

THE EFFECT OF FINANCIAL RATIOS ON THE GROWTH OF FINANCIAL TECHNOLOGY COMPANIES REGISTERED ON OJK IN THE PERIOD OF 2019 TO 2020

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ABSTRACT

The Effect of Financial Ratios on the Growth of Financial Technology Companies Registered on OJK in the period of 2019 to 2020. Digital financial innovation is considered able to become a new driver of the economy, so that the government through the Financial Services Authority (OJK) then pays more attention to companies engaged in Financial Technology. As of June 2021, there are 125 Financial Technology companies that have registered on OJK. This research aims to find out the influence of company performance through financial ratios, which are current ratio, debt to equity ratio, total asset turnover, and earning power on the growth of Financial Technology companies registered on OJK in the period of 2019 to 2020. The growth of the company is seen from the changes in the total assets of the company, because changes in the company's assets can indicate that a company is growing or not, so it is expected to become easier for investors to take investment decisions in the future.

Key words: current ratio, debt to equity ratio, total asset turnover, earning power, firm growth

FOREWORD

Various financial problems in Indonesia are in the spotlight for the government because they can affect economic stability, one of which is regarding access for every person or business to take advantage of financial products and services called financial inclusion. This also has an impact on the low capital of Micro, Small, and Medium Enterprises (MSMEs) which become a fundamental issue (Santoso et al, 2021). The existence of a financial gap in MSME loans in conventional financial institutions makes business actors try to find other alternative capital. Nowadays, technological advances are becoming a new instrument with the hope of increasing financial growth and financial inclusion. According to Yayuningsih et al (2020), Financial Technology companies can assist the government in realizing independent credit assessments and MSMEs business protection.

Financial Technology itself has become popular in recent years. In essence, Financial Technology is an innovative technology-based financial service that is integrated online to facilitate various transactions, funding, investment, and so on (Fahlefi, 2018). The basic forms of Financial Technology include payments (Digital Wallets and P2P Payments), investment (Crowdfunding and Peer to Peer Lending), financing (Crowdfunding, Microloans, Credit

Facilities), insurance (Risk Management) and cross-process (Big Data Analysis), and Security Infrastructure (Fauzan and Ahmad, 2019).

With the existence of digital financial innovations that are considered capable of becoming a new driver of the economy, the government through the Financial Services Authority (OJK) then pays more attention to companies engaged in this field. This is a blessing in itself for the development of Financial Technology companies. In Indonesia, the existence of Financial Technology companies is regulated by the OJK through two regulations, namely Regional Regulation Number 77 of 2016 concerning Information Technology-Based Loan Services and Regulation Number 13 of 2018 concerning Digital Financial Innovation in the Financial Services Sector. All Financial Technology companies must be registered and licensed by OJK, because unregistered Financial Technology companies are considered illegal (Tambunan et al, 2021). As of June 2021, there are 125 Financial Technology companies that have been registered with OJK.

The rapid development of Financial Technology companies in Indonesia makes researchers interested in assessing the good and bad performance of companies based on financial ratios in influencing the growth of Financial Technology companies registered on OJK in the period of 2019 to 2020, making it easier for investors to make investment decisions in the future. The financial ratios used include the current ratio, debt to equity ratio, total asset turnover, and earning power (Nasution, 2017).

The company's growth can be seen from changes in the company's total assets, because changes in company total assets can indicate that a company is developing or not (Sabri, 2012). There have also been many studies measuring company growth through company assets (Constantinou et al, 2017). However, the company's significant and continuous growth is not necessarily a good signal for investors that the company has increased its value, because investors analyze the causes of growth.

LITERATURE REVIEW

Signaling Theory

According to Brigham & Dave (2017, 350) signaling theory explains that financial statements published by companies are one way for companies to give signals to investors. Reliable and accurate company financial reports will encourage investors and the public to invest. Investors and the public can see the company's prospects in the past, present, or in the future through the company's financial statements. In general, financial statements consist of a balance sheet, income statement, and cash flow statement for a period. Financial reports consist of balance sheets, income statements, reports of changes in capital, notes on financial statements, and cash flow reports (Kasmir 2018, 15).

