Journal Accounting and Finance
Edisi Vol. 5, No. 2, September 2021 Universitas Telkom

The Influence of Financial Ratio to Profit Growth

Vaya Juliana Dillak [1], T.A. Siburian[2]

[1, 2] Telkom University, Bandung,
Indonesia.

Abstract

The purpose of this study was determining the effect of financial ratios consisting of company size, current ratio, debt to equity ratio, and total assets turnover on profit growth in Property, Real Estate and Building Construction Service Sector Companies listed on the Indonesia Stock Exchange in 2015-2018. Sampling technique employed in this study is purposive sampling technique. There have been 13 companies sampled within 4 years, in order that 52 samples were obtained. The analysis technique utilized in this study used panel data regression analysis. The results of the research company size variables, current ratio, debt to equity ratio, and total assets turnover have an impact on profit growth by 32.7%, and therefore the remaining 67.3% is influenced by other factors outside the research variable. Partially, the variable Company Size and Total Assets Turnover incorporates a significant positive effect on Profit Growth, while Current Ratio and Debt to Equity Ratio don't have any significant effect on Profit Growth

INTRODUCTION

Profit growth may be a ratio that shows the company's ability to extend profit compared to the previous year (Harahap, 2015: 310). One in all the parameters of the company's performance evaluation is that profit growth is employed to assess the performance of a corporation, the foremost important thing in a very company is net income growth. Where within the company contains a goal by trying to find net profits instead of trying to find losses, it's an element that affects the performance of stock prices and is that the most significant factor. Manurung and Kartikasari (2017) revealed that profit growth is proxied by what quantity the company's profit increase, calculated by how the present period earnings minus previous period earnings then divided by the previous period earnings.

The property sector is an industrial sector that's also a target for each investor on the Indonesia Stock Exchange (IDX). The very best profit decline was experienced by PT Agung Podomoro Land Tbk (APLN) whose profit plunged 97.85% YoY to only Rp 29.56 billion in 2018 compared to 2017's profit of Rp 1.37 trillion. This significant correction from income was littered with last year's revenue which also dropped. Touching on the financial statements, Agung Podomoro's revenue dropped 28% to Rp 5.04 trillion from the previous year of Rp 7.04 trillion. The decline in income was strongly influenced by the correction that occurred within the

https://journals.telkomuniversity.ac.id/jaf

E-ISSN 2581-1088

residential sales business which dropped to Rp 655 billion from Rp 693 billion the previous year. The second largest decrease in profit was also experienced by PT Bumi Serpong Damai Tbk (BSDE), which was 74%. Supported the company's 2018 financial statements, it recorded a net of Rp 1.29 trillion. Much different from the company's profit at the top of December 2017 which was valued at Rp 4.92 trillion. The decline in profit was thanks to operating income which also fell 35.93% to Rp 6.62 trillion from operating income within the same period within the previous year of Rp 10.34 trillion (https://www.cnbcindonesia.com, 2019).

Given this phenomenon, it’s important to grasp the profit growth in property, real estate and building construction companies. Thus, stakeholders are able to make the correct decisions for their activities. The purpose of this study is to work out whether there’s a simultaneous and partial effect between Current Ratio, Debt to Equity Ratio, Total Assets Turnover, Company Size on Profit Growth. The advantages of this research for companies are often taken into consideration in analyzing the performance of economic statements through several financial ratios to guage and develop the corporate, while for investors are expected to produce information about profit growth in companies through financial ratio analysis to help investors in determining decisions to speculate long run.

THEORETICAL NETWORK

According to Hapsari, et al (2017) profit growth may be a change within the presentation of a rise in profits earned by a corporation. Good company profit growth will indicate that the corporate has good finance, which successively will increase the worth of the corporate. Additionally, profit growth is additionally a measure of the performance of an organization, therefore the higher the profit achieved by the company, the better the company's performance. Profit growth is proxied by what quantity the rise in corporate profits, calculated by subtracting current period earnings with earnings of the previous period, then divided by earnings within the previous period (Manurung and Kartikasari, 2017).

