THE INFLUENCE OF DEBT TO EQUITY RATIO (DER), RETURN ON ASSETS (ROA) AND COMPANY SIZE ON PROFIT GROWTH

Dwi Joko Siswanto¹*, Faschruella Maudhiky², Ickhsanto Wahyudi³, Tantri Yanuar Rahmat Syah⁴
The National Military Academy of Indonesia, Central Java, Indonesia¹
Universitas Esa Unggul, Jakarta, Indonesia²,³,⁴
Email: dwijoko_akmil@manajemenhan.akmil.ac.id*

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**ABSTRACT**

This research was conducted to analyze the effect of Debt to Equity Ratio (DER), Return on Assets (ROA) and Firm Size on Profit Growth in Transportation Sub-Sector Companies Listed on the Indonesia Stock Exchange (IDX) 2016-2019 either partially or simultaneously. The sampling method is purposive sampling. The number of samples used in this study were 9 transportation sub-sector companies listed on the Indonesia Stock Exchange (IDX) with a total sample of 32 data. The type of data is secondary data sourced from financial report data and annual reports. The data analysis method used is multiple linear regression analysis. The findings of this study are based on the results of the t test, it can be concluded that partially DER and firm size have no significant effect on profit growth in transportation sub-sector companies listed on the Indonesia Stock Exchange (IDX) 2016-2019. Partially ROA has a significant effect on profit growth in transportation sub-sector companies listed on the Indonesia Stock Exchange (IDX) 2016-2019. And based on the results of the F test, it is concluded that DER, ROA and firm size simultaneously have a significant effect on profit growth in transportation sub-sector companies listed on the Indonesia Stock Exchange (IDX) 2016-2019.

Keywords: Debt to Equity Ratio; Return on Assets; Firm Size; Profit Growth.

INTRODUCTION

One of the important sectors in the economic aspect of a country is the transportation sector. Through smooth accessibility, distribution of goods and services, affordability of people's purchasing power, and utilization of consumption; the transportation sector is able to reduce the inflation rate (Suchaini, 2020). In addition, the contribution of the transportation and warehousing sector has increased since 2015 for two consecutive years to Gross Domestic Product (GDP), namely in 2015 as much as 5.02%, in 2016 as much as 5.20% and in 2017 to as much as 5. 41% (Maulana, 2018). Based on what happened, this proves that one of the sectors that has an influence on the country's economy is the transportation sector.

Profit is net income as seen from the reduction of total revenue with total company costs. Profit information can be seen in the income statement of a company (Farhiyah, 2020). Investors and lenders generally use profit information and components in financial statements.
The Influence of Debt to Equity Ratio (DER), Return on Assets (ROA) and Company Size on Profit Growth

as supporting material in: (1) assessing the company's work ability, (2) assessing the ability to generate long-term profits, (3) projecting future profits, (4) estimating investment risk or loan to the company (Karnawati, 2018). A healthy company can generate large profits, in addition to profit, the movement of profit growth each period of a company is equally important in influencing investment decisions, because investors usually invest in the long term, so that profit growth reflects the development of the company's performance (Wahyuningsih, 2020).

Profit growth in the company is a good thing for the sustainability of a company. According to Bionda & Mahdar (2017), one indicator of the performance of a company can be assessed by profit. Profit is needed to keep the company sustainable, which means that if the company is not able to earn a profit, it can cause the company to be eliminated from the economy; so that the company's profit is expected to increase in each period according to Febriani et al. (2017). Therefore, efforts to maintain profit growth must be carried out by company management by taking into account the company's fundamentals in a reasonable condition in order to achieve a stable and sustainable company condition (Yanti, 2017).

Yanti (2017) has conducted research on food and beverage companies listed on the Indonesia Stock Exchange from 2010 to 2016, the research states that DER has a negative and insignificant effect on profit growth. Investors generally choose companies with a low level of Debt to Ratio because this indicates a company has low debt compared to its capital so that it can increase profit growth. Subsequent research identified food and beverages companies listed on the Indonesia Stock Exchange during 2010 to 2015 that partially positive and insignificant DER had a positive and insignificant effect on profit growth. The results of this study explain that the increase in the company's viability and financial performance (profit) is influenced by the composition of the amount of debt, although not significantly (Djannah & Triyonowati, 2017).

Bionda & Mahdar (2017) states that partially, the return on assets ratio (ROA) has a positive and significant effect on profit growth in manufacturing companies on the Indonesia Stock Exchange (IDX) for the period 2010-2013, this is because the company can utilize assets to the maximum to generate profits. Furthermore, Widiyanti (2019) conducted research on LQ-45 companies from 2013 to 2017, and the results showed that the rate of return on assets (ROA) had a significant positive impact on profit growth. Because a large ROA level indicates that the company's management can manage company assets effectively and efficiently.