Data from financial statements published by the company can be processed to analyze financial ratios to determine the performance and results achieved by the company as well as the weaknesses of the company from a financial perspective. According to Wiagustini (2014, 84), financial ratios are an analysis of financial performance that connects one item to another in the balance sheet or profit and loss or a combination of the two reports. The financial ratios studied in this study consist of the liquidity ratio as measured by the current ratio, profitability as measured by the debt to equity ratio, solvency as measured by earning power, and business activities as measured by total asset turnover.

The Effect of Current Ratio on Company Growth

Current Ratio is a tool to measure the company's ability to meet its short-term financial obligations. If the current ratio is high, it shows better guarantee for short-term debt, but if it is too high it can result in inefficient working capital. If the current ratio is equal to or more than the general standard that has been determined, then the company can be said to be a liquid company, and vice versa, if it is smaller than the general standard that has been determined, then the company can be said to be liquid. (Rice, 2016). Research by Fajaria & Isnaria (2018) shows that company liquidity calculated using the current ratio has a negative effect on company growth. Khatim et al (2016) conducted research on two different stock indices. The companies listed on the Sri Kehati Index show that the current ratio has a positive effect on company growth, while those listed on the Business 27 Index show that the current ratio has a negative effect on company growth. Research by Sitohang and Siagian (2021) concludes that the current ratio has no effect on company profit growth, the same as the results of research by Khaldun and Muda (2014), Andriyani (2015), and Umobong (2015). This shows that the company can have high current assets but does not guarantee the availability of working capital to support the company's operational activities (Desi and Arishudana, 2020). while those listed on the Business 27 Index show that the current ratio has a negative effect on company growth.

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The Effect of Debt to Equity Ratio on Company Growth

A high debt-to-equity ratio has a big risk for the company so that when the company is unable to pay off its obligations, this will affect the survival of the company. A high debt to equity ratio will also have an impact on the company's operational activities that are not optimal, this will make the profits generated by the company not maximized and profit growth will decrease from the previous year (Firman and Salvia, 2018). Research by Fajaria and Isnaria (2018) shows that the debt to equity ratio has a negative effect on company growth. This shows that the higher the debt-to-equity ratio, the higher the debt used to fund the company. The results of Andriyani (2015) research show that the debt equity ratio has no effect on the company's profit growth.

The Effect of Total Asset Turnover on Company Growth

Total asset turnover is used to measure the extent to which the company can generate sales from the total assets owned by the company. The greater the total asset turnover, the better for the company in managing its assets. According to Hani (2014), total asset turnover is a

ratio to measure the efficiency of the use of assets as a whole during a period. Research by Firman and Salvia (2018) and Andriyani (2015) shows the results that total asset turnover has no effect on company growth.

The Effect of Earning Power on Company Growth

The company's ability to earn a profit is highly dependent on the efficient and effective use of available resources to carry out these operations. The higher the earning power ratio, the higher the return generated, so the better the company's performance (Rice, 2016). Research by Melda et al (2020) shows the results that earning power has a significant positive effect on company growth.

From the description of the theory and previous research on the theory, the following hypothesis is formulated.

H1: Current ratio has a significant positive effect on the growth of Financial Technology companies

H2: Debt to equity ratio has a significant negative effect on the growth of Financial Technology companies

H3: Total asset turnover has a significant positive effect on the growth of Financial Technology companies

H4: Earning power has a significant positive effect on the growth of Financial Technology companies

METHOD

This study used a quantitative approach with purposive sampling method. There was a population of 125 companies registered with OJK during the observation period from 2019 to 2020, but of these 125 companies only 33 companies had the following criteria.

1. Financial Technology Company registered with OJK
2. Financial Technology company registered with OJK and presenting complete financial statements in the period of 2019 and 2020

The following is a list of Financial Technology Companies in this study.

