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Research Article

THE RELATIONSHIP OF ASSET GROWTH WITH PROFIT GROWTH: SURVEY AT 9 COMMERCIAL BANKS IN INDONESIA, MALAYSIA, THAILAND AND SINGAPORE

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ABSTRACT

This study aims to analyze the relationship between asset growth and profit growth at 9 commercial banks in Indonesia, Malaysia, Thailand, and Singapore during 2011 to 2014. The analysis technique uses correlation coefficients between two variables namely asset growth and profit growth. Based on the results of data processing that has been done shows that there is a positive relationship of 0.238 but not significant between asset growth and profit growth at 9 commercial banks in Indonesia, Malaysia, Thailand and Singapore

Key Words:

Asset growth, profit growth

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INTRODUCTION

The enactment of the ASEAN Economic Community is an opportunity as well as a big challenge for Indonesia, especially in improving the economy. Since December 31, 2015, the ASEAN region has been united by a community that aspires to create a free market in the Southeast Asia region to attract foreign investment. The entry of foreign capital into this region is expected to create jobs, encourage economic integration, and improve the welfare of the population in this region.

The ASEAN Economic Community opens opportunities for a number of economic sectors in the Southeast Asia region to get a wider market size and greater investment opportunities. The implications of the implementation of the ASEAN Economic Community make the economy of a country fully integrated into the global economy to prepare for the free market in capital, goods and services, investment and labor.

One sector that is influential in the ASEAN Economic Community is the banking industry, because its role as an intermediary for financial institutions is increasingly important and needed to smooth the performance of the company. The banking sector as an intermediary institution has a large role in moving the real sector (Wahyuni, 2016).

However, in its own banking sector with so intense competition among banks, the competition is not only at the national level

but also at the ASEAN level, therefore to deal with this requires the readiness of banks both management and available facilities in this case available assets Furthermore, with the existence of competitive markets between banks both nationally and internationally, banks will continue to conduct an assessment by investors about the readiness of banks both in terms of performance and in terms of the health of the bank itself. The level of soundness of the bank will encourage the growth of the bank and the growth indicator of the bank will be seen from the position of its assets, whether the existing assets occur or not. From asset growth, predictable returns that may be received. The growth rate alone can be measured by comparing the main post or indicator of each company.

Based on the background, researchers raised the issue of how the relationship between asset growth and profit growth at 9 commercial banks in Indonesia, Malaysia, Thailand and Singapore

LITERATURE REVIEW

The company's growth is a growth ratio that reflects the company's ability to maintain its economic position amid the growth of its economy and business sector. The company's growth can be seen based on asset growth and sales growth (Kasmir, 2010:118).

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The basic principle that is often interpreted as growth as an increase in value in a period relative to the previous period. This growth ratio is formulated by Aries Prasetyo (2011:109):

$$\text{Growth ratio} = \frac{\text{value}(n) - \text{value}(n - 1)}{\text{value}(n - 1)} \times 100\%$$

Assets are wealth that have economic benefits in the future as a result of company activities. Assets are resources that are controlled by the company as a result of past events and are expected to provide economic benefits for the company in the future (DwiPrastowo, 2011: 10). Paradigma assets as an indicator of company growth are commonly used. This is consistent with the results of research conducted by Coluzzi, Fernando and Carmen Martinez-Carrascal (2009), and Salman (2010)

Furthermore, the growth of these assets will have an impact on profit growth, this is in accordance with the results of Safitri and Cholid (2007), Husna and Desiyanti (2016) and Kiong Ting et.al (2014). Then the profit itself will affect the company's growth (VoulgarisAsteriou: 2003)

Net income shows the effectiveness and efficiency achieved by management in using company assets. Net income is often used as a measure of performance or as a basis for other measures such as return on investment or common profit. Income is an increase in economic benefits during an accounting period in the form of inclusion or addition of assets or decrease in liabilities that result in an increase in equity that does not originate from the contribution of capital investment (IAI, 2015: 12)

The profit achieved by the bank shows how the bank conducts its activities to channel funds to the community so as to generate profits from the distribution. Because assets that exist in a bank are assets that are received from the community and require costs. Thus management tries to how funds are received from the community to be managed in such a way that the funds generate profits.

Furthermore, if the operations carried out by the bank run effectively and efficiently it will have an impact on the bank's growth. Net income from the Bank is income less interest expense, operational costs, including income and other expenses, and taxes (Indonesian Bankir Association, 2016: 176) Profits earned are in return for the company's efforts by using its assets to produce goods and services, if the excess between income above cost then there is a profit and if the opposite is a loss.

METHOD

Variable Research

The object of this research is 9 commercial banks in Indonesia, Malaysia, Thailand and Singapore.

