The Influence of Financial Ratio on Changes in Profit in Mining Companies Listed on The Indonesia Stock Exchange (Bei)

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***Abstract*— The purpose of this study was to determine the effect of financial ratios consisting of quick ratio, return on equity, and debt to assets ratio on profit changes in mining companies listed on the Indonesia Stock Exchange. The population in this study were all companies engaged in the coal mining sector which were listed on the Indonesia Stock Exchange until 2019, while the sampling in this study use purposive sampling method with the criteria of coal mining companies that published their financial reports in 2017 to 2019 and have made profits in the 2017 – 2019 financial year period as many as 22 companies. The data testing technique uses multiple linear regression and partial hypothesis testing with a significance level of alpha = 5%. The results of the research show that the financial ratios consisting of the quick ratio, return on equity, and debt to assets ratio has no effect on changes in profits in coal mining companies. In conclusion, this research supports the research conducted by Justina (2015) and Lestari (2020) because Justina and Lestari's research results showed that financial ratios have no effect on changes in earnings and are contradictory to research done by Prameswari (2018). Prameswari's research results conclude that the current ratio, debt to equity ratios affects profit growth.**

Keywords— financial ratios and profit changes.

I. Introduction

Competition in the business world and industry in all sectors, at this time and especially during this pandemic is very tight, for that management and all employees who work in the company are required to improve their performance so that the companies they manage can survive. The company is said to survive if the company can survive in uncertain economic conditions. This can be seen from its ability to fulfill financial obligations and carry out its operations properly and can maintain the continuity of its business development from time to time. In general, the public measures the success of a company based on the company's ability as seen from its performance The company's performance can be assessed through financial statements that are presented every period. To realize this performance, it can be done by analyzing financial statements using financial ratios. Financial ratios are a comparison of numbers from the estimates contained in the balance sheet and income statement. With the financial ratios, it can be seen whether the company's financial condition is safe or not and how the company's profit growth in the future. This financial ratio analysis can also be used by management to predict the health of the company operations and company performance, as well as potential investor, need to conduct an analysis to determine which company shares will be selected for their fund to be invested. The amount of profit earned by a company can be seen from the company's financial statements in the Profit/Loss Statement. Every company expects an increase in profit from the previous period and the company's profit from one period to the next period usually changes. Profit is an increase in economic benefits during an accounting period in the form of an increase in assets or a decrease in liabilities which results in an increase in equity that is not derived from investment contributions. The presentation of profit information is a very important part of the company's operations because the level of profit can describe the company's overall achievements. The greater the level of profit of a company, the better the productivity of the company, so that it will increase stakeholder confidence in the company. Justina (2015) conducted research on textile and garment companies found that financial ratios as measured by current ratio and net profit equity and total assets turnover had no effect on profit growth (Prameswari,2018) concluded that the current ratio, debt to equity has an effect on profit growth while total asset turnover has no effect on profit growth in the banking sector. Lestri (2020) conducted research on advertising, printing, and non-building construction companies and conclude that financial ratios consisting of the current ratio, total assets turnover, debt to equity, and return on assets did not simultaneously affect profit changes. The phenomenon of the inconsistency of research results that have been carried out as described above is the attraction of researchers to replicate research by conducting the same research on mining companies. This study aims to conduct further testing of empirical findings regarding financial ratios, especially regarding their influence in predicting company profits in the future. The selection of changes in corporate profits as a predicted phenomenon in this study is based on the reason that similar studies still do not provide consistent results. If the influence of financial ratios can be used as a prediction of future earnings changes, this research is certainly quite useful knowledge for users of financial

statements who have real or potential interests in a company, and otherwise, the influence of financial ratios is not significant enough in predicting earning changes. In the future, the results of this study will strengthen evidence about the inconsistency of previous empirical findings.

