



Effect of Current Ratio, Return on Assets and Debt to Equity Ratio on Profit Growth in Listed Banking Companies on the Indonesia Stock Exchange Year 2019-2021

Ana Karelina; Efendy Pakpahan; Nagian Toni; Aremi Evanta Br. Tarigan

Faculty of Economics, Universitas Prima, Indonesia

Email: anakarelinalumban@gmail.com

<http://dx.doi.org/10.47814/ijssrr.v6i11.617>

Abstract

This study aims to determine and analyze the effect of Current Ratio, Return On Assets, and Debt to Equity Ratio to Profit Growth on Banking Companies Listed on the Indonesia Stock Exchange in 2019-2021. The population in this study was 43 registered banking companies on the Indonesia Stock Exchange for the 2019-2021 period using the purposive method sampling obtained 18 companies that met the criteria. Test methods that multiple linear regression analysis is used. The results show that the Current Ratio, Return On Assets affects Profit growth. Meanwhile, Debt to Equity Ratio has no effect on profit growth. The benefits of this research are provide understanding to investors by looking at the role of current ratio, Return on Assets, and Debt to Equity Ratio to profit growth run the company so that investors can make decisions in invest appropriately.

Keywords: *Profit Growth; Current Ratio; Return on Assets; Debt to Equity Ratio*

Introduction

Society in general measures the success of a company based on its performance. The company's performance can be assessed through reports finances are presented regularly every period. Brigham and Enhardt (2011) states that accounting information regarding operating activities the company and the financial position of the company can be obtained from the report finance. Accounting information in financial statements is very important for the business people in decision making.

Information must be relevant to be useful to meet the needs of users in the decision-making process. Information it is said to be relevant if it can influence the user's economic decisions. Profit growth is one of the growth ratios that can used to measure the performance of the enterprise. Profit growth reflects management success in managing the company effectively and efficiently. According to Harahap (2011) profit growth is a ratio that shows the company's ability to increase net profit compared to the previous year. Meanwhile, net profit is profit that has been reduced by costs (expenses) enterprises at a certain period) including taxes (Cashmere,2015). Every the company expects an increase in profits.

Therefore, analysis of the report is required finances to estimate profits, and make decisions on profit growth which will be achieved for the foreseeable future.

Increased profit growth of year after year, it will give a positive signal regarding the company's performance. A company's profit growth may increase for the current year but it could also decline for the year Next. Profit growth cannot be ascertained, so it is necessary to have a analysis to predict the level of profit generation. The usual analysis used is the analysis of financial statements that use financial ratios to measure the financial performance of an enterprise. Performance appraisal the company can reflect the financial condition of the company which will later can predict growth can reflect financial condition the company. Analysis of the financial statements carried out can be in the form of calculation and interplay through financial ratios. Financial ratios are used to predict profit growth in profit research in this study is the ratio of liquidity, solvency, activity and profitability.

The study was conducted on banking companies registered in Indonesia Stock Exchange . The banking sector is a form of company which is quite rapidly developing. In addition, the banking sector also holds a very important role in society. The banking sector also has strong level of competition so that it is prone to cases of cheating in finances that have implications for doubtful survival.

The hypotheses of this study are:

H1: Current Ratio affects profit growth in the company banks listed on the Indonesia Stock Exchange in 2019-2021.

H2: Return On Assets affects the company's profit growth which is listed on the Indonesia Stock Exchange in 2019-2021.

H3: Debt to Equity Ratio affects profit growth in companies listed on the Indonesia Stock Exchange in 2019-2021.

H4: Current Ratio, Return On Assets and Debt to Equity Ratio simultaneously affects profit growth in companies listed in Indonesia Stock Exchange in 2019-2021.