According to Najmudin in Sinaga, et al (2019) Firm Size may be a company that includes a large scale or is mostly easier to get every debt compared to small companies, it’s because there’s a relationship with the amount of enormous of large corporate creditors. Company size will have a positive effect on growth earnings by viewing the overall assets owned by large-scale companies that reach the extent of money flow of the corporate to be positive and in an exceedingly relatively long period of your time, besides that it can reflect that the corporate is comporatively stable and more capable of generating profits. This is often line with research conducted by Purwanti et al. (2019) found that company size had a positive effect on profit growth.

Current Ratio may be a ratio that may be employed in every company to live the corporate’s ability to pay any short-term obligations by using current assets owned by the company (Sujarweni, 2017: 60). Current Ratio will negatively affect profit growth by seeing a rise in ability to settle long-term liabilities plus a rise within the value of short-term liabilities will cause profits that are been obtained from operating activities to be drained to settle the company's short-

https://journals.telkomuniversity.ac.id/jaf

E-ISSN 2581-1088

term liabilities, making the results not increase profits This company is in line with research conducted by Fadilla and Rahadi (2019) finding that Current Ratio incorporates a negative effect on profit growth. Debt to Equity Ratio could be a comparison of the debts and equity in funding of every company and shows the power to fulfill all obligations with own capital (Sujarweni, 2017: 61). The upper the extent of debt, the upper the disbursal, the lower the speed of return. This is often in line with research conducted by Salamah et al. (2019) found that Debt to Equity Ratio had a negative effect on profit growth. Total Assets Turnover could be a ratio which will be accustomed measure the effectiveness of the entire assets that the corporate has in generating sales that are generated from each fund embedded in total assets (Hery, 2017: 36). The higher company performance will reflect the impact on the company's profit growth, because the upper the Total Assets Turnover owned by the corporate, will show that the corporate can optimize every use of its assets to create sales in order that the profit growth that happens within the company tends to extend. This can be in line with research conducted by Sari and Widyarti (2015) found that Total Assets Turnover includes a positive effect on profit growth.

METHODOLOGY

The population during this study are all Property, Real estate and Building Construction companies that were Listed on the Indonesia Stock Exchange in 2015-2018. The sample was selected using purposive sampling technique with the factors of companies that have complete data during the study period. Samples were selected as many as 13 companies in an exceedingly period of 4 years to get 52 total company samples. This study uses panel data multivariate analysis. Panel data may be a combination of your time series data and cross section data. The employment of panel data will provide an summary of an indication that has been observed repeatedly on the identical object at different times (Basuki and Parwoto, 2016: 275). There are 3 techniques for estimating panel data regression models, namely the common effect model, the fixed effect model and the random effect model. To search out that the regression of equation obtained has accuracy in estimation and is consistent, it’s necessary to check classical assumptions. Within the classic assumption panel panel data that’s done, it’s only multicollinearity test and heteroscedasticity test (Basuki & Prawoto, 2016: 297). The analysis technique utilized in this study is panel data regression analysis. The models employed in this study are:

$$PG = \alpha + \beta_1 Size_{it} + \beta_2 CR_{it} + \beta_3 DER_{it} + \beta_4 TATO_{it} + \varepsilon$$

Explanation:

PG = Profit Growth ($income_t$ –$income_{t-1}$ / $income_{t-1}$)

α = A constant.

$\beta_1, \beta_2, \beta_3, \beta_4$ = Regression coefficient

Size = Firm Size (Ln Total Assets)

CR = Current Ratio (current asset / current liabilities)

https://journals.telkomuniversity.ac.id/jaf

E-ISSN 2581-1088

DER = Debt to Equity Ratio (total liabilities / total equity)

TATO = Total Assets Turnover (net sales – total assets)

ε = Error

RESULT

Descriptive statistical testing is carried out to provide descriptive explanations of each variable used in research without any link between the independent variable and the dependent variable.

Table 1. Descriptive Statistical

	SIZE	CR	DER	TATO	PL
Mean	29.69689	1.832813	0.889987	0.208237	-0.034799
Median	29.93220	1.458623	0.927684	0.213102	-0.045223
Maximum	31.16585	4.616801	1.706941	0.300827	1.107853
Minimum	27.81004	0.393509	0.092100	0.054946	-0.958902
Std. Dev.	1.056631	1.048531	0.458293	0.053764	0.437420
Observations	52	52	52	52	52

From table 1 it can be seen for the variable size, current ratio, debt to equity ratio, and total assets turnover the mean value shows a number that is greater than the standard deviation value, this shows that the data tested in this study are relatively homogeneous. As for the variable of profit growth, the mean value shows a lower number than the standard deviation value, thus indicating that the data tested in this study varies.

