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Asset Growth and Firm Performance: The Moderating Role of Asset Utilization

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ABSTRACT

The issue of how asset growth influences firm performance remains a critical topic in corporate finance, particularly concerning the role of asset utilization in maximizing the impact of investments and asset utilization. This study aims to examine the direct effect of asset growth on firm performance and assess the moderating role of asset utilization in this relationship. Employing a Moderated Regression Analysis (MRA) on empirical data, the study reveals that asset growth positively and significantly affects firm performance, indicating that increased investment in assets enhances operational efficiency and financial outcomes. Moreover, asset utilization is found to significantly moderate this relationship, suggesting that firms with higher efficiency in utilizing their assets can further amplify the positive effects of asset growth on performance. These findings provide both theoretical and practical contributions. Theoretically, the study emphasizes the importance of asset utilization as a critical factor that strengthens the ass et growth–performance linkage, addressing a gap in the existing literature. Practically, the results highlight the need for managers to not only pursue asset growth but also optimize asset utilization to achieve better financial outcomes. Policymakers can use these insights to design regulations that incentivize efficient asset management practices, contributing to sustainable corporate economic growth.

Keywords: *asset growth, asset utilization, firm performance, agency theory, ROA.*

ABSTRAK

Masalah mengenai bagaimana pertumbuhan aset memengaruhi kinerja perusahaan tetap menjadi salah satu topik penting dalam keuangan perusahaan. Secara khusus, peran efisiensi pemanfaatan aset dalam memaksimalkan dampak investasi menjadi aspek yang perlu mendapatkan perhatian lebih. Penelitian ini bertujuan untuk menganalisis pengaruh langsung pertumbuhan aset terhadap kinerja perusahaan serta mengevaluasi peran moderasi dari pemanfaatan aset dalam hubungan tersebut. Dengan menggunakan metode *Moderated Regression Analysis* (MRA) pada data empiris, hasil penelitian menunjukkan bahwa pertumbuhan aset berpengaruh positif dan signifikan terhadap kinerja perusahaan. Hal ini menegaskan bahwa peningkatan investasi pada aset dapat meningkatkan efisiensi operasional sekaligus menghasilkan kinerja keuangan yang lebih baik. Selain itu, penelitian ini juga menemukan bahwa pemanfaatan aset secara signifikan memoderasi hubungan tersebut, di mana perusahaan yang lebih efisien dalam menggunakan asetnya mampu memperkuat pengaruh positif pertumbuhan aset terhadap kinerja. Penelitian ini memberikan kontribusi penting, baik secara teoritis maupun praktis. Secara teoritis, studi ini memperkaya literatur dengan menyoroti pentingnya efisiensi pemanfaatan aset sebagai faktor yang memperkuat hubungan antara pertumbuhan aset dan kinerja perusahaan, sekaligus mengisi kesenjangan penelitian sebelumnya. Secara praktis, temuan ini menjadi acuan bagi manajer untuk tidak hanya fokus pada pertumbuhan aset, tetapi juga memastikan bahwa aset yang dimiliki digunakan secara optimal untuk menghasilkan kinerja keuangan yang maksimal. Selain itu, hasil penelitian ini juga dapat menjadi dasar bagi pembuat kebijakan untuk merancang regulasi yang mendorong efisiensi pengelolaan aset, sehingga mendukung pertumbuhan perusahaan yang berkelanjutan.

Kata kunci: pertumbuhan aset, pemanfaatan aset, kinerja perusahaan, teori agensi, ROA.

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INTRODUCTION

Asset growth plays a pivotal role in modern business dynamics, serving as a key indicator of a company's expansion and financial strength. An increase in total assets reflects a company's ability to broaden its operations and enhance productivity, which, in turn, can attract the interest of investors and shareholders. Consequently, sustained asset growth not only signals the financial health of the company but also significantly contributes to increasing shareholder value. In order to increase shareholder wealth and fulfill the expectations of other stakeholders, it is essential to improve profitability consistently over time (Charlie & Edet, 2023).

Operational efficiency is a critical aspect of effective asset management. It encompasses the company's ability to optimize the use of its assets in a strategic and planned manner to support and improve overall operational performance. This efficiency is reflected in how each asset is managed to provide maximum contribution to productivity, cost efficiency, and the achievement of the company's long-term goals. Rahayu (2019) explained that asset utilization pertains to the efficient deployment of a company's resources to generate goods or services provided to consumers, thereby supporting the attainment of organizational objectives. Furthermore, this concept aims to ensure that the company achieves a reasonable and sustainable level of profitability. By efficiently utilizing its assets, a company can maximize the contribution of each resource to its overall financial and operational performance.

