

Effect of Financial Ratio and Company Size on Profit Growth in Industrial Variety Sector Companies Listed in Indonesia Stock Exchange 2015-2017 Period

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Abstract

This study aims to analyze the influence of the current ratio, inventory turnover, debt to equity, and company size on profit growth in various sub-industry companies listed on the Indonesian stock exchange. The sample in this study were 22 companies for the research period of 2015-2017, with the sampling method used purposive sampling. The test used in this study is the classic assumption test (normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test), multiple linear regression is used as an analysis tool and to test the hypothesis used t-test, f-test and R² test. The linear regression equation answers $Y = -60.03827 + 23.127291X_1 + 9.931366X_2 + 7.706515X_3 - 2.907177X_4$. The results of the study show that there is a positive and significant influence between the Current ratio on earnings growth, indicating that poor company liquidity will affect the decline in the value of profits in various subindustry companies. Inventory Turnover has a positive and significant effect indicating the effectiveness of inventory turnover to increase profit growth in various sub-industry companies. Debt to Equity and company size have no effect on profit growth in various industrial Sub companies listed on the Indonesia stock exchange.

Keywords: current ratio, inventory turnover, debt to equity, company size, profit growth.

INTRODUCTION

Indonesia's economy is experiencing an increase in gross domestic product (GDP) of 5.17% in 2018 and 5.07% in 2017, the highest increase since the last five years. Indonesia's economy is not always stable depending on how the government accumulates various indicators, such as encouraging private investment, infrastructure development efforts and it is estimated that own investment contributes 35% to economic GDP growth in 2017. All of this is driven by the better various sectors, one of which is the various industrial sectors.

Because there is more competition in the business world both domestically and abroad, companies are required to be able to manage company management to be more professional. So that every company is required to improve the company's better financial

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performance. The financial performance of a company can be done by analyzing the company's financial statements published directly by the company concerned.

One important indicator in measuring the performance of a company is profit or net income, profit being a parameter to measure company performance by investors. Some studies of factors that affect profit growth are only seen from financial ratios. According to Angkoso (2006), financial ratios that affect profit growth in consumer goods industry companies include Debt Ratio and Return On Equity. According to Widiasih (2006), factors that affect profit growth in manufacturing companies include Gross Profit Margin and Leverage.

There are 3 kinds of overall company goals, namely obtaining maximum profit for the prosperity of company owners, maintaining the survival of the company, and achieving community welfare as a corporate social responsibility. The concept of Corporate Life cycle (company life cycle) where the company will experience stages of growth. The survival of the company will continue to be maintained by trying to maintain profit generation to be stable and grow. Companies need to know what can affect the company's profit growth.

The results of research from Gunawan and Fitri, S (2013) based on the results of partial research concluded that Current ratio and Debt to equity ratio do not affect profit growth, only Inventory Turnover which affects profit growth. Research from Anggraeni, Z (2017) concluded that the Current ratio and Debt to equity ratio affect profit growth. The studies mentioned above provide mixed results, because they are inconsistent with the results of previous studies and to provide additional evidence to strengthen the results of previous studies.

Profit or net income generated by various industrial sub-sector companies is not always stable, along with company profits during the 2015-2017 period.

**Data on Earning After Tax Companies Sub-Sector Various Industry Period
2015-2017
(in thousand rupiah)**

NO	Stock Code	2015	2016	2017
1	AUTO	322.701.000	483.421.000	547.781.000
2	BOLT	97.680.310.772	108.483.415.987	97.270.954.076
3	ASII	15.613.000.000	18.302.000.000	23.165.000.000
4	IMAS	(22.489.430.531)	(312.881.005.100)	(64.296.811.100)
5	INDS	1.933.819.152	49.556.367.334	113.639.539.901
6	LPIN	(18.173.655.308)	(64.037.459.813)	191.977.703.453
7	GJTL	(313.326.000)	626.561.000	45.028.000
8	PRAS	6.437.333.237	(2.690.964.318)	(3.226.268.273)
9	NIPS	30.671.338	65.683.137	44.110.825
10	SMSM	461.307.000	502.192.000	555.388.000
11	HDTX	(355.659.019)	(393.567.637)	(847.049.209)
12	MYTX	(263.871.000)	(356.491.000)	(286.485.000)
13	RICY	13.465.713.646	14.033.426.519	16.558.562.698
14	STAR	306.885.570	462.555.307	594.726.798
15	TRIS	44.185.600.626	25.213.015.324	14.198.889.550
16	UNIT	1.062.124.056	860.775.733	1.062.124.056