Method

Population is as a generalization region consisting of objects and subjects that have certain qualities and characteristics that are determined by the researcher to study and then draw conclusions (Sugiono 2017). The sample is part of the number of characteristics possessed by a population Sugiyono (2017). If the population is large, then with certain considerations, researchers can use samples taken from the population. The sample in this study is the annual financial statements of banking companies listed on the Indonesia Stock Exchange for the period 2019-2021 with certain criteria. Sampling technique in this study using purposive sampling method.

Technique in determining the sample in this study using purposive sampling method. According to Sugiyono (2017), purposive sampling is a sampling technique using certain criteria. Criteria determined by the researcher in order to determine which sample can show more valid results.

The classical assumption test carried out consists of a normality test, a multicholnearity test a heteroskedatisity test, and an autocorrelation test. The results of testing this classic assumption use SPSS software. Normality tests with graphs can be misleading if you're not careful to visually look normal. A statistical test that can be used to test for residual normality is the Kolmogorov-Smirnov (K-S) non-

parametric statistical test. Statistical analysis was carried out with the Kolmogorov Smirnov Test. If the significance value < 0.05 then the distribution of residual data is abnormal and if the significance value > 0.05 then residual data is normally distributed. The multicholineritas test aims to test whether the regression model found a correlation between free (independent) variables. A good regression model should not have any correlations between independent variables.

Looking at the value of tolerance and its opponents. Tolerance measures the variability of selected independent variables that are not explained by other independent variables. The cutoff value that is commonly used to indicate the presence of multicolinerity is the tolerance value ≤ 0.10 . Looking at the variance inflation factor (VIF) value, the cutoff value that is commonly used to indicate the presence of multicholine statistics is the VIF value ≥ 10 .

The autocorrealation test aims to test whether in the linear regression model there is a correlation between the disruptor error in the t period and the disruptor error in the $t-1$ (previous) period. If there is a correlation, then there is a problem of autocorrelation. The Durbin Watson test is only used for level one autocorrelation (first order autocorrelation) and requires the precense of intercepts (constants) in the regression model and no more variables among the independent variables. The hypotheses to be tested are: H_0 : no autocorrelation ($r=0$) H_A : there is an autocorrelation ($r\neq 0$). (Ghozali, 2013:110-111).

The heterochedasticity test aims to test whether in the regression model there is an inequality of variance from the residual of one observation to another. The coefficient of determination (R^2) essentially measures how far the model's ability to explain variations in dependent variables is. The value of the coefficient of determination is between zero and one. A small R^2 value means the ability of independent variables to explain the variation of dependent variables is very limited. The fundamental weakness of using R^2 is the bias towards the number of independent variables entered into the model. Every single additional independent variable, then R^2 inevitably increases no matter whether the variable has a significant effect on the dependent variable. Therefore, it is recommended to use the Adjusted R^2 value because the Adjusted R^2 value can go up or down when one of the independent variables is added to the model. In reality, the Adjusted R^2 value can be negative, although the desired value must be positive. If the Adjusted R^2 value is negative, then the Adjusted R^2 value is considered zero.

To find out whether the proposed hypotesis is accepted or rejected is carried out by comparing the calculated F value with the table F at a confidence level of 95% ($\alpha = 0.05$). Test criteria: a. H_0 is accepted if $F_{count} \leq F_{table}$ for a significant degree of $\alpha = 5\%$ b. Acceptable if $F_{count} > F_{table}$ for a significant degree $\alpha = 5\%$. To find out whether the proposed hypothesis is accepted or rejected is carried out by comparing the calculated t value with the table t at a confidence level of 95% ($\alpha = 0.05$). Test criteria : a. H_0 is accepted if the calculation $\leq t_{table} \geq -t_{itung}$ for a significant level of $\alpha = 5\%$ b. H_a is accepted if $t_{itung} > t_{table}$ or $-t_{itung} < -t_{table}$ to a significant degree $\alpha = 5\%$ (Ghozali, 2013:98-99).