Asset utilization is affected by management policies in managing them, which aim to support operational efficiency and effectiveness. Measuring return on assets (ROA) is an important indicator to assess a company's ability to increase profitability through operational efficiency. From the perspective of agency theory by Jensen & Meckling (1976), optimal asset management is a crucial factor in overcoming agency conflicts, because it reflects the alignment of managerial decisions with the interests of shareholders. Companies that fail to manage and utilize assets optimally to support maximum profitability can exacerbate agency problems, leading to inefficiencies and ultimately declining corporate earnings, which negatively impact overall financial performance (Rizka, 2022). Effective governance mechanisms, such as performance-based incentives and transparency, can help mitigate agency problems and encourage managers to focus on efficient asset utilization to enhance corporate value.

Agency theory emphasizes the importance of aligning managerial decisions with shareholder interests to maximize company profits. Profit maximization not only ensures the growth of shareholder wealth but also addresses the broader expectations of other stakeholders. To achieve optimal profitability, assets must be managed effectively and aligned with revenue growth. In the context of research on asset growth and profitability, this provides insight into the extent to which managers, as agents, are able to act in the best interests of shareholders by managing assets to support profit growth (Charlie & Edet, 2023). Corporate strategy plays a vital role in identifying key variables that can drive profitability growth, driving asset management, particularly through efficient asset utilization to be a critical element in mitigating agency problems and achieving these goals.

Nemati et al. (2021), Cao et al. (2022) , Fauzi & Puspitasari (2021), Mun & Jang (2022) , Savitri et al. (2024), Artikis et al. (2022), Triana & Dewi (2022), and Rasyid (2021) revealed that when growth increases, profitability will also increase. On the other hand, other studies show that increasing assets do not always correlate with improving company performance. Among them are, Rahman (2020), Inrawan et al. (2021), and (Dumilah, 2020) reported that asset growth has a negative impact on firm performance. This finding highlights that significant asset expansion, if not accompanied by efficiency in its use, can contribute to a decline in firm performance.

However, these studies generally only focus on analyzing the impact of asset growth, none have seen the effect of the role of interaction variables between asset growth and asset utilization to increase company profitability. Meanwhile, the role of the existence of asset utilization needs to be considered as part of asset management which is also able to act as a determinant of company performance or profitability (Adebayo & Esther, 2022; Akinleye & Olufemi Dadepo, 2019; Etale & Okoro, 2021; Irpa et al., 2024; Kartika et al., 2024; Kehinde et al., 2022; Kurniasari et al., 2023; Kusuma, 2021; Osamor et al., 2021; Rahayu, 2019; Santos et al., 2022). In other words, companies need to prioritize effective asset management, not only pursuing growth, but also ensuring that assets are optimally utilized to improve operational efficiency and profitability.

Therefore, this study is motivated to reveal empirical evidence of the ability of asset growth to company performance. In addition, this study also explores the role of asset utilization in moderating the influence of asset growth to company performance. The author assumes that asset growth has the potential to enhance firm performance. Furthermore, the interaction with asset utilization is expected to moderate the ability of asset growth to improve firm performance.

This study provides a significant contribution to the development of behavioral theory, particularly in understanding the relationship between asset growth and asset utilization in context of minimizing the agency conflicts. The findings offer both academic and practical implications, aiding corporate management in devising strategies to optimize asset management, enhance efficiency, and improve organizational performance to meet stakeholder objectives.

The study is organized into five main sections. The first section underscores the urgency of the research, highlighting the critical role of asset growth in driving firm performance, especially in today's highly competitive and dynamic market environment, as the moderating role of asset utilization on this relationship remains underexplored when it is important in the context of asset management for improving firm performance. The second section elaborates on the theoretical framework, focusing on agency theory, and formulates two hypotheses to examine the influence of asset growth on performance and the moderating role of asset utilization. The third section details the data source, derived from companies listed in the LQ45 index for the 2021-2023 period, and the analytical approach, employing moderated regression analysis to test the hypotheses. The fourth section presents the research findings and discussions, providing empirical evidence on the impact of asset growth on corporate performance and the interaction effects of asset utilization. Finally, the study concludes by underlining the critical role of asset utilization as a moderating factor in optimizing asset growth for improving overall organizational performance.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Agency Theory