Table 1
List of Financial Technology Companies

No	Company Name	Platform Name
1	Nusantara Leading Innovation PT	360CREDIT
2	PT Aktivaku Investama Teknologi	MY ACTIVITY
3	PT Dana Bagus Indonesia	GOOD DANA
4	PT Inclusive Finance Group	DANACITA
5	PT Mulia Digital Innovation	DANAIN
6	PT Market Loan Fund	DANAMAS
7	PT. The Spirit of Gotong Royong	DHANAPALA
8	PT Doeku Cares Indonesia	DOEKU
9	PT Fidac Innovation Technology	DUMMY
10	PT Indonesia Fintopia Technology	EASYCASH
11	PT Dana Teknologi Nusa	FINMAS
12	PT. Sustenance with Technology	FINPLUS
13	PT Sens Teknologi Indonesia	INDOSAKU

14	PT Sol Mitra Fintec	INVOILA
15	PT Finansia Aira Teknologi	IVOJI
16	PT Akur Dana Abadi	BRIDGEEMS
17	PT Kas Wagon Indonesia	KASWAGON
18	PT Kawan Cicil Teknologi Utama	FRIENDS
19	PT Communal Financial Indonesia	COMMUNAL
20	PT Finaccel Digital Indonesia	KREDIFAZZ
21	PT Fintek Digital Indonesia	CREDIT
22	PT Tri Digi Fin	CREDITPRO
23	PT Dana Teknologi Nusa	FAST
24	PT Loans for People's Welfare	CLICKUMKM
25	PT Lampung Berkah Financial Technology	LANDSIKAM
26	PT Financial Technology Solutions	CAPITAL NATIONAL
27	PT Credit Plus Technology	LOANS
28	PT Kuaikuai Tech Indonesia	LOAN
29	PT Indonesian Technology Story	RESTOCKID
30	PT Uangme Fintech Indonesia	MONEY
31	PT Creative Mobile Adventure	KIMO
32	PT Kreditku Teknologi Indonesia	CREDINESIA
33	PT Stanford Technology Indonesia	LOANDOUIT

Source: Financial Services Authority (OJK)

The variables used in this study are as follows.

1. The dependent variable or the dependent variable in this study is the company's growth (change in company assets) which is calculated using the following formula.

$$\text{Growth} = \frac{\text{company assets (year } t) - \text{company assets (year } t - 1)}{\text{company assets (year } t - 1)}$$

2. The independent variables or independent variables in this study are the current ratio, debt to equity ratio, total asset turnover, and earning power. The measurements are as follows.

$$\text{Current Ratio} = \frac{\text{current assets}}{\text{current liabilities}}$$

$$\text{Debt to Equity Ratio} = \frac{\text{total debts}}{\text{total assets}}$$

$$\text{Total Asset Turnover} = \frac{\text{total sales}}{\text{total assets}}$$

$$\text{Earning Power} = \frac{\text{EAT}}{\text{net sales}} \times \text{total asset turnover}$$

RESULTS AND DISCUSSION

The test results are presented as follows.

Table 2
Normality Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		33
Normal Parameters, b	mean	.0000001
	Std. Deviation	710587751.90000010
Most Extreme Differences	Absolute	.148
	Positive	.148
	negative	-.086
Test Statistics		.148
asympt. Sig. (2-tailed)		.063c

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.

Source: *IBM SPSS Statistics 25*

The normality test was carried out to see whether the residuals followed a normal distribution or not (Lupiyoadi and Ridho 2015, 134). Testing the normality assumption can be done by performing the Kolmogorof Smirnov test, with the help of IBM SPSS Statistic 25. Based on Table 2, the values obtained *asympt. Sig. (2-tailed)* of 0.063 which is greater than the alpha used, which is 0.05, so that can be concluded that residuals from the multiple regression model are assumed normal.

Table 3
Regression Test Results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.530a	.281	.181	786780912.70000

- a. Predictors: (Constant), Earning Power, Total Asset Turnover, Current Ratio, Debt to Equity Ratio
- b. Dependent Variable: Growth

Source: *IBM SPSS Statistics 25*

		ANOVAa				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7003967228999999 500,000	4	17509918070000000000	2.829	.043b
	Residual	1795170192999999 900.000	29	619024204600000000000		
	Total	2495566916000000 00000000d	33			

a. Dependent Variable: Growth

b. Predictors: (Constant), Earning Power, Total Asset Turnover, Current Ratio, Debt to Equity Ratio

Source:IBM SPSS Statistics 25

		Coefficientsa				
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	484649968.0 00	274888692.3 00		1,763	.089
	Current Ratio	.104	.050	.368	2,057	.049
	Debt to Equity Ratio	.276	.164	.321	1,679	.104
	Total Asset Turnover	.042	.112	.067	.372	.713
	Earning Power	.142	-.121	.217	1.180	.248

a. Dependent Variable: Growth

Source:IBM SPSS Statistics 25

The significance test of the multiple regression parameters was carried out simultaneously with the test F with the following hypothesis'.