Results and Discussion

Results of Data Analysis

A. Deskriptiv Statistics

Descriptive Statistics provides an overview of the minimum value, maximum value, mean value, as well as the standard deviation of the data used in the study shown in the following table:

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CR	54	1.10	1.39	1.2093	.06460
ROA	54	.02	18.06	1.6156	2.64976
DER	54	3.19	16.08	6.0404	2.47264
PERTUMBUHAN LABA	54	6652	721487	251370.33	151869.954
Valid N (listwise)	54				

A. 1. Normality Test Results

By the time the researcher conducted the normality test, the results obtained were normally distributed. Here are the results of the Kolmogorov- Smirnov non-parametric statistical test. Histogram Chart and Normal Probability-Plot Chart.

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		54
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.58424909
Most Extreme Differences	Absolute	.069
	Positive	.069
	Negative	-.064
Test Statistic		.069
Asymp. Sig. (2-tailed)		.200 ^{c,d}

The normality test using Kolmogorov Smirnov (K-S) above, it can be known that the significant value of > the probabilitas value (0.200 > 0.05) so that it meets the normal distribution requirements.

A. 2 . Multicollinearity Test

Multicholnarity testing was carried out by looking at the tolerance and Variance Inflation Factor (VIF) values between independent variables. The way of decision making is $VIF \leq 10$ and tolerance value ≥ 0.10 , then regression is free from multicholnarity.

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	12.913	1.008		12.812	.000		
LN_X1	-3.156	2.320	-.211	-1.360	.180	.465	2.149
LN_X2	.368	.070	.604	5.238	.000	.845	1.184
LN_X3	-.008	.372	-.003	-.020	.984	.454	2.202

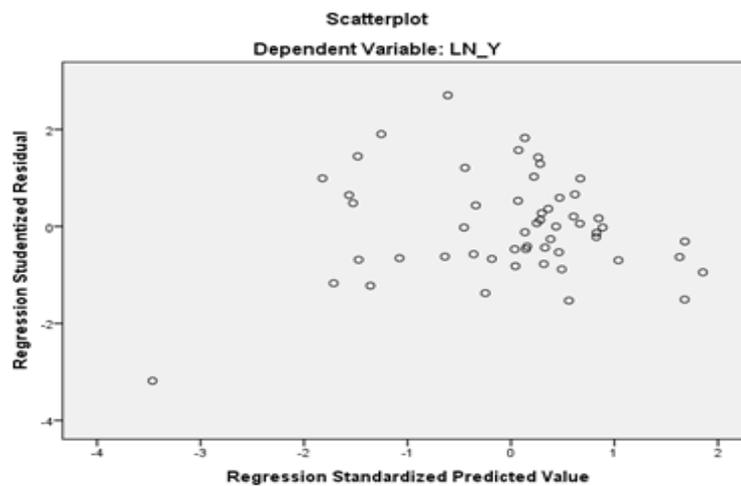
The table above shows the tolerance value of the Current Ratio (X1) variable tolerance value of 0.465 and the VIF value of 2.149. In the Variable Return On Assets (X2) the tolerance value is 0.845 and the VIF value is 1.184. In the Debt to Equity Ratio (X3) variable, the tolerance value is 0.454 and the VIF value is 2.202. Because the tolerance value obtained for each variable is greater than 0.10 and the VIF value obtained for each variable is less than 10. Then there is no multicollinearity between independent variables in the regression model.

A. 4. Autocorrelation Test

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.662 ^a	.439	.405	.60152	1.842

A. 5. Heteroskedasticity Test



From the scatterplot chart it can be seen that the dots spread out randomly scattered both above and below the zero (0) on the Y-axis, do not gather somewhere, so from the scatterplot chart it can be concluded that no heteroskedasticity occurs in the regression model. Detection of the presence or absence.