This research is a replication of Lestari's research (2020), the difference between the research that the author did with this research is that the data for the research year studied are 2017, 2018, and 2019 and the variables used are quick ratio (QR), return on equity (ROE) and debt to assets ratio (DAR) and the companies studied are companies engaged in mining, while Lestari uses research data from 2014 – 2018 and the ratios used are current ratio (CR), total assets turn over (TOTA), debt to equity ratio (DER) and return on assets (ROA) and the companies studied so far are companies in the advertising, printing, media subsector and non-building construction subsector companies.

Based on the description described above, the formulation of the problem in this study is whether the financial ratios consisting of the quick ratio (QR), return of equity (ROE), and debt to asset ratio (DAR) affect changes in profits in mining companies on the Indonesia Stock Exchange?. While the purpose of the study is to determine the financial ratios consisting of quick ratio (QR), return on equity ratio (ROE), and debt to asset ratio (DAR) that affects the changes in earnings of mining companies in the Indonesian Stock Exchange.

A. Understanding Financial Ratios and Financial Ratio Analysis

Financial ratios are a ratio calculation using financial statements as a measuring tool in assessing the financial condition and performance of the company [1] .

According to [11]), financial ratios are indexes that have a relevant and significant relationship between two numbers in financial statement items by comparing these numbers in one period or several periods in order to help evaluate a financial report

While financial ratio analysis is the process of observing indexes related to accounting in financial statements such as balance sheets, income statements, and cash flow statements with the aim of assessing the financial performance of a company. This analysis is used to provide an overview of information about the company's financial position and performance that can be used as a guide in making business decisions [13].

Analyzing financial statements means making comparisons to the numbers in the financial statements to obtain a good and precise understanding and understanding of the financial statements. Financial statement analysis aims to determine whether the financial condition as the result of the company's operations and financial progress is satisfactory or unsatisfactory. The financial analysis is carried out by measuring the relationship between the elements of the financial statements and how these elements change over time from year to year and also to find out the direction of the company's development progress [1].

From the understanding described above, the conclusion is that financial ratio analysis can be useful to evaluate the financial condition, company performance, and the health condition of the company concerned.

B. Relationship of Financial Ratios with Changes in Profit

A change in profit is an increase or decrease in the profit earned by the company compared to the previous year. Accounting profit is the difference between the measurement of income and costs, where the main focus of financial statements is profit. The definition of operating profit is the difference between the realized income arising from transactions during a period and the costs associated with that income [11].

All companies have the main goal in their business to generate maximum profit. Profit is very important because it is for the survival of the company going forward. "High *profits* are a sign that consumers want more industrial output and high profits provide incentives for companies to increase output and more companies will enter the industry in the long run.

At any given period the company's profit will show its activities. By knowing the changes in profit each period, it can be used as a benchmark to determine the company's development [9]. Financial ratios obtained from financial statements can be used for investors in estimating the calculation of cash receipts from distributed profits, interest in the future. Dividends received for investors will depend on the amount of profit in the future so that predictions of company profits by analyzing financial ratios are very necessary to do.

II. RESEARCH METHODS

The population in this study were coal mining companies listed on the Indonesia Stock Exchange until 2019 amounted to 25 companies, while the sample in this study was conducted using a purposive sampling method with the criteria of the companies used being coal mining companies that published financial statements in the 2017 – 2019 period and the company made a profit in the period amounted to 22 companies. The type of data in this study is a panel or pooled data consisting of a times series, namely the annual period 2017 – 2019 so the number of samples is 66 with an error rate (alpha) = 5%.

The variable used in this study is the quick ratio which is used to measure current assets minus inventory and prepayments compared to short-term liabilities. The next variable is the return on equity ratio, which is the company's ability to generate net operating profit to total equity. The debt to assets ratio is the ratio of long-term liabilities compared to company assets. The change in profit is the year's profit minus last year's profit compared to last year's profit.

The research model is in figure 1.

