y) by 28%. Variable growth (X3) to firm value (Y) by 56.6%. Thus the hypothesis that debt policy and growth factors has positive effect on firm value agricultural sector proved or accepted. While other variables correspond to *trimmingtheorems* provethat can not be included in the calculation of the lane if the lane proved to be significant in this case the variable size of the company.

4. DISCUSSION

Effect on Profitability Debt Policy

Debt Policy significant effect on profitability. This means that any increase in the policy rate at 1% of debt will increase profitability. Despite significant debt policy variables but it has a negative sign to profitability. The implication is that the higher the debt policy of the company, the company was more decreased profitability. In other words, even though the companies sampled in this study had a high debt policy, the company is still doing the use of debt is also high. It is caused by the amount of debt of the company as a result of fluctuations in the exchange rate against the dollar which resulted in the amount of debt the company in the rupiah to rise sharply.

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Another explanation is the company increases debt with no regard to the debt policy, but the most important is the trust company's creditors and provide loans.

Debt policies greatly affect the achievement of profits from the company. The increase in debt used by the company will reduce the size of the agency conflict between shareholders and managers. According to Jensen (1986) the use of debt will reduce the *excess cash flow* in the company.decline in *excess cash flow* Thewill reduce the possibility of waste made by management for the things that are less necessary. With so cash will be used for things that are more productive so as to improve profitability.

These results are consistent with the theory *Balancing* that the debt policyeffect on the company's internal performance is profitability. The use of the greater debt will increase profits from the use of such debts, but the greater the cost of bankruptcy and agency costs even lebihbesar. By incorporating consideration of bankruptcy costs and agency costs into the model MM with taxes, concluded that the use of debt will increase the value of the company but only up to a certain point. After that point, the use of debt it will decrease the value of the company due to the increase in profit from the use of debt is not comparable to the increase in bankruptcy costs and agency fee. The turning point is called an optimal capital structure (Atmaja, 1999). The results of this study supported research and Louri Barbosa (2003), which shows that the policy of debt (debt policy) has a positive effect on profitability (ROA)

Effect of *Size* on the profitability

The company size has no significant effect on profitability. This suggests that any increase in the size of the company will not necessarily raise the growth rate of profitability, but the variable size of the company does not have a significant effect on profitability. Directions relationship of these results in the direction of the expected relationship to the hypothesis. The size of the company is one of the factors that affect the value of the company. In this study benchmarks that states the size of a company is the total assets of the company.

The company size was measured by using the natural logarithm of the total assets of the company. The size of the company will explain the effectiveness of the company in utilizing working capital derived from the assets of the company to maximize the value of the company. Large companies tend to be known by the public and the information needed to determine the investment prospects more easily obtained than small companies.

The results of this test can not assess the Positive Accounting Theory (TAP). Overview of income smoothing ethics viewed from the standpoint of positive accounting theory can be explained by the theory of contract*(contractingtheory).*Godfrey, Hodgson and Holmes (1997) explains that the research and the positive accounting theory is based on assumptions about the behavior of the individuals involved in the contracting process. The contracting process produces an agency relationship*(agencyrelationship).*Agency relationship arises when one party (principal) contracted to another party (the agent) to perform the desired action by the principal. With the contract, the principal delegate decision-making authority to the agent. Both the principal and the agent, both are *utility* maximizer,then there is no reason to believe that the agent will always act in the interests of the principal. Problems agency*(agencyproblems)*arise because of the opportunistic behavior of the agent, ie behavior management (agent) to maximize their own welfare as opposed to the interests of principal and eventually became an incentive for managers to perform income smoothing.