Uji Glejser

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	467007.935	324623.745		1.439	.156
	CR	-209427.396	244693.697	-.145	-.856	.396
	ROA	-12065.474	7936.008	-.212	-1.520	.135
	DER	-14603.494	6372.269	-.388	-2.292	.026

a. Dependent Variable: RES_2

From the table above, it shows that: 1. Current Ratio (X1) has a significant value of 0.396. Up to $0.396 > 0.05$ 2. Return On Assets (X2) has a significant value of 0.135. So $0.135 > 0.05$ 3. Debt to Equity Ratio (X3) has a significant value of 0.026. So that $0.026 > 0.05$. Based on the explanation above, it can be concluded that there is no heteroskedasticity between independent variables in the regression model, because the significant values of the variables X1, X2, and X3 are greater than 0.05.

Multiple Linear Regression Test Results
coeffisients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	12.913	1.008		12.812	.000		
LN_X1	-3.156	2.320	-.211	-1.360	.180	.465	2.149
LN_X2	.368	.070	.604	5.238	.000	.845	1.184
LN_X3	-.008	.372	-.003	-.020	.984	.454	2.202

Based on the data above, a regression equation for X1 (Current Ratio), X2 (Return On Assets), X3 (Debt to Equity Ratio) to Y (Profit Growth) can be formulated in Banking Companies listed on the Indonesia Stock Exchange for the 2019-2021 period has the following results:

$$Y = 12,913+ (-3,156X1) + 0,368X2 - (-0,008X3)$$

Coefficient of Determination

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.662 ^a	.439	.405	.60152

- a. Predictors: (Constant), LN_X3, LN_X2, LN_X1
b. Dependent Variable: LN_Y

Based on the table above, an R value of 0.662 is obtained. Shows that the correlation between the Current Ratio, Return On Assets, and Debt to Equity Ratio is 66.2%. The Adjusted R Square value of 0.405 indicates that variations in the Current Ratio, Return On Assets, Debt to Equity Ratio are able to explain the variable variation to Profit Growth of 40.5%. While the remaining 59.5 other variables were not studied by this study.

Statistical Test Result F
ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	14.147	3	4.716	13.033	.000 ^b
Residual	18.091	50	.362		
Total	32.239	53			

a. Dependent Variable: LN_Y

b. Predictors: (Constant), LN_X3, LN_X2, LN_X1

In the test results of table the calculated F value is 13.033 while the Ftable is 2.79, then the conclusion is that the Fhitung is $13.033 > 2.79$ with a significant value of $0.000 < 0.05$. Then H0 was rejected and Ha was accepted. This means that the Current Ratio (X1), Return On Assets (X2), and Debt to Equity Ratio (X3) simultaneously have a significant effect on Profit Growth in Banking Companies listed on the Indonesia Stock Exchange in 2019-2021.

Statistical Test Results t

Coefficients^a

Model	Unstandardized Coefficients		Standardize d Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	12.913	1.008		12.812	.000		
LN_X1	-3.156	2.320	-.211	-1.360	.000	.465	2.149
LN_X2	.368	.070	.604	5.238	.000	.845	1.184
LN_X3	-.008	.372	-.003	-.020	.984	.454	2.202

The table t value for probability 0.05 at the free degree $n = 54$ is 2.00856. Thus the results of the t-test can be described as follows:

1. The Current Ratio variable has a significant value of $0.000 < 0.05$ then H0 is rejected and Ha is accepted which means that the Current Ratio variable partially affects and significantly affects Profit Growth in banking companies listed on the Indonesia Stock Exchange in 2019-2021
2. The Return On Assets variable has a significant value of $0.000 < 0.05$ then H0 is rejected and Ha is accepted which means that the Return On Assets variable partially has a positive and significant effect on Profit Growth in Banking Companies listed on the Indonesia Stock Exchange in 2019-2021.
3. The Debt to Equity Ratio variable has a significant value of $0.984 > 0.05$ then H0 is accepted and Ha is rejected which means that the Debt to Equity Ratio variable partially has no effect and is not significant to Profit Growth in Banking Companies listed on the Indonesia Stock Exchange in 2019-2021.