Alfitri & Sitohang (2018) stated from the results of his research on a company, namely PT Prajugo Putra Perkasa that the size of the company partially had a positive and significant effect on profit growth. The results of this study prove that expanding the size of the company will increase financial performance (profit), because in improving its financial performance, companies that have large sizes generally have greater access to investors (sources of funds) to invest in their companies. And according to Rahayu & Sitohang (2019) who has conducted research on a Limited Liability Company named Damai Sejahtera Abadi from 2014 to 2017, showing that the size of the company partially has a positive effect on profit growth, but the impact is not significant on growth, so it can be concluded that companies with large total assets are not necessarily able to manage assets to the maximum in generating and increasing profits.

From previous research, more about profit growth only looks at financial ratios, and more often collects company data on the food and beverages sector. However, previous research has also not seen much profit growth in the transportation sub-sector, along with independent variables such as company size in addition to the independent variables (independent) the financial ratio Debt to Equity Ratio (DER) and the rate of return on assets (ROA).
Together with this, the purpose of this research is to examine the effect of DER, ROA, and company size on profit growth in transportation subsector companies on the Indonesia Stock Exchange (IDX) for the period 2016 to 2019.

**METHOD**

A good research model will describe the relationship between all the variables to be studied, aiming to make it easier to gain an understanding of the direction of the research. So from the relationship between variables based on the above review, the research model is presented as follows:

![Figure 1. Research Model](image)

**A. Measurement**

In this study using 3 independent variables, namely DER, ROA and firm size with 1 dependent variable, namely profit growth. Measurement of Debt to Equity Ratio (DER) is measured by the amount of debt divided by the amount of equity in a study conducted by Panjaitan (2018). ROA measurement is measured by net profit after tax compared to the number of assets in a study conducted by Alfitri & Sitohang, (2018). The natural logarithm of total assets is a measurement of the size of the company in a study conducted by Liuspita & Purwanto (2019). Measurement of profit growth is measured by the net profit of the year under study minus the net profit of the previous year and the difference is compared with the net profit of the previous year in research conducted by Zulkifli (2018).

**B. Research design**

Causal research design is a research design that the authors set. The purpose of this research design is to prove the relationship that affects and is affected by all the variables studied. The variables determined in this study are independent variables, namely DER, ROA and firm size with the dependent variable being profit growth. This research design uses data processing from secondary data, namely the available financial statements.

Transportation sub-sector companies listed on the Indonesia Stock Exchange (IDX) as many as 47 companies are the population of this study. The sample in this study were 9 companies. This study uses a purposive sampling technique, namely the researcher determines the sample to be determined based on the criteria that have been decided. These criteria are companies in the transportation subsector on the Indonesia Stock Exchange (IDX) for the period 2016 to 2019, as well as companies that have complete financial report data and publish as of December 31 in the 2015-2019 period and experience profits every year of their research.

This research was conducted by applying quantitative analysis methods. Data were analyzed by applying multiple regression analysis; classic assumption test consisting of
normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test; goodness of fit test which consists of F test, t test, and coefficient of determination test (R2). And the data is processed using statistical data processing software.

According to Anwar (2014), multiple regression is the development of simple linear regression, to find the effect between the independent and dependent variables. The following equations are used in multiple regression:

\[ Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \ldots + \beta_n X_n + e \]

RESULTS AND DISCUSSION
A. Results
1. Descriptive statistics

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit Growth</td>
<td>36</td>
<td>-0.953</td>
<td>22.274</td>
<td>0.89889</td>
<td>3.787,408</td>
</tr>
<tr>
<td>DER</td>
<td>36</td>
<td>0.081</td>
<td>3.715</td>
<td>1.221161</td>
<td>0.981,063</td>
</tr>
<tr>
<td>ROA</td>
<td>36</td>
<td>0.002</td>
<td>0.128</td>
<td>0.064,19</td>
<td>0.030,083</td>
</tr>
<tr>
<td>Firm Size</td>
<td>36</td>
<td>75,669,406,031</td>
<td>9,700,494,875,577</td>
<td>3.576,784,476,800,31</td>
<td>2.851,248,343,226,08</td>
</tr>
</tbody>
</table>

Based on the table 1, from 36 samples of transportation company data, the average profit growth is 0.89889 with a maximum value of 22.274 and a minimum value of -0.953. Meanwhile, the Debt Equity Ratio (DER) has an average value of 1.22161 with a maximum value of 3.715 and a minimum value of 0.081. ROA has an average value of 0.04719 and a maximum of 0.128 and a minimum value of 0.002. Company size has an average of 3,576,784,476,800.31 (in Rupiah) with a maximum value of 9,700,494,875,577 (in Rupiah) and a minimum value of 75,669,406,031 (in Rupiah).

