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Profit Analysis With Financial Ratio (Study At Manufacturing In Indonesia Stock Exchange)

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Abstract: *Profit is a reflection of success in executing the activities and operations of the company. There are many factors that allegedly affect the company's profit growth. The purpose of this research is to know the influence of current ratio, total asset turnover (TAT), debt to equity ratio (DER), gross profit margin (GPM), return on asset (ROA) and return on equity (ROE) profit growth in manufacturing companies in Indonesia Stock Exchange. The research population is a manufacturing company that dihapsa dibursa Indonesia in 2013 as many as 85 companies. Minimum sample size studied by 46 companies, sampling using stratified sampling technique with proportional allocation. Analysis tool used is multiple linear regression with tools SPSS v. 17. The results show simultaneously the current ratio, total asset turnover, debt to equity ratio, gross profit margin, return on asset and return on equity significantly affect the profit growth in manufacturing companies in BEI, while the partially variable that affects the profit growth is gross profit margin, total asset turnover and return on equity.*

Keywords*: current ratio, total asset turnover , debt to equity ratio, gros profit margin , return on asset, return on equity, profit*

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I. Introduction

Communities often measure the company's success from deep management performance make a profit. Earnings gained in the future can not be ascertained, it is necessary to predict changes in earnings. Investment decisions by investors and potential investors who will invest their capital into the company will be affected by the changes. Profit change is the result of company performance, for it needs to be analyzed in advance the company's financial statements with the analysis of financial statements (Kashmir, 2008: 4). Brigham and Houston (2013: 133) state that financial statement analysis is useful to help anticipate future conditions including forecasting earnings, as well as a starting point for planning actions that will improve future performance. Financial statement information has the ability to predict future earnings.

Financial statement analysis is an analytical tool used by companies to assess financial performance based on comparative data of each post contained in the financial statements. Hanafi & Halim (2009: 74) said the analysis of commonly used financial statements is the ratio of liquidity, activity ratio, solvency ratio, profitability ratio, and market ratio. In this study, the financial ratios used to analyze the effect on profit growth are: current ratio, total asset turnover, debt to equity ratio, gross profit margin,return on asset,and return on equity.

Current Ratio (CR) is the ratio between current assets with current liabilities (Mamduh and Halim, 2014: 75). CR or current ratio is a true indicator of corporate liquidity, since the calculation considers the relative relationship between current assets and current liabilities for each company (Syamsudin, 1985 in Wibowo and Pujiati, 2011). CR high can provide good information to potential investors. This will have an effect on investor interest in investing, resulting in increased current assets. The higher the current ratio shows the higher profit change (Kuswadi 2005: 79). Wibowo and Pujiati, 2011) concluded that the current ratio partially positively affects earnings changes.

Debt to Equity Ratio (DER) is the ratio between total liabilities to total equity (Darsono and Ashari, 2005: 55) or the amount of current liabilities and long-term debt to equity. DER provides an overview of the capital structure owned by the company, so it can be seen the level of risk of uncollectible debt by investors. High DER has a bad impact on the company's performance because the higher the debt rate means the greater the interest burden which means less profit. In contrast, low DER levels show better performance, because it leads to higher returns. Khaddafi and Umma (2014) show debt to equity ratio has a negative and significant effect on profit growth.

Total Asset Turnover (TAT) is the ratio of net sales to total assets (Van Horne and Wachowicz, 2005: 221). According Sutrisno (2009: 221), Total Asset Turnover is a measure of the effectiveness of utilization of assets in generating sales. Thus the greater the asset turnover the higher the sales. The amount of profit a company earns depends on the amount of sales. Gunawan and Wahyuni (2013), Wibowo and Pujiati (2011) showed that the influence of Total Assets Turnover on profit growth is positive and significant.

Gross Profit Margin (GPM) is a ratio showing the relationship between sales- cost of goods sold to net sales (Darsono and Ashari, 2005: 56). GPM shows gross returns on net sales, so a GPM increase will show the greater gross profit the firm receives on its net sales. Such performance results can increase the attractiveness of investors to invest in the company, so that the revenue obtained by the company will increase. Wibowo and Pujiati (2011) show that GPM has a significant positive effect on profit growth in the next one year.