According to Jensen & Meckling (1976), agency theory is a relationship based on contracts that occur between members of a company, namely between the principal (owner) and the agent (agent) as the main actors. This theory highlight conflicts of interest often occurs between management and shareholders, known as agency conflict. This conflict arises because of more management prioritize the interests of the company, while the shareholders focus more on profits personal, especially in terms of dividends (Oktaviatin et al., 2024). The principal and the agent have differing objectives, with both striving to achieve their respective goals. Consequently, a conflict of interest occurs. The principal seeks greater and faster returns on the invested capital, while the agent prioritizes having their interests accommodated, including securing maximum incentives tied to the company’s performance (Maulesu michael, 2021). Agency theory emphasizes the existence of information asymmetry between company management, serving as the agent, and the owners comprising shareholders, investors, stakeholders, and creditors serving as the principal. Information asymmetry occurs when company management possesses more knowledge about the company's internal affairs and future prospects than the principal. This situation provides management with the opportunity to leverage their informational advantage to manipulate financial reports, aiming to maximize their own welfare (Rizki, 2021).

Asset utilization can serve as an indicator of manager performance used by shareholders to reduce agency problems. Kurniasari et al (2023) found that the effective and efficient utilization of company assets enhances sales, thereby leading to increased profitability. This capability to maximize asset utilization instills confidence among investors, ultimately contributing to an increase in the company's value. Based on this research, high asset utilization indicates that agents have successfully optimized the use of assets to drive increased sales. Shareholders can evaluate and monitor the performance of managers by assessing whether they are effectively maximizing the company's assets, as reflected in the level of asset utilization.

Assets Growth and Firm Performance

Based on research conducted by Rasyid (2021), it shows that asset growth has a significant positive impact on company performance. This result shows that the growth in assets will provide a good sign for the company's development. Company development can be measured based on changes in the number of company assets from period to period. Many investors believe that ups and downs in company performance can occur based on asset growth. Then, research conducted by Nemati et al. (2021) found that asset growth have a positive influence on the return on asset and return on equity. The other research found that asset growth has a significant positive effect on financial performance (Fauzi & Puspitasari, 2021; Triana & Dewi, 2022).

The next study was conducted by Cao et al. (2022). Who concluded that operating growth, which encompasses asset growth, demonstrates a positive relationship with future firm performance, indicating that an increase in operational metrics or asset expansion can predict better performance outcomes. Other research was conducted by Etale & Okoro (2021) who found that book value of current assets (BCA) has a positive and significant influence on company performance. From the research results, this study recommends that chemical and paint companies calculate financial ratios and use them to monitor their financial performance periodically and serve as up-to-date information about the company's financial health. Artikis et al. (2022) studied that the total asset growth ratio acts as a measure of market expectations about a firm's future performance. Firms experiencing high asset growth are perceived to signal optimistic expectations, while those with low asset growth are viewed as indicating pessimistic expectations about their future performance.

The previous research discussed next is research conducted by Mun & Jang (2022) and Savitri et al. (2024) which explains that the growth of the assets is affected by a positive and significant financial influence of the financial performance. The study by Rasyid (2021) found that fixed asset growth had a positive influence on firm performance, highlighting the critical role of asset expansion in driving organizational success. Firms with higher fixed asset growth are likely to experience improved performance due to their ability to leverage these assets for generating greater value and sustaining business operations. On the other hand, several other studies have different results. Research conducted by Rahman (2020), Inrawan et al. (2021), and Dumilah (2020) shows that asset growth has an negative effect on firm performance.

Agency theory suggests that asset growth represents managerial decisions that should align with the goal of improving firm performance to meet shareholder interests (Jensen & Meckling, 1976). However, unchecked or excessive asset growth can lead to agency conflicts, where managers prioritize personal objectives, such as expanding their control or prestige, over the company's operational efficiency and profitability. Such misaligned growth may result in resource inefficiencies or overinvestment, ultimately impairing firm performance. On the other hand, when asset growth is strategically managed in alignment with shareholder expectations, it can drive operational productivity and enhance overall firm performance. Based on this perspective, the following hypothesis is proposed:

H_1: Asset growth influences firm performance.

