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The Effect of Financial Ratios on Growth Profit in Manufacturing Industry Sector Companies Listed on the Indonesia Stock Exchange

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Abstract
This research aims to find out the effect of financial ratio to profit growth on manufacturing industry companies or processing industries listed on the Indonesia Stock Exchange in 2016-2019. Purposive sampling techniques were obtained by 13 companies. The analysis used in this study is multiple linear regression analysis. The results in this study found that the current ratio partially positively affects profit growth, quick ratio partially positively and significantly affects profit growth, debt asset ratio partially negatively affects and significant on profit growth, debt-equity ratio partially positively affects profit growth, total asset turnover partially positively affects profit growth. Working capital turnover partially positively affects but does not significant profit growth, profit margin partially positively affects profit growth, return on assets partially positively affects profit growth. All free variables simultaneously have a significant effect on profit growth.

Keywords — *Current Ratio, Quick Ratio, Debt Asset Ratio, Debt Equity Ratio.*

Abstrak
Penelitian ini bertujuan untuk mengetahui pengaruh rasio keuangan terhadap pertumbuhan laba pada perusahaan industri manufaktur atau industri pengolahan yang terdaftar di Bursa Efek Indonesia tahun 2016-2019. Teknik purposive sampling diperoleh 13 perusahaan. Analisis yang digunakan dalam penelitian ini adalah analisis regresi linier berganda. Hasil dalam penelitian ini menemukan bahwa current ratio secara parsial berpengaruh positif terhadap pertumbuhan laba, quick ratio secara parsial berpengaruh positif dan signifikan terhadap pertumbuhan laba, debt asset ratio secara parsial berpengaruh negatif dan signifikan terhadap pertumbuhan laba, debt equity ratio secara parsial berpengaruh positif terhadap pertumbuhan laba, total asset turnover secara parsial berpengaruh positif terhadap pertumbuhan laba. Perputaran modal kerja secara parsial berpengaruh positif tetapi tidak signifikan terhadap pertumbuhan laba, marjin laba secara parsial berpengaruh positif terhadap pertumbuhan laba, pengembalian aset secara parsial berpengaruh positif terhadap pertumbuhan laba. Semua variabel bebas secara simultan berpengaruh signifikan terhadap pertumbuhan laba.

Kata Kunci: *Current Ratio, Quick Ratio, Debt Asset Ratio, Debt Equity Ratio.*

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INTRODUCTION

A company can have good finances when it has increased profit growth. Profit growth is an increase in the percentage of profit generated by companies where the company has good finances as a result of the growth of profits so that the value of the company will be better. "According to (Simorangkir, 1993) in Hapsari (2007) Profit growth is a percentage increase in profits earned by the company. Companies with growing profits can strengthen the relationship between the size or size of the company and the level of profit earned. Where companies with growing profits will have a large number of assets to provide greater opportunities in generating profitability (Put, 2011). Financial Ratio is a company analysis tool used to assess the performance of a company based on financial data that is on the company's financial statements can use financial ratios as an analytical tool. Financial ratios can also help investors and creditors in decision making and also consideration of a company's projections in the future. Financial ratios are classified into liquidity ratios, solvency ratios, activity ratios, profitability ratios, growth ratios, and valuation ratios (Weston and Copeland, 1995). Meanwhile, in this study, there are 4 ratios used to conduct research analysis, namely liquidity ratio, solvency ratio, activity ratio, and profitability ratio because these types of financial ratios can be used to assess financial position in the company.

The liquidity ratio used is the current ratio and the quick ratio because it can analyze the company's ability to meet its short-term obligations. The solvency ratio uses the debt asset ratio and the debt-equity ratio because it measures the extent to which the company's assets are financed by debt. The activity ratio is used with total asset turnover and working capital turnover because it can measure the turnover of all company assets to generate sales. Profitability ratios use profit margins and return on assets because to analyze the company's success in obtaining profits from its sales. The types of financial ratios above were chosen because they can be used to assess the company's profit growth position and look at the comparison of established journal reviews so that researchers are interested in conducting research. Sutrisno (2009:215) states that this type of financial ratio can be used to assess financial position as a tool to analyze and interpret data such as liquidity ratios, solvency ratios, activity ratios, and profitability ratios. So that by knowing the level of liquidity, solvency, activity, and profitability of a company, it will be known the condition of the company concerned, whether the company is good or bad so that it can be estimated about the survival of the company concerned. With the development of the manufacturing industry in Indonesia, it is expected that the growth of the manufacturing industry or processing industry will also increase. The companies that are the authors of the research are manufacturing or processing industrial companies listed on the Indonesia Stock Exchange in 2016-2019 which consists of 13 companies and have profits that continue to increase from year to year. Therefore, the authors are interested in researching whether financial ratios affect profit growth. Based on the above background, this research takes the title "The Effect of Financial Ratios on Profits in Manufacturing or Processing Industry Companies Listed on the Indonesia Stock Exchange".