The research method used is a quantitative descriptive approach by analyzing asset growth and profit growth. As for the operationalization of the research variable consists of:

Research population

The population in this study were commercial banks of ASEAN member countries that were in the Top 500 Banking Brands category in 2014 which experienced growth in assets and profits in the same period from 2010 to 2014 of 9 Banks consisting of:

Data analysis

Descriptive statistic is used to analyze data by describing collected data as they are without intending to make generally accepted conclusions or generalizations (Sugiyono. 2012). Then the strong or not the relationship between variables X and variable Y can be measured by a value called the correlation coefficient, with the formula:

$$r = \frac{n \sum XiYi - (\sum Yi)(\sum Yi)}{\sqrt{\{n \sum Xi^2 - (\sum Xi)^2\} - \{n(\sum Yi^2) - (\sum Yi)^2\}}}$$

(Sugiyono, 2017:274)

where:

- r = Correlation coefficient
- n = Sample Size
- X = Asset Growth
- Y = profit Growth

RESULT

Based on the results of data processing of 9 commercial banks in four countries, namely Indonesia, Malaysia, Thailand, and Singapore researchers did the results obtained in the table as follows:

Based on the table above that the relationship between asset growth and profit growth is to have a positive relationship of 0.238 but not significant means that asset growth is increasing, then the profit obtained will increase, in contrast if there is no growth or there is a decrease in assets then the profits obtained will not increase or even go down.

Thus asset growth has a positive impact on profit growth. This is in accordance with the results of research conducted by Asma Salman (2010) research on two pharmaceutical companies regarding total assets that have an impact on company performance as a result of the performance of the two companies experienced an increase. Irene Wei-Kiong, Qian-Long Kweh and yee-Chuannchan (2014) Organizational growth has an impact on profitability. Furthermore F. Voulgaris, Asteriou, Agiomiagianakis, Greece (2003) factors that influence the growth of small companies in Greece are profitability and total assets.

Table 1 Operationalization of Research Variables

Variable	Definition	Indicator	Scale
Asset Growth (X)	Asset Growth a process of increasing size that describes the development of a bank's assets in a certain period compared to the previous period	$AGR = \frac{TA(n) - TA(n - 1)}{TA(n - 1)} \times 100\%$	Ratio
Profit Growth(Y)	Profit growth is a process of increasing size that describes the development of a bank's profit in a certain period compared to the previous period	$NPGR = \frac{TLB(n) - TLB(n - 1)}{TLB(n - 1)} \times 100$	Ratio

Table 2 List of 9 Commercial Banks InIndonesia, Malaysia, Thailandand Singapore.

No	Bank Names	Countries
1	Bank Mandiri	Indonesia
2	Bank Rakyat Indonesia (BRI)	Indonesia
3	Bank Central Asia (BCA)	Indonesia
4	Bank Negara Indonesia (BNI)	Indonesia
4	Public Bank Berhad	Malaysia
5	Kasikorn Bank	Thailand
6	Siam Comercial Bank	Thailand
7	Bank Of Ayudhya	Thailand
8	Bangkok Bank	Thailand
9	DBS Bank	Singapore

Table 3 Data Processing Results of 9 Commercial Banks In Indonesia, Malaysia, Thailand and Singapore

Correlations			
		Asset Growth	Profit Growth
Asset Growth	Pearson Correlation	1	.238
	Sig. (2-tailed)		.155
	N	37	37
Profit Growth	Pearson Correlation	.238	1
	Sig. (2-tailed)	.155	
	N	37	37

Table 4 Data Processing Results of 9 Commercial Banks In Indonesia, Malaysia, Thailand and Singapore

Correlations			
		Asset Growth	Profit Growth
Asset Growth	Pearson Correlation	1	.238
	Sig. (2-tailed)		.155
	N	37	37
Profit Growth	Pearson Correlation	.238	1
	Sig. (2-tailed)	.155	
	N	37	37

Furthermore, with the increase in profits, it will have an impact on the company's growth, in terms of the company's assets experiencing growth. This is in line with the results of the research by Ibrahim TaiwoRazaq and Akinli (2017) that profit has a positive effect on company growth. Paulo Macas N and Luis Mendes (2013) that there is a positive relationship between the growth and productivity of labor in small and medium enterprises in Portugal. Productivity shows the effectiveness and efficiency of the company's operations and indirectly shows the company's performance which will ultimately have an impact on the company's growth.

CONCLUSSION

Based on the results of data processing of 9 commercial banks in Indonesia, Malaysia, Thailand and Singapore that asset

growth is related to profit growth in the sense that asset growth affects such profit growth and vice versa profit growth will affect asset growth. Thus what if the existing assets are run effectively and efficiently it will have an impact on profit growth or can improve company performance

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