Asset utilization, asset growth and firm Performance

Asset utilization, asset growth, and firm performance are closely linked to agency theory, which emphasizes the relationship between managers (agents) and shareholders (principals) in achieving organizational goals. According to agency theory Jensen & Meckling (1976), managers are entrusted with the responsibility to act in the best interests of shareholders by making decisions that enhance firm performance. However, conflicts of interest may arise when managers prioritize personal goals over organizational objectives, potentially leading to inefficient asset management or unproductive growth.

A study conducted by Kurniasari et al. (2023) stated that financial performance is able to mediate the relationship between asset utilization and firm value. In addition, the relationship between asset utilization and firm value is strengthened by the presence of capital structure. Further research was conducted by Herdinata (2019) the results of the study showed that asset utilization has a positive and significant effect on company performance. The results of this study mean that asset utilization that is well managed and controlled can improve company performance. Based on the explanation above, the second hypothesis in this study is as follows:

H_2: Asset utilization can moderate the effect of asset growth on firm performance

RESEARCH METHOD

The selection of companies listed in the LQ45 index as research objects is based on several key considerations. First, companies included in this index exhibit high stock liquidity and robust fundamental performance, making them credible representations of Indonesia's capital market. Second, the financial data provided by these companies are comprehensive and readily accessible, ensuring the reliability and validity of the research analysis. Third, the diverse range of industries represented within the LQ45 index allows the study to offer relevant insights into the capital market conditions and the dynamics of the national economy.

The sampling technique used in this study is purposive sampling, with specific criteria to ensure the relevance and quality of the data. Initially, there were 45 companies listed in the LQ45 index in 2023. However, to focus on non-financial companies, the sample was narrowed down to 26 non-financial firms. Further, to ensure consistency and data availability, only the companies that had been continuously listed in the LQ45 index from 2021 to 2023 were considered. This resulted in a final sample of 18 non-financial companies that met all the required criteria, including the availability of relevant data for the research variables. These 18 companies (54 observations) form the basis of the sample for the analysis in this study. A summary of the selection of criteria samples can be seen in Table 1.

Operational Definition of Variables

Asset Growth

Asset growth pertains to the change in the total assets owned by a company over a defined period, which is quantified through a precise and objective calculation Nemati et al. (2021). This concept represents the increase in the value of assets, which may include both current and non-current assets, and is typically measured from one period to the next.

$$Asset\ Growth = \frac{Total\ Asset\ (t) - Total\ Asset\ (t-1)}{Total\ Asset\ (t-1)}$$

Table 1. Sample Selection Criteria

Criteria	Number of Sample	Explanation
Total LQ45 companies in 2023	45	All companies listed in the LQ45 index in 2023
Non-financial LQ45 companies	26	Only non-financial companies listed in the LQ45 index
Non-financial companies listed in LQ45 from 2021 to 2023	18	Companies that were continuously listed in the LQ45 index from 2021 to 2023
Final Sample (Total Observations)	18 (54 observations)	Non-financial companies continuously listed in LQ45 from 2021 to 2023, with relevant data available for the study (18 companies × 3 years)

Source: Processed by the author (2024)

Asset Utilization

Asset utilization represents a firm's capacity to effectively employ its available resources to generate revenue. This concept highlights how efficiently a company converts its assets into sales, thereby serving as an indicator of operational performance. The measurement of asset utilization is typically conducted using the asset turnover ratio, a financial metric calculated by dividing net sales by total assets (Chiadamrong & Wattanawarangkoon, 2023). This ratio provides insights into how well the company leverages its asset base to achieve its revenue objectives, making it a crucial tool for assessing operational efficiency.

$$Asset\ Utilization = \frac{Total\ Sales}{Total\ Asset}$$

Firm Performance

Firm performance embodies a company's proficiency in managing and deploying its resources strategically to gain a superior position within its industry. This concept is frequently analyzed through quantitative indicators, such as Return on Assets (ROA), which captures how effectively the company transforms its assets into net earnings. By evaluating these metrics, stakeholders can gain a comprehensive understanding of the firm's ability to sustain growth and outperform competitors. The way to measure ROA is net profit scaled against total assets (Aboagye-Otchere & Boateng, 2023).