LITERATURE REVIEW

According to Harahap (2011), stating that profit is the difference between the realization of income derived from a company transaction in a given period minus the costs incurred to obtain that income. Brigham and Enhardt (2003) state that accounting information regarding a company's operating performance activities and the company's financial position can be obtained from financial statements. Accounting information in financial statements is very important for business people such as investors in decision making. Investors will invest in companies that can provide high returns. Profit growth has benefits to assessing the company's performance. Companies experiencing profit growth show that the company is performing well (Amar and Nurfadila, 2017). A financial manager often needs information about profit growth to make decisions. For investors, profit growth is a major consideration for investing in the capital market (Sam, *et* al., 2018). To attract investors, a company should need to improve its performance so that profits can continue to grow every year.

Profit growth is influenced by sales levels, *leverage*, past changes in profits, company size, and company age. Future profit growth cannot be ascertained, therefore a company needs to make predictions for profit growth (Sari, *et* al., 2017). Every company needs to estimate the profits that will be earned in the future by analyzing financial statements. One way that can be done in analyzing financial statements is to calculate and interpret the company's financial ratio (Kurniawan, 2017). Financial ratios are classified into liquidity ratios, solvency ratios, activity ratios, profitability ratios, growth ratios, and valuation ratios (Weston and Copeland, 1995). According to Cashmere (2009), Financial Ratio is an index that connects two accounting numbers and is obtained by dividing one number by another number in one period or several periods. This study used 4 financial ratios namely liquidity ratio, solvency ratio, activity ratio, and profitability ratio. According to Cashmere (2009) the types of financial ratios are categorized as (1) liquidity ratio, contain current ratio and quick ratio, (2) solvency/leverage ratio, contains as debt to assets ratio (DAR), and debt to equity ratio (DER), (3) activity ratio, contains total assets turnover (TATO) and working capital turnover, and (4) profitability ratio, contains profit margin on sales and return on assets.