The size of the company has no significant effect on profitability. This occurs because the total asset value of a company is not an appropriate benchmark for determining the size of the company, but judging from the level of prosperity of the company (Atarmawan, 2011). According Muchammad (2000) in Juniarti and Corolla (2010), states that companies that are not always identified with capital intensive, but can be labor-intensive. This gives a conclusion that the value of total assets less apt to be used as a benchmark size of a company. Thus the possible existence of other components that can be used as a parameter to measure the magnitude of the company, the stock price. This is supported by the statement Grant (1995) in Salno and Baridwan (2000) in Juniarti and Corolla (2010), that the size of the company can be seen from the level of prosperity that is reflected in the market value of the shares.

No significant findings of this study with the findings of several previous studies because of differences in the object of research, study time, and the measurement of the variables used. These results are not consistent with research Miyajima, *et al.*, (2003) which states that *Size* positive effect on profitability (ROA).

Effect of Company Growth to Profitability

Based on the test results of path analysis showed that the growth of the company significant effect on profitability. This suggests that any increase in the company's growth will raise the growth rate of profitability, but the company's growth variables have a significant effect on profitability. Directions relationship of these results in the direction of the expected relationship at hypotheses

Large companies more attractive than small firms so that the company's growth greatly affect the value of the company. Companies that grow quickly also enjoy the benefits and positive image obtained. So that rapid growth has no meaning less cost growth under control, so to manage growth, the company must have control of operations with emphasis on cost control. The company's growth accelerated to reflect the amount of funding needs if the company wants to expand the business, thus increasing the company also wishes to retained earnings.

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The results of the study konsiten Memon *et al* .. (2012) and Kouser *et al.*, (2012) stated that the company's growth significant positive effect on profitability.

Debt to influence policy Company Values

Policy in proxies debt with debt policies significantly influence the value of the company. Debt Policy describes the ratio of debt and equity in the financing company. The use of debt in the capital structure of the company will increase the value of the company through tax savings from the interest on the loan*(interesttax*saving)which reduces the *after-tax cost of*capital.In other words, when there is the corporate income tax, the value will increase as the cost of interest on debt is a cost that reduces tax payments*(taxdeductable*expense)(Modigliani and Miller in Brigham, 1999).

Jensen, *et al.*l (1992) in Paranita (2007) stated that with the debt can be used to control the use of *free cash flow* in excess by management, thereby avoiding wasted investment, thereby increasing the value of the company. The increasing debt policy will give a positive signal to the market, so growth is also increasing. It refers to the signal theory and supported by research Taswan (2003), Paranita (2007) and Wahyudi and Pawestri (2006) which showed that the debt policy of significant positive effect on growth.

Influence *Size* on Company Value

Company size does not significantly influence the value of the company. This suggests that any increase in the size of the company will not necessarily raise the level of growth in the value of the company, but the variable size of the company does not have a significant effect on the profitability of the company's value. Directions relationship of these results in the direction of the expected relationship to the hypothesis.

The size of the company is one of the factors that affect the value of the company. The size of the company (firm *size)*that large companies had the ability to increase sales and earnings, so investors will respond positively and the company's value will increase. The size of companies rated of total assets can improve the company's ability to seize opportunities for profitable investment, increase R and D, and to improve its ability to expand market share. This increase will positively affect the prospects for corporate earnings in the future (Mangku, 2002).

These results do not support Homfair, *et al.*l (1994) and Moh'd, *et al.* (1998) in Paranita (2007) suggested that the large-sized companies will have easier access to funding through the capital markets. This convenience is good information for decision profitability, dapt reflect company in the future. It is not consistent in signal theory and supported by research Soliha and Taswan (2002), Paranita (2007); Rachmawati and Triatmoko (2007) concluded that *Size* significant positive effect on the value of the company (growth).

Effect of Growth Company to Corporate Value

Based on the test results of path analysis showed that the company's growth significantly influence the value of the company. This suggests that any increase in the company's growth will raise the growth rate of the value of the company, but the company's growth variables have a significant effect on the profitability of the company's value. The higher net income, will affect the magnitude *Earning per Share* which indicates the profitability of a company.