$$ROA = \frac{Net\ Income}{Total\ Asset}$$

Research Model

To ensure the robustness of the analysis, this study follows a systematic approach in selecting the appropriate estimation model for the panel data. A series of diagnostic tests were conducted, including the Chow Test to compare OLS regression with fixed effects, the Breusch-Pagan Lagrange Multiplier Test to determine the suitability of random effects over OLS regression, and the Hausman Test to distinguish between fixed and random effects models. Based on the results, the fixed effects model was identified as the most suitable approach for the data. This model effectively controls for unobserved heterogeneity by accounting for time-invariant characteristics specific to each entity, thereby improving the accuracy of the results. With the fixed effects model in place, two analytical frameworks are utilized to address the study's hypotheses. The combination of these estimation techniques ensures that the study captures both the direct effects and the interactive dynamics of the variables under investigation, delivering robust and reliable findings.

The first model employs regression analysis to assess the direct relationship between asset growth and firm performance, offering insights into how changes in asset growth influence performance outcomes. The equation of model 1 is as follows:

$$ROA_{it} = \alpha + \beta_1 AG_{it} + _{year\ effect} + \varepsilon_{it} \quad (1)$$

The second model applies moderated regression analysis (MRA) to evaluate the role of asset utilization as a moderating variable in the relationship between asset growth and firm performance. This approach provides a comprehensive understanding of how asset utilization affects the strength or direction of the relationship, as hypothesized in the second research question. The equation for model 2 is presented as follows.

$$ROA_{it} = \alpha + \beta_1 AG_{it} + \beta_2 AU_{it} + \beta_3 AG_{it} {*} AU_{it} + _{year\ effect} + \varepsilon_{it} \quad (2)$$

Explanation:

ROA_{it}	: Firm performance i term t
AG_{it}	: Asset growth firm i term t
AU_{it}	: Asset utilization firm i term t
$AG_{it}{*}AU_{it}$	: Interaction of asset growth and asset utilization firm i term t
$\beta_1, \beta_2, \beta_3$	: Regression coefficient
α	: Constant
year effect	: Control for study year

ε_{it} : Error firm i term t

RESULTS AND DISCUSSIONS

Descriptive Statistics

Table 2. Descriptive Statistics

Variables	N	Mean	Median	SD	Min	Max
ROA	54	5.913	5.76	3.654	-3.5	14.95
AG	54	6.19	5.905	6.163	-2.296	19.964
AUT	54	61.994	54.39	33.996	14.14	150.39

Source: Processed by the author (2024)

Based on the descriptive statistics showed by Table 2, the average Return on Assets (ROA) of 5.913 with a median of 5.76 indicates that the companies' performance is generally stable. A standard deviation of 3.654, which is lower than the mean, suggests that the ROA data is relatively concentrated around the mean value. This indicates that the data used for this variable is sufficiently representative of the overall company performance. However, the range from -3.5 to 14.95 still reflects variability, from companies experiencing losses to those with outstanding performance. For the Asset Growth (AG) variable, the mean of 6.19 with a median of 5.905 indicates that the asset growth of most companies is moderate. With a standard deviation of 6.163, which is still lower than the mean, the AG data can also be considered sufficiently representative for explaining asset growth across companies, although there are extreme values such as asset declines to -2.296 or significant growth of 19.964.

Meanwhile, the average Asset Utilization (AU) of 61.994 with a median of 54.39 reflects relatively good asset utilization efficiency among companies. A standard deviation of 33.996, which is lower than the mean, shows that the AU data is reliable and sufficiently representative for illustrating overall asset efficiency patterns, although there is considerable variation, ranging from low efficiency values of 14.14 to very high efficiency values of 150.39. Overall, the results indicate that the data from the sample of companies listed in the LQ45 index exhibit relatively low and consistent dispersion, making it reliable and representative for describing the performance, asset growth, and asset utilization efficiency of leading companies in Indonesia. These findings suggest that most companies within the LQ45 index demonstrate stable performance, although some extreme variations warrant further investigation.

Assumptions of The Classical Linear Regression Model

Table 3. Assumptions of The Classical Linear Regression Model Summary

Assumption Test	Method Used	Result	Interpretation
Normality	Skewness-Kurtosis Method	p-value = 0.1623	Residuals follow a normal distribution, satisfying the normality assumption for linear regression.
Multicollinearity	Variance Inflation Factor (VIF)	VIF = 1.00	No multicollinearity detected among independent variables, as the VIF is well below the threshold of 10. Each independent variable contributes uniquely to the model.
Heteroscedasticity	Breusch-Pagan Test	p-value = 0.1417	No heteroscedasticity detected, as the p-value exceeds 0.05. Residual variance is stable, ensuring consistent and unbiased estimates.