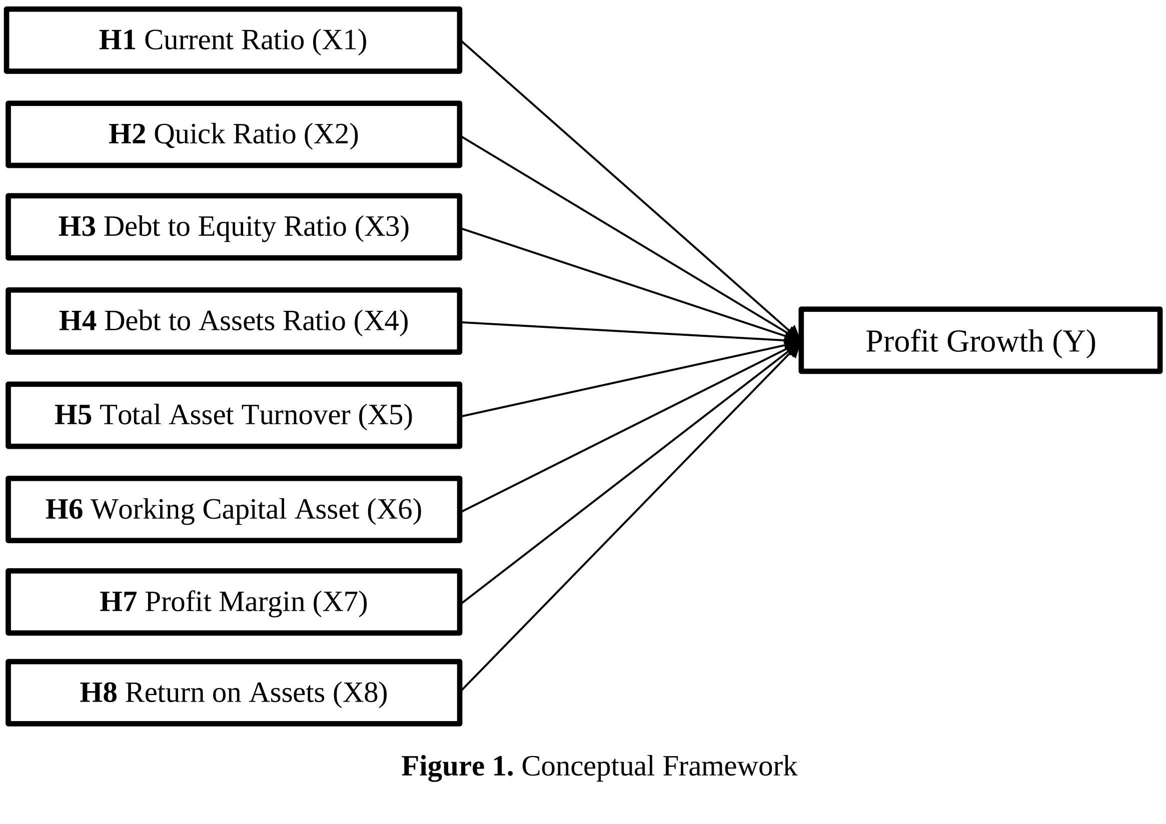

Figure 1. Conceptual Framework

RESEARCH METHODS

This type of research is an explanatory study that is a study in testing hypotheses to strengthen or reject hypotheticals in previous research results. This research data analysis technique is using multiple linear regression analysis techniques. The population in this study is a manufacturing industry company or industrial processing company that has a profit that continues to increase from 2016-2019 listed on the Indonesia Stock Exchange. 13 companies have profits that increase from year to year. Sampling techniques in this study are using the *purposive sampling* method, which is technical sampling by determining the characteristics that are by the study.

The data in this study were processed using statistical methods with the help of a statistical software tool called SPSS. The technique used in this study is a double linear regression analysis technique that has the function to test and analyze the influence of independent variables (free) namely current ratio, debt ratio, total asset turnover, profit margin, and dependent variables (bound) such as profit growth. Before double linear regression analysis must perform a classical assumption test first. The classical assumption test is the basis for performing regression analysis techniques. Classical assumption tests in this study include normality tests, multicollinearity tests, autocorrelation tests, and heteroskedasticity tests. Then use the dominant variable test to find out the most influential variables.

RESULTS AND DISCUSSIONS

Table 1. Data Normality Test Results

Kolmogorov-Smirnov	Sig Value
0,118	0,070

Source: Data processing results

Based on the results of the Kolmogorov - Smirnov test in the table above it can be concluded that the value of Kolmogorov - Smirnov is 0.118 with a significant value of 0.070 greater than 0.05 (0.070 > 0.05), it can be said that residual data is a normal distribution.

Table 2. Multicollinearity Test Results

No	Free Variable	Tolerance	Bright	Information
1.	Current Ratio	0,131	7,616	There is no multicollinearity.
2.	Quick Ratio	0,165	6,070	There is no multicollinearity.
3.	Debt Asset Ratio	0,487	2,052	There is no multicollinearity.
4.	Debt Equity Ratio	0,578	1,729	There is no multicollinearity.
5.	Total Asset Turnover	0,466	2,147	There is no multicollinearity.
6.	Working Capital Turnover	0,587	1,704	There is no multicollinearity.
7.	Profit Margin	0,237	4,220	There is no multicollinearity.
8.	Return On Asset	0,310	3,227	There is no multicollinearity.

Source: Data Processing Results

Based on the results of the multicollinearity test in the table above shows that the tolerance value of all free variables is more than 0.10. The VIF values of all free variables indicate less than 10. Therefore, it can be concluded that this study can be said not to occur multicollinearity.

Table 3. Autocorrelation Test Results

Run Test	
Asymp.Sig. (2-tailed)	*Sig a*
1,000	0,05

Source: Data Processing Results

Based on the results of the autocorrelation test in the table above shows that the run test value is more than the value of the α = 0.05 (1,000 > 0.05) so it can be concluded that this study can be said to be free of autocorrelation.

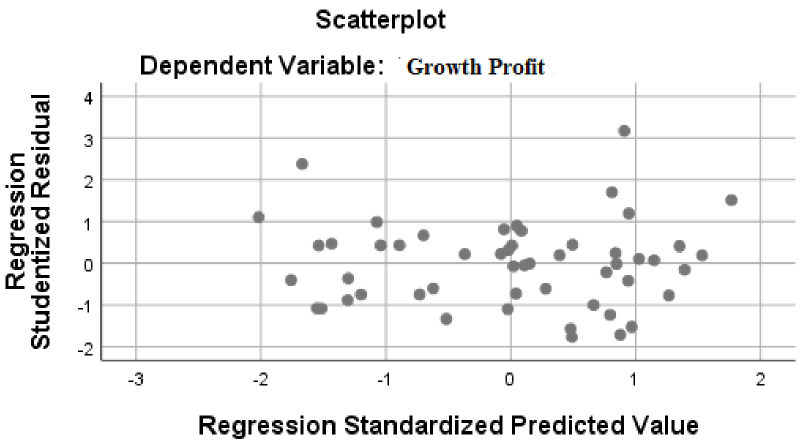

Figure 2. Heteroskedasticity Test Results

Based on the *scatterplot* graph it can be seen that the dots do not occur patterns and the points spread above and below the zero on the y axis. Thus it can be concluded that this study did not occur heteroskedasticity in the regression model.