2. Multiple Linear Analysis

Based on the table 2, multiple linear equations can be arranged as follows:

\[ 14.445_{\text{Predicted}} = -1.130 + 0.206_{\text{DER}} + 12.182_{\text{ROA}} + 0.015_{\text{Firm Size}} + 3.172 \]

The above equation can be interpreted that 1 is 0.206, which means that DER has a positive effect on profit growth, which explains that increasing DER means higher profit growth. Then, 2 is 12,182 which means the rate of return on assets has a positive effect on profit growth, which means that increasing ROA will also increase profit growth. And, 3 is 0.015, which means that the size of the company has a positive effect on profit growth.
growth, which means that the increase in the size of the company means that profit
growth also increases.

3. Normality test

Table 3
Normality Test

<table>
<thead>
<tr>
<th>Unstandardized Residual</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
</tr>
<tr>
<td>Normal Parameters</td>
</tr>
<tr>
<td>Mean</td>
</tr>
<tr>
<td>Std. Deviation</td>
</tr>
<tr>
<td>Most Extreme Differences</td>
</tr>
<tr>
<td>Absolute</td>
</tr>
<tr>
<td>Positive</td>
</tr>
<tr>
<td>Negative</td>
</tr>
<tr>
<td>Test Statistic</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
</tr>
</tbody>
</table>

a. Test distribution is Normal
b. Calculated from data
c. Lilliefors Significance Correction
d. There is a lower bound of the true significance

Based on the data that has been processed, then the normality test is carried out with the Kolmogorov-Smirnov sample data test showing that the significance value is 0.200. This shows that the data is normally distributed because it is greater than 0.05.

4. Multicollinearity Test

Table 4
Multicollinearity Test

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>t</td>
</tr>
<tr>
<td>(Constant)</td>
<td>-1.13</td>
<td>3.172</td>
<td>-0.356</td>
</tr>
<tr>
<td>ROA</td>
<td>12.182</td>
<td>4.203</td>
<td>2.898</td>
</tr>
<tr>
<td>DER</td>
<td>0.206</td>
<td>0.11</td>
<td>1.874</td>
</tr>
<tr>
<td>Firm Size</td>
<td>0.015</td>
<td>0.108</td>
<td>0.025</td>
</tr>
<tr>
<td></td>
<td>a. Dependent Variable: Profit Growth</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Furthermore, for the multicollinearity test, based on the table above shows the calculation results of the tolerance value that all independent variables each have a tolerance value > 0.10 and a VIF value < 10. So, it can be concluded that in this regression model there is no multicollinearity between independent variable.

5. Heteroscedasticity Test

Table 5
Heteroscedasticity Test

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>t</td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.27</td>
<td>1.998</td>
<td>0.636</td>
</tr>
<tr>
<td>ROA</td>
<td>0.148</td>
<td>2.647</td>
<td>0.012</td>
</tr>
<tr>
<td>DER</td>
<td>0.012</td>
<td>0.069</td>
<td>0.035</td>
</tr>
<tr>
<td>Firm Size</td>
<td>-0.03</td>
<td>0.008</td>
<td>-0.091</td>
</tr>
<tr>
<td></td>
<td>a. Dependent Variable: ABS_RES</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
For the heteroscedasticity test using the Glejser test method, it shows the value of Sig. for each variable greater than 0.05, it can be concluded that the symptom of heteroscedasticity does not occur.

6. Autocorrelation Test

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.523*</td>
<td>0.274</td>
<td>0.196</td>
<td>0.587182</td>
<td>1.756</td>
</tr>
</tbody>
</table>

Table 6

Autocorrelation Test

A good research model is a regression model that is free from autocorrelation symptoms. In this study, the autocorrelation test used the Durbin Watson (DW) test. Based on the autocorrelation test table above, it can be seen that the statistical value of DW is 1.756. The dU value sought in the DW table value distribution is based on the number of variables used (k=3) and the number of samples (N=32). Then we get dU < DW < (4-dU) i.e.1.6505 < 1.756 < 2.3495 which means that DW is in the interval so that there are no symptoms of autocorrelation.