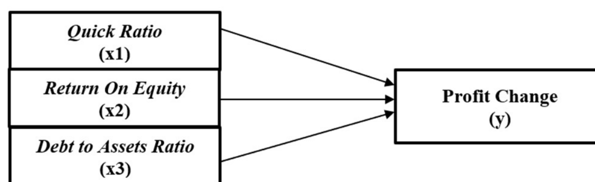

Fig. 1. Research Model

Data collection techniques in this study are library research and documentation. The data in this study were obtained from the Indonesia Stock Exchange through the website www.idx.co.id. The data analysis method used in this study was multiple linear regression using SPSS software.

III. Results and Discussion

A. Research Result

The purpose of descriptive statistics is to describe data from research results. The results of descriptive statistical analysis from this study are as follows:

TABLE I. DESCRIPTIVE STATISTICS

	Mean	**Std. Deviation**	**N**
Profit Change	1,2283	8,84060	66
QR	802,0809	5033,94465	66
ROE	198,4936	1106,46771	66
DAR	17,3510	21,18128	66

Based on Table I mention above, it is known that the mean or average of profit changes is 1.2283 with a standard deviation of 8.84060. Thus, the mean value is smaller than the standard deviation value, and this indicates that the earnings change variable data used in this study is inefficient.

B. Hypothesis Test Results

Hypothesis testing in this study uses the t-test, which aims to see the effect of the independent variables, namely QR, ROE, and DAR on the dependent variable of earnings changes.

TABLE II. MULTIPLE REGRESSION TEST RESULTS

Coefficients(a)

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**T**	**Sig.**
		B	***Std. Error***	***Beta***		
1	(Constant)	2,336	1,457		1,603	,114
	QR	-6,71E.5	,000	-,038	-303	,763
	ROE	,000	,001	,033	,251	,802
	DAR	-,064	,055	-,153	-1,156	,252

From the multiple regression test shown on Table-2 above, the following multiple regression equation is obtained: Y=2,336-6,71E.5 QR + 0,000 ROE – 0,064 DAR.

IV. Discussion

From the multiple regression equation above, it can be seen that the constant of 2,336 states that if QR=0, ROE=0 DAR=0 then the value of the change in profit is 2,336.

The Quick ratio has a regression coefficient of -6,71E.5 stating that every 1% addition of the Quick ratio with the assumption that the value of the coefficients of other variables remains constant, will decrease the change in profit by 6,71E.5 but on the contrary if the Quick ratio decreases by 1% assuming the value the coefficients of other variables are fixed, the change in profit are predicted to increase by 6,71E.5. ROE has a regression coefficient of 0,000 stating that every 1% addition of ROE with the assumption that the value of coefficient of other variables is fixed it will reduce the change in profit by 0,000 but on the contrary if the Quick ratio decreases by 1% assuming the coefficient value of other variables remain, the change in profit is predicted to increase by 0,000. DAR has a regression coefficient of -0,064 which state that every 1% addition of ROE with the assumption that the coefficients of other variables remain constant, will reduce profit changes by 0,064, but on the other hand, variables remain constant, it will reduce profit changes by 0.064, but on the other hand, if the Quick ratio decreases by 1% assuming the coefficients of other variables remain, the profit changes are predicted to experience an increase of 0,064.

Looking at the results of the t-test shown on Table II, it can be explained that there is no independent variable that has an influence on changes in earnings because the significance value of QR = 0,763; ROE = 0,802, and DAR = 0,252 is greater than the alpha value of 5% or 0.05.

V. Conclusion

From the discussion above, it can be concluded that the financial ratios consisting of Quick Ratio, Return on Equity, and Debt to Assets Ratio have no effect on changes in profits in coal mining companies. This research supports research done by Justina (2015), and research done by Lestari (2020) and contradicts the research done by Prameswari (2018).

VI. Suggestion

Based on the conclusions that have been stated above, the researcher suggests for the next researcher to replace the independent variables to be studied, such as CAR, BOPO, or other variables and the company being studied is not a mining company.

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