Determination of Sales Growth Factors and Growth of Total Assets to Price to Book Value

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Abstract: Research Article Determination of Sales Growth Factors and Growth of Total Assets to Price to Book Value is a scientific article of literature study within the scope of Financial Management science. The purpose of this article is to establish a hypothesis of influence between variables that will be used in further research. Research objects are sourced from online libraries, google scholar, mendeley and other academic online media. Literature research methods, starting from e-books and open access e-journals and reviewing previous research related to this research. The results of this study are: 1) Sales Growth affects Price to Book Value; 2) The growth of Total Assets affects the Price to Book Value; and 3) Sales Growth affects Total Asset Growth.

Keywords: Sales Growth, Total Asset Growth, Price to Book Value

INTRODUCTION

The increasingly fierce competition between companies in obtaining investors for the progress and expansion of their companies, requires company management to be able to manage the company well, especially in terms of finances. In addition, for public companies, they are required to be able to prosper the company's shareholders, which can be shown from the increase in the value of the company and its share price. The main goal of investors in investing in the company is to get the maximum profit or dividend. However, before investing in an issuer, investors need to consider the company's success rate in carrying out its operational activities and obtaining profits. The Indonesia Stock Exchange classifies that market performance shows the movement of the Stock Price on the Indonesia Stock Exchange (IDX).

For investors on the stock exchange, the amount of a issuer's share price will determine their decision to buy the shares or not. In addition, price to book value also serves to see the opportunities and risks of an issuer in the future. PBV is also useful for investors to buy stocks at low prices and good stock quality, but not fully PBV guarantees the quality of a stock. Price to Book Value is one that is used by capital holders to invest in an issuer and generally there has been a lot of research on the relationship between sales growth and growth of total assets to price to book value. The price to book value ratio shows how much an issuer is able to
generate value from the invested capital. The calculation of the price to book value ratio is also useful in seeing how many investors have played a role in capitalizing net assets in an issuer or company. By knowing and the ability to analyze PBVs, investors have the opportunity to obtain good issuers.

LITERATURE REVIEW

Price to Book Value

PBV is a ratio that describes the result of the comparison between the market price per share and the book value per share. Price to book value is a value used to compare stock prices that are relatively expensive or cheap when compared to the share prices of other issuers (Akbar & Herianingrum, 2015). Price book value is a ratio that shows the comparison between the stock market price and the book value of equity contained in the financial position statement. In this price-to-book value ratio, it compares between the market value and the book value of an issuer's stock. With this PBV ratio, stakeholders can find out how much the market value of a stock is valued from its book value (Dinova & Herawati, 2020).

The ratio of market price to book value is the division of the market price over book value. A value that indicates less than one means that the company failed to form value for investors or shareholders. The high price to book value will have an impact on increasing market confidence in the company which is beneficial to the company's prospects in the future. The prospect of the company is what convinces investors to invest in issuers that they consider good (Tanjung, Widyastuti, & Rachbini, 2021).

Sales Growth

Sales growth shows the manifestation of the success of an investment in the past period and can be used as an analysis of future growth predictions. Sales growth is also an indicator of the company's demand and competitiveness in an industry. The progress of a company will affect the company's ability to maintain its profits or profits in financing future opportunities. With sales growth and even high sales growth, it will have an impact on increasing the company's revenue so that the dividends earned by Stakeholder increase (Tri Wahyono, 2015).

Growth in companies can be measured based on changes in sales, so that based on finances, the amount of growth can be calculated by looking at the similarities between investment and financing decisions. The growth of a company is a condition of sales growing depending on asset support for increased sales. Sales are the main factor in determining the value of an enterprise. The size of sales illustrates how far the company's products can be accepted by the public, where the more sales, the more products are received or consumed by the public (Sudrajat & Setiyawati, 2021).

Growth of Total Assets

The growth of total assets is an increase in an asset owned by a company in a certain period. With the high growth of assets owned by a company, the higher the use of debt in its funding. Total asset growth is the ability of a company to increase company assets. The growth of total assets is an increase or decrease in the overall assets owned by a company (Aurelia & Setijaningsih, 2020). Asset growth is an expectation desired by the company's internal as well as external parties. By increasing or growing total assets accompanied by increasing sales, it will further increase the trust of external parties in the company (Tri Wahyono, 2015).