Return On Assets (ROA) is a ratio that measures a company's ability to generate net income based on certain asset levels (Hanafi and Halim, 2014: 78). ROA serves to measure the effectiveness of companies in generating profits by utilizing the assets owned. The greater the ROA the company will be more efficient use of assets so that will enlarge profit. Khaddafi and Umma (2014), showed a significant influence between ROA on profit growth.

The Return On Equity (ROE) ratio is calculated by dividing net income by share capital (Hanafi and Halim (2014: 82) .Exe shows how much rupiah can be obtained from net income for each rupiah invested by shareholders (company owners) of high capital exceeds the cost of capital used, means that the company has efficiency in using its own capital, so that the profit generated increases, and Khaddafi and Umma (2014) and Khalaf Taani (2011) conclude ROE have a significant influence in predicting earnings change.

Current ratio, total asset turnover, debt to equity ratio, gross profit margin, return on asset, and return on equity are selected because the investor is more familiar with the size of this financial performance and this ratio can also represent some of the ratios in the company effect on company profit growth.

This study re-examination of the results of research that still shows the difference of results about the influence of current ratio, total asset turnover, debt to equity ratio, gross profit margin, return on asset, and return on equity to profit growth in manufacturing industry sector in Indonesia Stock Exchange) in 2013. Selection of manufacturing companies in BEI because the manufacturing industry is the industry group most listed on the BEI and can be considered quite representative of the business conditions in Indonesia in general.

Based on the background of the problem, the formulation of the problem in this research are: (1) How is the influence of Current Ratio, Total Asset Turnover, Debt to Equity Ratio, Gross Profit Margin, Return On Asset and Return On Equity to profit growth at manufacturing company in Indonesia Stock Exchange Based on the formulation of the proposed problem, the objectives to be achieved in this research are: To know the influence of Current Ratio, Total Asset Turnover, Debt to Equity Ratio, Gross Profit Margin, Return On Asset and Return On Equity to profit growth in manufacturing companies Indonesia stock exchange.

II. Methods

The independent variables in this study consist of Current Ratio, Total Asset Turnover, Return On Asset and Return On Equity Debt to Equity Ratio, Gross Profit Margin, while the dependent variable is Profit Growth.

Target population in this study is a manufacturing company listed on the Indonesia Stock Exchange which presents the financial statements of 2013 amounted to 85 companies. The sample size was determined based on the Slovin formula with the calculation result of 46 companies. Sampling using random sampling technique. The data used are secondary data in the form of financial statements of manufacturing companies listed on Indonesia Stock Exchange 2013. Data can be obtained from the Indonesian Capital Market Directory (ICMD). While the type of data used in this study is quantitative data in the form of cross section data that is data collected at the same time.

Quantitative methods are used to analyze factors affecting profit growth. The analysis model used is multiple linear regression with the equation:

Profit growth = a + b1CR + b2TAT + b3DER + b4GPM + b5ROA + b6ROE + e

Requirement of the use of the model must be tested classical assumptions that include test normality, heterogeneity test, and multicolinearity test. The tools used as multiple linear regression calculations are computer programs (SPSS 17).

III. Results And Discussion

Multiple Linear Regression Analysis

Multiple linear regression analysis is used to know how big influence of independent variable (CR, DER, TAT, GPM, ROA and ROE) to dependent variable (profit growth). From the calculation results are then processed using SPSS 17 results are presented in the following table:

Tabel 1. Hasil Uji Regresi Linier

Model	Unstandardized Coefficients		T	Sig.
	B	Std. Error		
1(Constant)	-.325	.271	-1.196	.239
CR	.008	.033	.235	.816
DER	.122	.067	1.810	.078
TAT	-.271	.042	-6.466	.000
GPM	2.165	.250	8.677	.000
ROA	.623	.381	1.635	.110
ROE	-.910	.435	-2.094	.043

Based on the table can be compiled multiple linear regression equation as follows:
Profit growth = -.325 +.008 CR +.122 DER -.271 TAT+ 2.165 GPM- + 623 ROA -.910 ROE

Fit Model Test

Coefficient of Determination Test (R^2)

The value of Adjusted R Square on companies listed on the Indonesia Stock Exchange is 0.738%. This shows that the influence of the independent variables is CR, DER, TAT, GPM, ROA and ROE on the dependent variable that is profit growth which can be described by this equation model is equal to 73,8%. While the rest of 26.2% influenced by other factors not included in the regression model.