Effect Of Financial Ratio and Company Size on Profit Growth in Industrial Variety Sector Companies Listed in **Indonesia** Stock Exchange 2015-2017 Period

17	BRICK	129.519.446	42.231.663	53.654.376
18	JECC	2.464.669	132.423.161	83.355.370
19	KBLI	115.371.098.970	334.338.833.592	358.974.051.474
20	KBLM	12.760.365.612	21.245.022.916	43.994.949.645
21	SCCO	159.119.646.125	340.593.630.534	269.730.298.809
22	VOKS	277.107.966	160.045.873.393	166.204.959.339

Source : www.idx.co.id

Based on the company's financial statements published on IDX's official website, it can be clearly seen that the profits generated by sub-industrial companies have fluctuated. Especially in 2016, companies in various industrial sectors experienced an increase except for 3 companies, namely TRIS, BATA, and VOKS which experienced a decrease in profit from the previous year. The reason for the change in revenue can be seen from the internal and external sides of the company.

Based on the background that has been described, the researcher is interested in compiling a thesis entitled

THE EFFECT OF CURRENT RATIO, INVENTORY TURNOVER, DEBT TO EQUITY RATIO AND COMPANY SIZE ON THE FINANCIAL PERFORMANCE OF VARIOUS INDUSTRIAL SUB-SECTOR COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE FOR THE 2015-2017 PERIOD".

Problem Formulation

Based on the background of the problem, the formulation of the problem to be studied can be formulated as follows:

1. Does the Current Ratio affect profit growth in various industrial sub-sector companies listed on the Indonesia Stock Exchange for the 2015-2017 period?
2. Does Inventory Turnover affect profit growth in various industrial sub-sector companies listed on the Indonesia Stock Exchange for the 2015-2017 period?
3. Does the Debt to Equity Ratio affect profit growth in various industrial sub-sector companies listed on the Indonesia Stock Exchange for the 2015-2017 period?
4. Does Company Size affect profit growth in various industrial sub-sector companies listed on the Indonesia Stock Exchange for the 2015-2017 period?

Research Objectives

- a. To analyze the effect of Current Ratio (CR) on profit growth in various industrial subsector companies listed on the Indonesia Stock Exchange for the 2015-2017 period.
- b. To analyze the effect of Inventory turnover (ITO) on profit growth in various industrial sub-sector companies listed on the Indonesia Stock Exchange for the 2015-2017 period.
- c. To analyze the effect of Debt to equity ratio (DER) on profit growth in various industrial sub-sector companies listed on the Indonesia Stock Exchange for the 2015-2017 period.
- d. To analyze the effect of company size (UP) on profit growth in various industrial subsector companies listed on the Indonesia Stock Exchange for the 2015-2017 period.

RESEARCH METHOD

This study uses a qualitative approach method that the method used must be accompanied by a reference; relevant modifications should be described. Data analysis procedures and techniques should be emphasized in the literature review article. The stages and analysis of the research should be described in detail.

RESULTS AND DISCUSSION

Profit Growth

Profit or profit is the increase in investor wealth as a result of investment after deducting costs related to operational activities. According to Suwardjono in Yohanes (2014), profit is an additional economic ability characterized by an increase in capital in an accounting period derived from the company's production operations.

Every company strives to obtain the maximum profit. Profit growth is the percentage change in profit earned by the company. Profit is one element that concerns many parties. Good profit growth shows that the company has good finances and increases company value. Companies with growing profits will have a large number of assets so as to provide greater opportunities to make profits, profits are one of the important indicators to assess the company's financial performance.

Financial Ratios

Financial ratios compare one component in one financial statement. Ratios can be used to determine whether there are deviations by comparing financial ratios from one year to the previous year. Ratio analysis is a way of analysis by calculating quantitative data comparisons recorded in the balance sheet and profit and loss. Financial ratios in essence assess the company's financial performance in the past, present and predict the future.

Types of Financial Ratios

Each financial ratio has a specific purpose, usefulness and meaning for each result of the measured ratio is interpreted so that it becomes meaningful in decision making according to Kamir (2012). In general, financial ratios can be classified into four groups of financial ratios, including:

Liquidity Ratio

The liquidity ratio is a measure of the ability of a company to meet its short-term obligations in a timely manner. That is, if the company is collected, the company will be able to meet these debts, especially overdue debts. To measure the liquidity ratio, several ratios can be used, including: current ratio, quick ratio, and cash ratio.