Source: Processed by the author (2024)

Table 3 shows the results of the classical assumption test of the regression model. The normality test was conducted using the Skewness-Kurtosis method, yielding a p-value of 0.1623. Since this value exceeds the significance threshold of 0.05, it can be concluded that the residuals of the data follow a normal distribution. This satisfies one of the essential assumptions for linear regression analysis, ensuring that the parameter estimates are reliable and unbiased. To assess multicollinearity, the Variance Inflation Factor (VIF) method was used, with a result of 1.00. This value is significantly lower than the commonly accepted threshold of 10, indicating that there is no multicollinearity among the independent variables. Thus, each independent variable contributes uniquely to the model, without significant intercorrelations. Additionally, the Breusch-Pagan test was employed to detect heteroscedasticity, resulting in a p-value of 0.1417. Given that this value is greater than 0.05, we can conclude that there are no heteroscedasticity issues within the model. The residual variance remains stable, which ensures consistent and unbiased estimates. Overall, the results of these classical assumption tests confirm that the model satisfies all necessary assumptions, reinforcing the validity and reliability of the regression analysis and enabling a more accurate interpretation of the findings.

Main Regression

Table 4. Regression Results

	Model (1)	**Model (2)**
Intercept	5.350***	-28.156***
	(17.938)	(-4.017)
AG	0.087*	-0.159*
	(1.887)	(-2.092)
AU		4.367***
		(4.795)
AG*AU		0.039***
		(3.240)
Adj.R2	0.06	0.69
N	54	54
F-Stat	3.562	9.722

t statistics in parentheses
** p<0.10, ** p<0.05, *** p<0.01*
Source: Processed by the author (2024)

According to the Table 4, The regression analysis for Model (1) reveals that Asset Growth (AG) has a significant positive relationship with company performance, as indicated by the coefficient of 0.087 with a t-statistic of 1.887, significant at the 0.10 level. This result supports Hypothesis 1, which posits that Asset Growth, enhances corporate performance. The positive coefficient suggests that as companies experience growth in assets, they are able to improve their performance. This finding aligns with previous studies, such as those by Nemati et al. (2021), Cao et al. (2022) , Fauzi & Puspitasari (2021), Mun & Jang (2022) , Savitri et al. (2024), Artikis et al. (2022), Triana & Dewi (2022), and Rasyid (2021). This means to maximize profitability, the company must focus on analyzing and managing its controllable attributes, particularly those related to asset expansion. These factors play a crucial role in enhancing financial performance, as effectively allocated to driving operational productivity (Charlie & Edet, 2023).

From an agency theory perspective, the positive correlation between asset growth and performance highlights the importance of managerial decisions in aligning actions with shareholder goals. As agents, managers are tasked with efficiently allocating resources to maximize shareholder wealth. Nevertheless, agency conflicts may arise when managers prioritize their personal objectives over those of shareholders, potentially resulting in inefficient resource allocation or overinvestment. The study's findings, which demonstrate a significant positive relationship, suggest that managers in this case are effectively leveraging asset growth to enhance corporate performance, thereby aligning their actions with shareholder interests as argued by Jensen & Meckling (1976). This outcome implies that mechanisms such as performance-based compensation, robust governance structures, and effective monitoring systems may play a critical role in mitigating agency conflicts. These measures ensure that managerial decisions support optimal asset management and drive profitability. Overall, the findings underscore the necessity of addressing agency challenges to improve financial performance and deliver sustained value to shareholders.

Conversely, the regression analysis for Model (2) reveals a change in the direction of the relationship between Asset Growth (AG) and company performance. In this model, the coefficient for Asset Growth (AG) is negative at -0.159 with a t-statistic of -2.092, which is significant at the 10% level. This indicates that, when considered alongside Asset Utilization (AU), asset growth has a negative impact on company performance. However, the moderation effect is highlighted by the significant interaction term AG*AU, with a coefficient of 0.039 and a t-statistic of 3.240, significant at the 1% level. This suggests that Asset Utilization moderates the relationship between Asset Growth and performance. Specifically, as Asset Utilization increases, the negative effect of Asset Growth on performance is less pronounced, suggesting that companies with higher asset utilization can mitigate the adverse effects of rapid asset growth. The Adjusted R-squared value of 0.69 in this model indicates a much better fit compared to Model (1), explaining a significantly higher proportion of the variance in company performance, indicating that the addition of asset utilization and the interaction term substantially improves the model's explanatory power. This indicates that asset utilization has a significant impact on the effectiveness of asset management to increase company performance (Adebayo & Esther, 2022; Akinleye & Olufemi Dadepo, 2019; Etale & Okoro, 2021; Irpa et al., 2024; Kartika et al., 2024; Kehinde et al., 2022; Kurniasari et al., 2023; Kusuma, 2021; Osamor et al., 2021; Rahayu, 2019; Santos et al., 2022).