H_0 : all independent variables, both the current ratio, debt to equity ratio, total asset turnover and earning power have no significant effect on company's growth (growth).

H_1 :there is at least one independent variable of the current ratio, debt to equity ratio, total asset turnover and earning power variables have a significant effect on company's growth (growth).

With a significant level (α) of 5%, the sig value lower than it ($0,043 < 0,05$). The conclusion was obtained that H_0 was rejected and H_1 was accepted which indicates that there is at least one independent variable of the current ratio, debt to equity ratio, total asset turnover and earning power variables have a significant effect on company's growth (growth).

Furthermore, a partial parameter test (individually) is also carried out with the test, with the following hypothesis'.

For current ratio:

H_0 : the current ratio variable has no significant effect on the company's growth (growth)

H_1 : the current ratio variable has a significant positive effect on the company's growth (growth)

For debt to equity ratio:

H_0 : variable debt to equity ratio has no significant effect on company's growth (growth)

H_1 : variable debt to equity ratio has a significant negative effect on company's growth (growth)

For total asset turnover:

H_0 : total asset turnover variable has no significant effect on company's growth (growth)

H_1 : total asset turnover variable has a significant positive effect on company's growth (growth)

For earning power:

H_0 : earning power variable has no significant effect on company's growth (growth)

H_1 : earning power variable has a significant positive effect on company's growth (growth)

Based on the table, the sig values obtained from the current ratio, debt to equity ratio, total asset turnover, and earning power are 0.049, 0.104, 0.713 and 0.248, respectively; where only the sig value of the current ratio variable is lower than the significance level, so that H_0 was rejected and H_1 was accepted which indicates that the current ratio variable partially has a significant positive effect on company's growth (growth), while the sig value of the debt to equity ratio, total asset turnover, and earning power variables is greater than 0.05 so that H_0 was accepted which indicates that the debt to equity ratio, total asset turnover, and earning power variables partially have no effect on the growth of Financial Technology companies registered on OJK in the period of 2019 to 2020. This can happen because most investors and the public who invest funds in Financial Technology companies do not rely too much on the financial statements published by the company, so that not all financial ratios are not the main thing in assessing the company's growth in the future. It can be concluded that signaling theory does not apply to companies in the field of Financial Technology.

In model summary table can also be seen that the R-square value is 0.281. It can be interpreted that 28.1% of the company's growth variability (growth) is explained by the independent variables which are the current ratio, debt to equity ratio, total asset turnover, and earning power, while 71.9% of the company's growth variable (growth) is explained by other variables outside the model. This means that there are other variables beside variables studied in growth of Financial Technology companies registered on OJK in period of 2019 to 2020 which has a more significant influence on the value of the company. One of the factors that can influence the interest of investors and the public to invest in Financial Technology companies nowadays can be the marketing mix used by each company to position the company's image in the eyes of consumers (positioning).

CONCLUSION

The conclusions obtained from the research results that have been described previously, namely *current ratio*, *debt to equity ratio*, *total asset turnover*, and earning power, either simultaneously or partially, only current ratio variable has a significant positive effect on the company's growth, while the other variables have no significant effect on the growth of Financial Technology companies registered on OJK in period of 2019 to 2020. It can happen because in companies in the field of Financial Technology, all financial ratios are not the main thing in assessing the company's growth in the future for investors and the public.

This study suggests that further research can be carried out on the influence of other variables outside of financial variables on the growth of Financial Technology companies such as the four variables contained in the marketing mix namely Product, People, Promotion, Price, and Physical Evidence which are further deepened by using a questionnaire.

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