F test

F test basically shows whether all independent variables in the model have a co-dependent effect on the dependent variable (Ghozali, 2005). F test results show that the probability value is 0.00., or less from 0.05. Since the probability is much smaller than the 5% significance level used, the regression model can be used to predict profit growth or it can be said that the variables consisting of CR, DER, TAT, GPM, ROA and ROE together influence the profit growth.

T test (hypothesis)

The statistical t test t basically shows how far the influence of one independent variable individually in explaining the variation of the dependent variable (Imam Ghozali, 2005).
H1: Current Ratio has significant effect to profit growth.
the regression coefficient value for the CR variable is .008 with a significance value of .816, since the value is greater than 0.05, then the first hypothesis is unacceptable.
H2: DER has significant effect to profit growth.
the regression coefficient value for the DER variable is .122 with a significance value of .07 or greater than 0.05. then the second hypothesis is unacceptable.
H3: TAT has significant effect to profit growth.
Based on the above table obtained by regression coefficient value for TAT variable equal to -.271 with significance value of 0, or smaller than 0,05. then the third hypothesis is acceptable.
H4: GPM has a significant effect on profit growth.
Based on the above table obtained regression coefficient value for GPM variable of 2.165 with a significance value of .000, or smaller than 0.05. then the fourth hypothesis is acceptable.
H5: ROA has a significant effect on profit growth.
Based on the above table obtained by the value of regression coefficient for ROA variable equal to .623 with a significance value of .110, where the value is not significant at the 0.05 significance level because greater than 0.05. Thus the fifth hypothesis is unacceptable.
H6: ROE has a significant effect on profit growth.
Based on the above table obtained regression coefficient value for ROE variable equal to -.910 with a significance value of .043, or smaller than 0.05. then the sixth hypothesis is acceptable

IV. Discussion

The results of the first hypothesis testing showed that CR has no significant effect on profit growth. CR's in fl uence on profit growth in this research is in line with previous research conducted by Wibowo and Pujiati (2011) on real estate and property firms at Singapore Stock Exchange (SGX) in 2004-2009, the results showed a positive and insignificant effect. The results of this study received support from Ade Gunawan, Sri Fitri Wahyuni (2013), Esa Rosahayu, Yuhelmi, Irda (2014) and Khalidazia Ibn Khaldun (2014). The high current ratio information will be assessed positively by investors, as it indicates the company's ability to fulfill its debt, which will make investors believe in the company's ability to pay dividends. However, not necessarily the condition of the company is good, this could happen because the cash is not used as possible (Kasmir,2008:134).

Results of testing the second hypothesis shows that DER has no significant effect on profit growth. The results show that, there is no effect of DER on profit growth in Manufactur companies listed on BEI. The results of this study are in line with previous research conducted by Gunawan and Wahyuni (2013) which states that Debt To Equity Ratio have no significant effect on profit growth. According to Brigham and Gapenski, 1997: 767-768), the alternative choice of additional capital from debt due to debt has several advantages: 1) interest reduces tax so low debt costs, 2) creditors get a limited return so shareholders do not need to share profits when the business conditions are progressing, 3) the creditor does not have a voting right so that shareholders can control the company with a small amount of funds. Based on EBIT-EPS Analysis (Gitman, 1994: 465-468); when the interest cost of cheap debt, the company will be more fortunate to use the source of capital in the form of more debt, because it will generate earnings per share more and more. The increasing use of debt, reflected by a larger debt ratio, on equal earnings before interest and taxes (EBIT) will result in greater net profits. Thus DER will theoretically have a positive effect on profit growth.