Table 2. Multicollinearity Test

	SIZE	CR	DER	TATO
SIZE	1.000000	-0.198668	0.424547	0.144262
CR	-0.198668	1.000000	-0.449735	0.089748
DER	0.424547	-0.449735	1.000000	0.168269
TATO	0.144262	0.089748	0.168269	1.000000

To find out that the regression equation obtained has accuracy in estimation and is consistent, classic assumption test needs to be done. In this study there are two types of classical assumptions testing conducted, namely multicollinearity test and heteroscedasticity test. Based on Table 2 above that the results of the comparison of the correlation coefficient values for each independent variable > 10. So, it can be concluded that the data in this study did not occur Multicollinearity or can be said to be free from Multicollinearity Test. Based on Table 3 below, the heteroscedasticity test results with the Glejser Test indicate that the Independent Variable has a probability value > 0.05. So, it can be concluded that the data in this study did not occur Heteroscedasticity or can be said to be free from Heteroscedasticity Test.

https://journals.telkomuniversity.ac.id/jaf

E-ISSN 2581-1088

Table 3. Heteroscedasticity Test

Variables	Coefficient	Std. Error	t-Statistic	Prob.
C	-16.32982	9.017977	-1.810808	0.0788
SIZE	0.565039	0.301640	1.873220	0.0694
CR	-0.072555	0.066023	-1.098943	0.2793
DER	-0.162893	0.179918	-0.905373	0.3715
TATO	0.313853	1.056958	0.296939	0.7683

Table 4. Simultaneous Testing (F Test) and Partial Testing (t Test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.	F-Statistic	Prob.
C	-76.85282	20.79732	-3.695323	0.0007		
SIZE	2.522272	0.695645	3.625804	0.0009		
CR	-0.192244	0.152262	-1.262589	0.2151		
DER	-0.121639	0.414927	-0.293158	0.7711		
TATO	11.40522	2.437565	4.678940	0.0000		
					2.551616	0.010215

Based on the results of the panel data regression estimation model conducted, namely the chow test and the hausman the hausman test shows that the Fixed effect model is more appropriate used in this research. F test or simultaneous testing is performed to determine whether the independent variables jointly affect the dependent variable (Ghozali, 2016: 79). Based on Table 4 the Probability (F-Statistic) value in this study is 0.010215 < 0.05, so it can be concluded that the results of this study reject H_0 and accept H_1. This gives the meaning that all independent variables namely Company Size Size, Current Ratio, Debt to Equity Ratio, and Total Assets Turnover simultaneously have a significant effect on Profit Growth. In this research a partial test was conducted to find out how the influence of Size, Current Ratio, Debt to Equity Ratio, and Total Assets Turnover on Profit Growth. This test is done by testing the regression coefficients by looking at the significance value compared to the significant level (α). Based on Table 4, the panel data regression equation results as follows:

$$PG = -76{,}85282 + 2{,}522272SIZE - 0{,}192244CR - 0{,}121639DER + 11{,}40522TATO + \varepsilon$$

a. Size, obtained a regression coefficient of 2.522272 with a significance level of 0.0009 < α = 0.05 which means that size has a significant positive effect on profit growth. Companies with large total assets spur to create a good impression on the users of financial statements, because with high total assets will cause company capital to increase and can encourage investors to assess the company. The greater the profit generated by corporate will lead to a rise in profit growth. The greater the quantity of assets that are owned, each company may be classified as an oversized company size and indicated by high profit growth.

E-ISSN 2581-1088

b. Current ratio, obtained a regression coefficient of - 0.192244 with a significance level of 0.2151 > α = 0.05, which means that the Current ratio leverage does not affect profit growth. High Current Ratio value does not affect the increase or decrease in profits generated by the company. High current assets do not guarantee the availability of working capital to the company to support every operational activity of the company. Therefore, it can be concluded that the Current ratio has no effect on profit growth.
c. Debt to equity ratio, obtained a regression coefficient of - 0.121639 with a significance level of 0.7711> α = 0.05 which means that the Debt to equity ratio has no effect on profit growth. The high DER shows the composition of total debt is greater than the total own capital, this is because the debt capital used for business is partly used to pay off debt, thereby reducing profit margins. So that the greater the impact of the company's burden on external parties (creditors).
d. Total assets turn over, obtained a regression coefficient of 11.40522 with a significance level of 0.0000 <α = 0.05, which means that total assets turnover has a significant positive effect on profit growth. The faster the asset turnover, the greater the revenue it produces and can increase profit growth. The amount of profit the company can utilize in its assets to increase sales which will then affect the company's revenue so that the company can obtain large profits and cause profit growth to increase. The amount of profit may be employed by the corporate in its assets to extend sales which is able to then affect the corporate’s revenue in order that the company can get an outsized profit or profit and cause profit growth to extend.