Profitability increased demonstrate the company's performance is getting better, fruitful investor confidence in the company so that the stock price will be *earning growth* directly influence the value of the company. When the stock price reflects the capitalization of earnings expectations to be expected in the future, the profit increase will raise the price of the stock. If investors believe that *earnings growth* will continue to increase the value of the company will also increase (constand *et*al.,1991). The results are consistent with the theory of signals and supported by research Sudjono (2003) concluded that *earnings growth* significant positive effect on growth.

Profitability influence on Corporate Value

Profitability significant effect on the value of the company. This means that the value of the company has a significant effect on the profitability of the company's value and any increase in the growth rate of the value of the company millions of rupiah would increase the value of the company. Directions positive relationship on the results of this study in line with the direction of the expected relationship to the hypothesis. This finding means that the larger the company the agricultural sector in the BEI has a value of firms with a larger proportion of debt. Policy value of the company with the proportion of funding from a larger debt could result in the company's financial risk is also greater, so the company's agricultural sector in the BEI is very vulnerable to monetary crisis affecting the *financial*distress.The results of this study support and consistent with the *Pecking Order Theory* by Myers (1984).

Based on this theory based on *asymmetric information* explains that if the company did financing by issuing new shares would result in earnings per share fell because the number of shares will increase and the company did not take advantage of the savings will increase the number of shares and the company did not take advantage ofsavings. *CR* income from debt Therefore, *the pecking order theory* by Myers (1984) describes the sequence should funding from retained earnings as the first alternative and funding of debt as the second and final alternative is the issuance of new shares. The results of this study are also consistent with previous studies conducted by the Santika and Kusuma (2002); Paranita (2007) which showed that the profitability of a

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significant effect on the value of the company.

A rational investor will invest in companies with high levels of asset utilization efficiency are high because profits from the company are also high. If the demand for a stock to increase the company's stock price will also rise. The increase in stock prices led to an increase in the value of the company. It refers to the theory that the higher ROA signal will be a positive signal which would be responded by prospective investors to invest into the company and supported by research.

5. CONCLUSIONS

Based on the results of data analysis and discussion, it can be summarized as follows.Debt policy has a negative and significant impact on profitability. That means the higher the debt, the lower profitability; The size of the company has no significant effect on profitability. That means the higher the company did not specify the size of the increase and decrease of profitability; The company's growth has a positive and significant impact on profitability. That means the higher growth of the company, the higher profitability of the company; Debt Policy positive effect on firm value. it means that the higher the debt policy, the higher the value of the company; The size of the company has no significant effect on the value of the company. That means the higher the size of the company, the higher the value of the company; The company's growth has a positive and significant impact on the value of the company. That means the higher growth of the company, the higher the value of the company; Profitability has a positive effect on firm value. If the profitability of high semkain the higher the value of the company.

There are several limitations of the study include the study population only in the agricultural industry group that observation studies are not representative of the companies listed on the Stock Exchange; The study period is only five years so that the results are less accurate and generalized so that no comparison with a longer study period time; The variables in this study only uses five variables, namely debt policies, company size, growth, profitability, and the value of the company so the variables that affect the profitability and value of the company is still limited and the size of the company is only measured by total assets that are not an appropriate benchmark for determining the size of the company, but judging from the level of prosperity of the company.

Suggestions can be submitted in this study include bagi companies should need to be careful in taking financial policy. Financial policies should be based on the results of the analysis of financial ratios that can be taken into consideration for the investor that the investment decision will benefit. Companies need to do the following to improve the profitability and value of the company include: Managing sources of funds optimally to reduce their costs to increase profits and keep the value of the company to increase sales in order to improve the company's growth; For subsequent researchers and academics, this research still needs to be followed up by the next researcher to get better result of research from previous research, among others, research variables should be added with other research variables that can affect the profitability of investment for example macro variables such as exchange rate, inflation, and etc; The research period plus time to obtain accurate long-term research results and Expand the research population against various industry backgrounds or add variables for good research results. The population coupled with other industry sectors will gain more research results can be generalized to other research objects.

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