Results of testing the third hypothesis shows that TAT has a negative effect on profit growth. The TAT ratio reflects the company's efficiency in using its current assets and fixed assets to support sales activities. The faster the asset turns, the greater the revenue earned so that profit growth increases. If a manufacturing company has an increased TAT ratio, then the company is said to be able to generate high profits. This situation will affect the increase in investor confidence in the manufacturing company to invest in the company. Based on the results of this study, TAT variables show a negative effect on profit growth. This indicates that with the increasing TAT ratios of manufacturing companies, profit growth will also decrease. In relation to the coefficients that are marked negative things that might be explained is the TAT data has the relative average of the extremes (smallest) that may be outlier. The results of this study support the results of research from Gunawan dan Wahyuni (2013), which states that TAT has a significant effect on profit growth.

The results of the fourth hypothesis test show that GPM has a significant effect on profit growth. This indicates that the company is able to cover administrative costs, depreciation costs as well, interest expense on debt and taxes, so that the revenue to be obtained by the company increases, which means it can also increase profits. The results of this study GPM variables show a significant effect on profit growth. This indicates that with the greater the ratio of GPM owned by manufacturing companies then profit growth will also increase. The greater this ratio indicates the company is able to generate high gross profit, so that the company is able to cover the costs borne, thus the operational activities will run smoothly so that the income earned becomes large and the company's profit growth will increase. This study supports the results of Wibowo and Pujiati (2011) studies, indicating that GPM has a significant positive effect on profit growth.

The results of the fifth hypothesis testing showed that ROA positive and not significant effect on profit growth. The results of this study support the results of research Armita, C. (2012), which proves that ROA has an insignificant positive effect on profit growth. Return on Assets (ROA) describes the company's financial performance in generating net income from assets used for its operations. ROA is used to determine the performance of companies based on the company's ability to utilize the number of assets owned, ROA will be able to cause appreciation and depreciation of profit growth. The company's financial performance in generating net income from the assets used will have an impact on the company's shareholders. Increasing ROA represents an improved corporate performance and shareholders will benefit from increased dividends received, or increasing prices and stock returns. But in reality the theory is not fully supported by empirical evidence by some previous researchers.

The results of testing the sixth hypothesis show that ROE has a negative and significant impact on profit growth. The results of this study support Mohd's research results. Heikal, Muammar Khaddafi, Ainatul Umma (2014)) and Khalaf Taani (2011). Return on equity (ROE) is a measure of the ability of a company (issuer) to generate profits by using its own capital, so that ROE is often referred to as own capital rentability. This ratio is derived by dividing after-tax profits by an average of its own capital. As with ROA, the higher ROE also shows better performance of the company and impacts on the increase in corporate profit growth. In relation to the coefficients that are marked negative things that may be explained are ROE data has the relatively extreme average (smallest) possible outlier. In this analysis the found outliers are not omitted from the analysis because there is no specific reason (this data is a secondary data describing the actual state, so it must be included in the analysis)

V. Conclusion

1) Partially TAT and ROE variable have significant negative effect to profit growth. While the GPM has a significant positive effect on profit growth. The variables whose influence is not significant are CR, DER and ROA.
2) Simultaneously independent variables CR, DER, TAT, ROA, and ROE have a significant effect on profit growth.
3) All independent variables in this study contribute 0.773, this means the variation in profit growth that can be explained by CR, DER, TAT, ROA, and ROE of 77.3%. While the rest (100% - 77.3% = 26.7%) is explained by other causes outside the model.

Suggestion

Investors interested in buying stocks should first consider the company's information. information can be seen in the company's financial statements through the Indonesia Stock Exchange to be considered before making a share purchase.

The company should be able to manage its assets effectively, so as to reduce the cost of production with the maximum. Need to add other variables outside this research variable related to profit growth. The goal is to know more variables that have an influence on profit growth. The sample size of the study also needs to be enlarged for better results.

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