CONCLUSIONS AND RECOMMENDATION

The results of this study indicate that there’s a positive influence between company size and total assets turnover on profit growth and it implies that the upper the scale of the corporate and also the total assets turn over in a very company, the upper the profit growth in an exceedingly. Therefore, companies must manage and maximize the employment of their assets so as to induce profits. This research is used as a reference for further researchers. Supported the following researcher, it’s suggested to check other variables like Return on Equity, Gross Profit Margin, and other variables which aren’t tested during this study and are certainly associated with Profit Growth and might examine the speed of profit growth in another sector with a bigger sample. In order that it can better represent the population of other existing industrial sectors.

REFERENCES

Basuki, A. T., & Prawoto, N. 2016. Analisis Regresi dalam Penelitian Ekonomi & Bisnis. Jakarta: PT Rajawali Grafindo Persada.

Fadilla, N., & Rahadi, F. 2019. Rasio Keuangan Dan Pengaruhnya Terhadap Pertumbuhan Laba. Jurnal Ekonomi dan Bisnis Dharma Andalas, 21(2), 1693-3273, 2527-3469.

E-ISSN 2581-1088

Ghozali, I. 2016. Aplikasi Analisis Multivariate dengan Program SPSS 23. Semarang: Badan Penerbit Universitas Diponegoro.

Hapsari, A. M., Nuraina, E., & Wijaya, A. L. 2017. Pengaruh Book Tax Differences, Return on Asset, dan Firm Size Terhadap Pertumbuhan Laba Perusahaan (Studi Empiris Perusahaan Manufaktur yang Terdaftar di BEI). Forum Ilmiah Pendidikan Akuntansi-Universitas PGRI Madiun, 5(1), 334-346.

Harahap, S. S. 2015. Analisis Kritis Atas Laporan Keuangan, Cetakan Kedua Belas. Jakarta: Raja Grafindo Persada.

Hery. 2016. Analisis Laporan Keuangan. Jakarta: PT Grasindo.

Manurung, B. H., & Kartikasari, D. 2017. Pengaruh Kebijakan Dividen dan Pertumbuhan Pendapatan terhadap Pertumbuhan Laba pada Perusahaan Manufaktur. Jurnal Ilmiah Akuntansi dan Keuangan (INFAK), 3(2).

Purwanti, R., Raharjo, K., & Oemar, A. 2019. Pengaruh Struktur modal, Aliran Kas, Likuiditas, Ukuran Perusahaan, Dan Investment Opportunity Set Terhadap Pertumbuhan Laba (Study Empiris Pada Perusahaan Sektor Food yang terdaftar Di BEI tahun 2010-2017). Journal of Accounting, 5(5).

Salamah, F., Kristanti, F. T., & Asalam, A. G. 2019. Pengaruh Rasio Keuangan Terhadap Pertumbuhan Laba (Studi Empiris pada Perusahaan Jasa Sub Sektor Property dan Real Estate yang Terdaftar di Bursa Efek Indonesia Tahun 2014-2017). e-Proceeding of Management, 6(1), 2355-9357.

Sinaga, M. S., Simanullang, A. E., & Yanti, I. 2019. Pengaruh Total Asset Turnover, Firm Size Dan Current Ratio Terhadap Pertumbuhan Laba Pada PT. Sirma Pratama Nusa. Aksara Public, 3(3), 72-80.

Sujarweni, V. W. 2017. Metodologi Penelitian Bisnis dan Ekonomi. Yogyakarta: PT Pustaka Baru Press.

Wareza, Monica. 2019. Inilah Alasan Sektor Properti Belum Pulih: Banyak Aturan! Jakarta: CNBC Indonesia

E-ISSN 2581-1088