7. F test

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>3.644</td>
<td>3</td>
<td>1.215</td>
<td>3.523</td>
<td>0.028</td>
</tr>
<tr>
<td>Residual</td>
<td>9.654</td>
<td>28</td>
<td>0.345</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>13.298</td>
<td>31</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 7

F test

ANOVA

In testing the feasibility of the research model, an F test was carried out. Based on the data from the F test table above, the data obtained from the F value of 3.523 and a significance value of 0.028, which is <0.05 which can be concluded that DER, ROA, and company size on profit growth have mutual influence.

8. T test

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>B</th>
<th>Std. Error</th>
<th>Beta</th>
<th>T</th>
<th>Sig.</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Constant)</td>
<td>-1.13</td>
<td>3.172</td>
<td>-0.356</td>
<td>0.724</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROA</td>
<td>12.102</td>
<td>4.203</td>
<td>0.527</td>
<td>2.888</td>
<td>0.007</td>
<td>Accepted</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DER</td>
<td>0.206</td>
<td>0.11</td>
<td>0.315</td>
<td>1.874</td>
<td>0.071</td>
<td>Declined</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm Size</td>
<td>0.015</td>
<td>0.108</td>
<td>0.025</td>
<td>0.142</td>
<td>0.142</td>
<td>Declined</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 8

T Test

On DER shows Sig. 0.071 which is > 0.05, thus DER partially has a positive and insignificant effect on profit growth. So the second hypothesis is rejected.

On ROA shows Sig. 0.007 which is <0.05, then ROA partially has a positive and significant effect on profit growth. So the third hypothesis is accepted.
The firm size variable shows Sig. 0.888 where > 0.05, then the size of the company partially has a positive and insignificant effect on profit growth. So the fourth hypothesis is rejected.

9. Coefficient of Determination Test (R2)

Table 9

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.523*</td>
<td>0.274</td>
<td>0.196</td>
<td>0.587182</td>
<td>1.756</td>
</tr>
</tbody>
</table>

Based on the data, the coefficient of determination shows the Adjusted R Square value of 0.196, meaning that the ability of the dependent variable described by the independent variable is 19.6% and the remaining 80.4% is explained from other variables not included in this study.

B. DISCUSSION

1. Relationship between Debt to Equity Ratio (DER), Return on Assets (ROA) and Company Size with Profit Growth

Based on the results of the research on the effect of DER, ROA, and firm size on profit growth, it was found that the independent variables DER, ROA and firm size simultaneously had a positive and significant effect on the dependent variable of profit growth in transportation sub-sector companies on the IDX from 2016 to 2019.

The first hypothesis which explains that the relationship between DER, ROA and firm size simultaneously has a positive effect on profit growth is accepted. This is in line with and supported by Panjaitan (2018) and statement by Febriani et al. (2017) which states that there are various aspects of the causes that affect profit growth, namely the size of the company, the length of a company, the level of solvency, the level of income and changes in profits from the past.

2. Relationship between Debt to Equity Ratio (DER) and Profit Growth

The second hypothesis is that partially there is a negative and insignificant effect between DER on profit growth. Based on the results of statistical analysis in this study, it was found that DER has a positive and insignificant effect on profit growth in transportation subsector companies at IDX for the period 2016 to 2019. This shows that increasing DER will cause an increase in profit growth but not significantly. The results of this study are contrary to Yanti (2017) as well as Widiyanti (2019), but in line with research Djannah & Tricyonowati (2017) as well as Rahayu & Sitohang (2019) which shows the Debt to Equity Ratio (DER) has a positive and insignificant effect on profit growth.

DER shows the equity pledged by the company to obtain debt. The DER level of transportation sub-sector companies listed on the IDX for the period 2016 to 2019 has an average level of 122.161%, a minimum value of 8.1% and a maximum value of 371.5%. When the company's debt is greater than the company's equity, the company's total burden on outsiders as a result of a large DER level will be higher, the characteristics of this debt cause an insignificant effect on profit growth.

The use of high debt can increase profitability, but on the other hand, high debt also increases risk. In transportation sub-sector companies, the main assets owned are vehicles. To buy a vehicle, the average company takes the purchase on credit. This needs to be considered because when the service revenue generated is high, the company can
achieve high profits because it has sufficient vehicle assets to meet the demand for services so that DER has a positive effect on profit growth, while on the contrary, the company can lose money if the demand for services decreases because there is an interest expense which must be paid by the company.

3. Relationship between Return on Assets (ROA) and Profit Growth

The third hypothesis is partially present, positive and significant influence between ROA on profit growth. Based on statistical analysis, it was found that this asset return ratio has a positive and significant effect on profit growth in transportation subsector companies at IDX for the period 2016 to 2019. So, based on the results of this study, H2 is accepted. The results of this study are the same as the research Widiyanti (2019) and Panjaitan (2018).