Discussion of Research Results

➤ Research Results of Current Ratio to Profit Growth

In this study, it shows that the Current Ratio partially affects Profit Growth in Banking Companies listed on the Indonesia Stock Exchange in 2019-2021. The results of this study are in line with the theory (Kuswadi 2005: 79) in Ardyasari (2012) Current Ratio, which is a comparison between current assets and current debt. The higher the current ratio indicates high Profit Growth. The results of this study are in line with the research of Halomoan Sihombing (2018) also stated that the Current Ratio has a significant effect on Profit Growth. Based on the test results, it shows that the Current Ratio variable has an effect and is significant to Profit Growth in Banking Companies listed on the Indonesia Stock

Exchange in 2019-2021, so it can be concluded that the Current Ratio condition in the company is quite good. This means that with the Current Ratio getting higher, the company's profit growth has decreased.

➤ **Research Results of Return on Assets to Profit Growth**

This study shows that Return on Assets partially affects Profit Growth in Banking Companies listed on the Indonesia Stock Exchange in 2019-2021. The results of this study are in line with Azeria Ra Bionda and Nera Marinda Mahdar (2017) that Return On Assets affects profit growth. The results of this study are in line with Anggi and Mukaram (2018) that Return On Assets partially has a positive effect on Profit Growth. Based on the results of this test, it shows that the Variable Return On Assets has an effect and is significant to Profit Growth in Banking Companies listed on the Indonesia Stock Exchange in 2019-2021, so that it can be concluded that if the return on assets increases, then profit growth also increases. Because the company can maximize existing assets to make a profit.

➤ **Research Results of Debt to Equity Ratio to Profit Growth**

In this study, it shows that the Debt to Equity Ratio partially has no effect on Profit Growth in Banking Companies listed on the Indonesia Stock Exchange. The results of this study are in line with Eri and Tutik's research (2022) that the Debt to Equity Ratio has no effect and is not significant to Profit Growth. The results of this study are in line with research by Vinni and Kasmawati (2020) that the Debt to Equity Ratio has no effect and is not significant to Profit Growth. Based on the results of this test, it shows that the Debt to Equity Ratio has no effect and is not significant to profit growth in Banking Companies listed on the Indonesia Stock Exchange in 2019-2021, so it can be concluded that this shows that the amount of debt cannot affect profit growth likely because the company's debt is not used optimally for operational activities. The company's debt will be able to affect the company's profit growth if it is used optimally for operational activities that generate revenue so that the company's profit can grow.

➤ **Research Results Current Ratio, Return On Assets, and Debt to Equity Ratio To Profit Growth.**

In this study, it shows that the Current Ratio, Return On Assets, and Debt to Equity Ratio simultaneously have a significant effect on Profit Growth in Banking Companies listed on the Indonesia Stock Exchange in 2019-2021. The results of this study are in line with the research of Fina and Nugi (2021), simultaneously Net Profit Margin, Return On Assets, and Current Ratio have a significant effect on Profit Growth. The results of this study are in line with Shinta (2018), simultaneously Current Ratio, Debt to Equity Ratio, Total Asset Turn Over, and Net Profit Margin affect Profit Growth. The results of this study are in line with Dyah and Putu (2021), simultaneously Return On Assets, Return On Equity, and Net Profit Margin affect Profit Growth. Although the test results partially showed different influences, when combined (simultaneously) the variables Current Ratio, Return On Assets, and Debt to Equity Ratio had a significant influence on Profit Growth in Banking Companies listed on the Stock Exchange Indonesia in 2019-2021.