Table 4. Multiple Linear Regression Results

Variable	B
Constant	49.729
Current ratio	0.107
Quick ratio	0.161
Debt to asset ratio	-0.26
Debt to equity ratio	0.004
Total asset turnover	3.645
Working capital turnover	0.007
Profit margin	2.694
Return on asset	7.504

Source: Data Processing Results

Output in table 4 showing *the unstandardized coefficient* B of each of the current ratio variables, quick ratio, debt to asset ratio, debt to equity ratio, total asset turnover, working capital turnover, profit margin and return on asset so that the equation can be arranged double linear regression equation as follows:

$$Y = 49{,}729 + 0{,}107X_1 + 0.161X_2 + (-0.26X_3) + 0.004X_4 + 3.645X_5 + (0.007X_6) + 2.694X_7 + 7.504X_8$$

Table 5. Test Results t

Variable	t count	T table	Itself	Information
Current ratio	2,003	1,680	0,040	Significant positive effect
Quick ratio	1,695	1,680	0,046	Significant positive effect
Debt to asset ratio	-0,165	1,680	0,029	Significant negative effect
Debt to equity ratio	2,593	1,680	0,013	Significant positive effect
Total asset turnover	1,687	1,680	0,031	Significant positive effect
Working capital turnover	1,750	1,680	0,308	Positive and insignificant effect
Profit margin	1,824	1,680	0,038	Significant positive effect
Return on asset	1,724	1,680	0,049	Significant positive effect

Source: Data Processing Results

The significant criterion of the study is 0.05, so in this study, the influence of independent variables on dependent variables can partially be explained as follows:

Table 6. Test Results F

F	Sig F	Information
2,452	0,029	Significant

Source: Data Processing Results

Based on the results of data processing in table 6, obtained the result of was F calculated by 2,452 (Sig F = 0.029). F tables at a real level of 5% or 0.05 with df1=8-1=7 and df2=52-8=44, then Ftabel (7:44) = 2.22. F calculates > F table (2,452 > 2.22), then H_0rejected and accepted means that together the variable current r*atio*, *quick ratio, debt asset ratio, debt-equity, total asset turnover, working capital turnover, profit margin,* and return on asset have a significant effect *on* profit growth.

Table 7. Dominant Variable Test Results

Variable	Koefisien Beta (b)	Itself.
Current ratio	0,878	0,040
Quick ratio	0,308	0,046
Debt to asset ratio	-0,028	0,029
Debt to equity ratio	0,395	0,013
Total asset turnover	1,168	0,031
Working capital turnover	0,145	0,308
Profit margin	1,823	0,038
Return on asset	1,806	0,049

Source: Data Processing Results

Based on the results of data processing can be seen in table 4.7. above, obtaining a Beta coefficient value of *the current ratio* variable of 0.87 the 8, quick *ratio* of 0.308; *debt asset ratio* equity debt-equity *ratio* of 0.395; *total asset turnover* of 1,168; *working capital turnover* of -0.145; *profit margin* of 1,823; *return on asset* of 1,80Thethe results of the data calculation shows that the beta value of the profit *margin* variable of 1,823 is determined as the largest beta value, it can be concluded that the profit *margin* variable has a dominant influence on profit growth in manufacturing or processing industry companies listed on the Indonesia stock exchange. So H_0rejected accepted, meaning that the variable profit margin has a dominant effect on profit growth.

CONCLUSION

Based on the results of the analysis in data research and discussion, the following conclusions were obtained: The current ratio partially positively affects profit growth; quick ratio partially affects positively and significantly on profit growth; debt asset ratio partially negatively and significantly affects profit growth; debt-equity ratio partially affects profit growth; turnover's total assets partially positively affected profit growth; working capital turnover partially affects positively but not significantly on profit growth; profit margin partially positively affects profit growth; return on asset partially positively affects profit growth; current ratio, quick ratio, debt asset ratio, debt-equity ratio, working capital turnover, total asset turnover, profit margin, return on asset simultaneously significantly affect profit growth. The variable that most affects profit growth in the manufacturing industry or processing industry sector is the profit margin.

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