The change in the relationship between Asset Growth and performance in Model (2) provides important insights. In Model (1), asset growth was positively associated with performance, but in Model (2), the relationship turns negative. This shift suggests that while asset growth may initially contribute to better performance, it can have diminishing returns if the assets are not efficiently utilized. This result underscores the importance of efficient asset management, as companies that grow their assets without improving asset utilization may face adverse impacts on performance. The significant moderating effect of Asset Utilization indicates that companies with better asset utilization can offset the negative consequences of rapid asset growth.

This finding is consistent with prior research, such as Rahman (2020) who argued that An increase in assets does not guarantee improved financial performance unless the company effectively utilizes its resources in an efficient and productive manner to generate profits. Additionally, studies like those by Fauzi & Puspitasari (2021) emphasize that resource management plays a crucial role in determining the performance outcomes of firms. This suggesting that companies with better resource utilization strategies are more likely to convert asset growth into improved performance.

From the perspective of agency theory, these results highlight the critical role of managerial decision-making in balancing asset growth and utilization to align with shareholder interests. The findings indicate that while asset growth alone may initially enhance performance, unchecked or inefficient growth can lead to diminishing returns and potentially harm overall performance. The significant moderating effect of asset utilization suggests that effective resource management by managers can mitigate these adverse effects, ensuring that asset expansion contributes positively to firm performance. This aligns with the arguments of Jensen & Meckling (1976), who emphasized the importance of minimizing agency conflicts by incentivizing managers to act in the best interests of shareholders. By improving asset utilization, managers demonstrate their ability to allocate resources efficiently, thereby addressing potential agency issues and ensuring that asset growth translates into enhanced profitability and shareholder value. This underscores the importance of governance mechanisms, such as monitoring systems, to encourage managers to prioritize operational efficiency alongside expansion efforts for sustainable performance improvement.

CONCLUSION, IMPLICATIONS, SUGGESTIONS, AND LIMITATIONS

The study aimed to examine the relationship between asset growth and firm performance and to evaluate the moderating role of asset utilization in this relationship. The results demonstrate that asset growth positively and significantly influences firm performance, supporting the notion that increased investments in assets can enhance a firm's operational efficiency and financial outcomes. Furthermore, asset utilization was found to significantly moderate the relationship between asset growth and firm performance. Firms with higher efficiency in utilizing their assets were better able to amplify the positive effects of asset growth on performance, highlighting the critical role of operational management in maximizing the returns from asset investments.

Academically, these findings contribute to the existing body of knowledge on the dynamics of asset management by integrating the moderating role of asset utilization, which has received limited attention in prior studies. This research provides empirical evidence to support agency theory, emphasizing that not only the increase of assets but also their efficient utilization significantly influences firm performance. From a behavioral accounting perspective, the study sheds light on how managers' decisions regarding asset growth and asset utilization can impact firm performance, particularly in addressing potential conflicts of interest between managers and shareholders. By understanding how managerial behavior influences the allocation and use of assets, firms can better align managerial incentives with shareholder objectives to enhance overall performance. Practically, the results offer valuable insights for managers and policymakers. For managers, the findings underscore the importance of not only pursuing asset growth but also ensuring that these assets are employed efficiently to generate optimal returns in line with shareholders' interests. Policymakers can use this information to design regulatory frameworks that mitigate agency problems and incentivize firms to adopt practices enhancing asset utilization, thereby contributing to corporate sustainable economic growth.

This study is not without its limitations, one of which is the sample being restricted to non-financial companies listed in the LQ45 index. This may limit the generalizability of the findings to companies in other sectors or those not included in the index. Future research could expand the sample to include firms from different sectors or geographical regions to enhance the robustness and applicability of the results.

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