Total assets that grow will be viewed well in the eyes of investors so that it will have an impact on stock prices (Kristanti & Mulya, 2021). Total asset indicates the size or size of a company on the financial statements. The larger the total assets owned shows the company's wealth and good performance in the company. The growth of total assets is the growth of total current assets and non-current assets (Tri Wahyono, 2015).
### Previous Research

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### RESEARCH

The method used in this study is a descriptive qualitative method with a literature study approach. Literature study is an activity in research related to the method of collecting library data, reading previous research, recording research materials (Ali, H., & Limakrisna, 2013). Various sources of information related to the context of this study were carried out for the collection of data and information. The method that will be used in qualitative literature review research, which specializes in certain discussions, in-depth and detailed about a certain object (Ridwan, Mulyani, & Ali, 2020).

### RESULT AND DISCUSSION

Based on the background, problem formulation and literature review above, the discussion in this study is determined as follows:

1. **The Relationship of Sales Growth to Price to Book Value**

   Sales growth affects the price to book value, so what every issuer must do is increase market value and market capitalization. So it will produce a high PBV ratio, which means that the company has good value and is able to attract investors to invest in the company (Andreani & Mudjijah, 2017). If the company is able to increase market value and market capitalization,
it affects the price book value. Where can obtain PBV can be measured using the formula = Market Value per Share / Book Value per Share (Firdaus, 2020). This means that the higher the market value of a company and the smaller the book value per sheet of the company, it will result in a high PBV ratio. Market value can be obtained from the sale of goods or services, the more people or consumers who use products or services, the market value owned by the company will be high (Dinova & Herawati, 2020).

2. Relationship of Total Asset Growth to Price to Book Value

The growth of total assets affects the price to book value, what the company's management must do, namely maintaining the assets that the company already has such as current assets and non-current assets. Assets are one of the transactions contained in the company's financial statements. The greater the total assets owned and the company's good financial performance Year on Year, the impact on investors' interest in investing. With more and more investors interested in investing, it will increase the company's share price so that the dividends obtained from each share are even greater (Munawar & Mahaputra, 2022).

The growth of total assets will be directly proportional to market value, where market value is one of the indicators in PBV. The higher the market capitalization of a company, the greater the total assets owned. Large company assets attract consumers to invest or invest in the company (Sari Permata & Alkaf, 2020).

3. Relationship of Sales Growth to Total Asset Growth

Sales growth affects the growth of total assets, so what company management must do is: 1) Increase sales: by selling more products than before in various marketing ways; and 2) Enlarging market capitalization: with the increasing market cap of a company, the total assets owned by the company will also grow. The company, which is experiencing sales growth, shows that the company is in need of funding. That funding need should be realized with debt. A company with a large asset structure, further increases its credibility and increases confidence in creditors to provide loans and capital. The higher the fixed assets, the higher the assets for debt collateral (Naray & Mananeke, 2015).

In company operations, sales growth is an interpretation of the company's condition in the development stage or is expanding. Sales growth is an indication of the increasing sales of the company's goods and services, so that transactions on sales increase and have an impact on the growth of total assets, one of which is receivables (Miswanto, Setiawan, & Santoso, 2022).

Conceptual Framework

Based on the background of the problem and the formulation of the problem, the conceptual framework is determined as follows:
This study discusses the Determination of Sales Growth Factors and the Growth of Total Assets to Price to Book Value. Other factors related to Price to Book Value that can be used in further research include:

1) Return on Equity: (Saputra, 2022a), (Budianto & Eka Bertuah, 2020), (Mujino, Sari, & Widiyanti, 2021), (Sondakh, Tommy, & Mangantar , 2006).

2) Leverage: (Saputra, 2022b), (Fitri Prasetyorini, 2013), (Permata, Nurlaela, & W, 2018), (Wawan, Rita, & Raharjo, 2016), (Feizal, Sudjono, & Ahmad , 2021).


CONCLUSION

Based on the results and discussion above, the researcher provides the following research conclusions:

1. Sales growth affects the price to book value.
2. The growth of total assets affects the price to book value.
3. Sales growth affects the growth of total assets.

REFERENCES


https://doi.org/10.38035/jafm.v3i1

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