The rate of return on assets has a significant effect on profit growth, because the higher the rate of return on company assets that have been empowered as much as possible, it can affect the rate of profit growth.

This analysis is in line with the statement Bionda & Mahdar (2017), that the ROA ratio shows a measure of the return level of all existing assets to the business being run so that this ratio describes the level of efficiency of the company in managing its assets to generate profits. Companies that are able to utilize all of their assets well in obtaining profits will also have a higher ROA. In this transportation sub-sector company listed on the BEI, the main asset in question is a vehicle as a tool to earn service income, the more maximal the use of vehicles to earn income, the better the profit will be. However, because this sub-sector is engaged in services, it is also necessary to pay attention to assets in the form of receivables so that they are not too large compared to other current assets that can be a driving force in obtaining profits. The maximum value that is owned is 0.128 and the minimum is 0.002, this proves that on average the companies in the transportation sub-sector in this study should still be maximized in empowering their assets to generate profits.

4. Relationship between Firm Size and Profit Growth

The fourth hypothesis is that partially there is a positive influence between firm size on profit growth. Based on the results of statistical analysis in this study, it was found that partially the size of the company has a positive and insignificant effect on the company's profit growth in transportation sub-sector companies at IDX for the period 2016 to 2019. This shows that increasing the size of the company will cause an increase in profit growth but not significantly. The results of this study are contrary to research Alfitri & Sitohang (2018), but in line with the research results Febriani et al. (2017) and Rahayu & Sitohang (2019) which shows that the firm size partially has a positive and insignificant effect on profit growth.

Firm size describes how big or small a company is by looking at the total assets of the company. The size of companies in the transportation sub-sector companies on the IDX for the period 2016 to 2019 has an average Ln of 28.38933; this figure is close to the maximum value Ln (29.903) and the minimum value Ln (25.050). This shows that the average total assets of the transportation sub-sector companies are not much different from one another so that it does not cause a significant increase in profit growth. From the statistical results of companies in the transportation sub-sector in this study, it is shown that not always companies with large assets can guarantee to manage and empower their assets properly, effectively and efficiently to generate significant profits.

This insignificant company size is caused by the larger the company, the higher the operational costs, one of which is the cost of maintaining vehicles, buildings and
Because again basically, the biggest asset owned by the transportation sub-sector company is the vehicle as a tool to earn service income, so the costs associated with the vehicle will also increase which causes the size of the company to have a positive but not significant effect. In addition, large assets can also be caused by large receivables. Therefore, it is also necessary to pay attention to assets in the form of receivables so that the turnover is smooth so that they can be allocated to other assets that are more effective in increasing profit growth significantly.

CONCLUSION

Based on the results of research on the effect of DER, ROA, and firm size on profit growth on transportation subsector companies on the Indonesia Stock Exchange (IDX) for the 2016-2019 period, it can be concluded that DER, ROA, and firm size simultaneously have a positive effect on growth; profit; then for DER partially has a positive and insignificant effect on earnings growth; then for the rate of return on assets (ROA) shows that partially has a positive and significant influence on profit growth and the size of the company partially has a positive and insignificant effect on profit growth.

This study has several limitations as follows, the researcher only implements several independent variables; Researchers only used a sample of 9 companies; and the research used is only in a 4-year period, namely from 2016-2019.

Therefore, it is necessary for further researchers to be able to conduct research more broadly, by examining other company sectors that are still rarely studied in the Indonesia Stock Exchange (IDX); adding other independent variables, such as activity ratio, lagged profitability, productivity, industry affiliation, market growth, Good Corporate Governance (GCG), audit and taxation; adding the number of samples; and adding more years, because in this study it can only explain 19.6% of profit growth in transportation sub-sector companies on the IDX while the remaining 80.4% is explained by other variables not included in this study.

For companies, should pay attention to asset management in generating sales and profits effectively and efficiently in order to have a positive impact on profit growth. This is because companies with large assets are not sure to be able to manage assets optimally in generating and increasing profits. In some companies, large total assets can be due to the dominance of large receivables and inventories but not smooth turnover which results in insignificant profit growth. In addition to managing assets well, companies should also manage debt and the use of company funds so that it is not greater than the company’s equity. When the company can use debt and equity in a balanced way, it will reduce the company’s debt which will reduce the company’s burden so that it has an impact on increasing profits. Conversely, debt that is greater than the company’s equity describes the company’s equity situation which is insufficient to cover debt and this poses a risk to the company’s going concern.

REFERENCES


The Influence of Debt to Equity Ratio (DER), Return on Assets (ROA) and Company Size on Profit Growth

Scholar