Conclusions

From this research, it can be concluded that:

1. Current Ratio affects Profit Growth in Banking Companies listed on the Indonesia Stock Exchange in 2019-2021. That is, if the Current Ratio increases, then Profit Growth will increase.
2. Return On Assets affects Profit Growth in Banking Companies listed on the Indonesia Stock Exchange

in 2019-2021. That is, if the Return On Assets increases, then Profit Growth increases. 3. Debt to Equity Ratio has no effect on Profit Growth in Banking Companies listed on the Indonesia Stock Exchange in 2019-2021. This means that the higher the Debt to Equity Ratio, the greater the amount of debt and low profit. 4. Current Ratio, Return On Assets, Debt to Equity Ratio simultaneously affect Profit Growth in Banking Companies listed on the Indonesia Stock Exchange in 2019-2021.

References

- Agus Sartono. 2010. Financial Management Theory and Applications. 4. Yogyakarta Edition: BPFE Akbar, Taufik (2015). Effect of Debt to Equity Ratio, Profit Margin on Profit Growth. Journal of Economics, Volume 3, No 2, (November 2015).
- Andriyani, Ima. (2015). Effect of Financial Ratio to Profit Growth in Mining Companies Listed on the Indonesia Stock Exchange. Sriwijaya Journal of Management and Business. Vol.13. No.3.
- Angkoso. (2010). Effect of Current Ratio on Profit Growth, Journal of Economics, Volume 2, No.2, October 2018) Ariyanti, Sari Marina. Financial Management. Ed 5. Jakarta. Alfabeta
- Bintoro, Daryanto. (2017). Financial Management. The first print. Yogyakarta: Gava Media Publishers.
- Brigham, Eugene F. And J.F. Houston. 2010. Fundamentals of Financial Management. Issue 11. Jakarta: Salemba Empat.
- Ekawati. (2013). Financial Management. Ed 6. Jakarta. Alfabeta.
- Elya Gede Sunandar and Made Gede Wirakusuma (2016). Effect of Return On Assets, Total Assets Turnover On Profit Growth, Volume 15. April 2016 Emron.2017. Financial Management. The second print. Yogyakarta. Alfabeta.
- Eviyani, Narumi Lapoliwa (2014). Effect of Current Ratio, Total Asset Turnover on Profit Growth of Multimedia Nusantara University.
- Fahmi, Irham. (2013). Financial Management. Third Printing. Bandung: Alfabeta
- Frendy and Analika (2015). Financial Ratio Analysis in Predicting Future Profit Growth in Banking Companies Listed on the Indonesia Stock Exchange. Vol.2. June 2015
- Ghozali, Imam, (2016). IBM SPSS 23 Multivariate Analysis Applications. 8th Edition, Semarang: Diponegoro University Publishing Agency
- Hanafi, and Abdul Halim. (2014). Analysis of Financial Statements. Issue seven. UPP AMP YKPN. Yogyakarta.
- Ha. (2016). Crisis Analysis of Financial Statements. Jakarta: PT Raja Grafindo Persada. Hery. 2017. Auditing and Insurance. Jakarta: Grasindo.
- I Made Sudana. (2011). Corporate Financial Management Theory and Practice. Jakarta: Erlangga Jumingan. 2018. Financial Statement Analysis. Sixth Printing. Jakarta: Bumi Aksara



- Cashmere. (2008). Banks and Other Financial Institutions. Revised Edition. Jakarta: PT. King Grafindo Persada.
- Cashmere. (2010). Financial Statement Analysis. Jakarta: Rajawali Press.
- P Sitanggang. (2012). Corporate Financial Management. Original Edition. Jakarta: Media Discourse Partners.
- Subramanyam and John (2010). Financial Statement Analysis. 10th Edition. Jakarta: Salemba Empat.
- Sugiyono. (2012). Understanding Qualitative Research. London: ALFABETA.

Copyrights

Copyright for this article is retained by the author(s), with first publication rights granted to the journal.

This is an open-access article distributed under the terms and conditions of the Creative Commons Attribution license (<http://creativecommons.org/licenses/by/4.0/>).