Activity Ratio

The activity ratio is a measure of how effectively the company uses company resources to support company activities. According to Kasmir and Jakfar (2003) the activity ratio is a ratio used to measure the level of efficiency of the company's resource utilization (sales, inventory, collection, receivables, and others) or to assess the company's ability to carry out daily activities, in other words the activity ratio shows how resources have been utilized optimally by comparing the activity ratio with industry standards, so the level of efficiency can be known companies in the industry. Activity ratios include: receivable turnover, inventory turnover, fixed assets turnover and total assets turnover.

Leverage ratio

The leverage or solvency ratio is a ratio that describes the company's ability to pay its long-term obligations or if the company is liquidated. Kasmin and Jakfar (2003) explain the advantages by knowing the leverage ratio, namely:

- a) Can assess the ability of the company's position against the obligations of other parties.

- b) Assess the company's ability to fulfill fixed obligations.
- c) Knowing the balance between the value of assets, especially fixed assets and capital.

The ratios incorporated in the solvency ratio are the ratio of debt to total assets (debt to asset ratio), debt to equity ratio (debt to equity ratio), and times interest earned ratio. Of the several ratios above, the ratios used in this study are liquidity, solvency, and activity ratios represented by:

Current Ratio (CR)

According to Mulyawan (2015: 52) the current ratio is a ratio that measures how far the company's current assets can be used to meet its current obligations. The current ratio is calculated by dividing current assets by current liabilities. Current assets include cash, tradable securities, accounts receivable, and inventory.

$$CR = \frac{\text{Current Assets}}{\text{Current Liabilities}} \times 100\%$$

Inventory Turnover

According to Kasmir (2012: 180) defines inventory turnover as a ratio used to measure the number of times funds held in this inventory rotate in a period. To find inventory turnover, two ways can be used, the first is to compare the cost of goods sold with the value of inventory, the second is to compare sales and inventory value.

$$IT = \frac{\text{Harga Pokok Penjualan}}{\text{Persediaan}} \times 100\%$$

Debt to Equity Ratio (DER)

Funding sources can be obtained from within the company (internal financing) and from outside the company (external financing). Internal capital comes from retained earnings, while external capital comes from own capital and through debt. Debt to Equity Ratio (DER) is a ratio that measures the ratio between external capital and own capital.

Debt to Equity Ratio (DER) is calculated by taking total liabilities and dividing by equity. Below is the Debt to Equity Ratio (DER) Formula.

$$DER = \frac{\text{Total Utang}}{\text{Ekuitas}} \times 100\%$$

Company Size Understanding Company Size

The size of the company is a value that indicates the size or size of the company. The size of the company indicates the size of the scale of the company.

According to Machfoedz (1994) in Widaryanti (2009) states that: "Company size is a scale where companies can be classified according to various ways (total assets, log size, stock market value, etc.). Companies that have large total assets indicate that the company has reached a level of maturity. Total large assets reflect that the company is relatively stable and more able to generate profits than companies that have small total assets.

Company Size Classification

The category of company size according to the National Standardization Agency in Sulisty (2011) company size is divided into 3 types, namely;

Large Companies

Large companies are companies that have a net worth of more than Rp. 10 billion including land and buildings.

Medium Enterprise

Medium companies are companies that have a net worth of Rp. 1-10 billion including land and buildings.

Small Company

A small company is a company that has a net worth of at most Rp. 200 Million excluding land and buildings.

Linkage between variables The Effect of Current Ratio on Growth Profit

Current Ratio is a ratio to compare current assets with current debt to determine the liquidity of a company. A low current ratio indicates that the company's liquidity is poor, conversely if a high current ratio indicates that the company's liquidity is relatively good.

Research conducted by Ira Ayu Pradani (2018) revealed that there is a significant influence between the current ratio and the company's profit growth. The same result by research conducted by Zerlinda Gitta Anggraeni (2017) which revealed that there is an influence between the Current ratio on the company's profit growth.

The Effect of Inventory Turnover on Profit Growth

Inventory Turnover shows how effectively inventory is managed by comparing cost of goods sold to average inventory for a period, in other words the Inventory Turnover ratio describes how quickly merchandise inventory is successfully sold to customers.

Research conducted by Gunawan and Wahyuni (2013) revealed that Inventory Turnover has a significant effect on the company's profit growth.

Effect of Debt to Equity Ratio on Profit Growth

Debt to Equity Ratio (DER) is used to determine the comparison between the amount of debt and equity. The greater the Debt to Equity Ratio, the greater the loan capital derived from the debt burden that must be borne by the company, the greater the debt burden, the amount of profit will decrease.

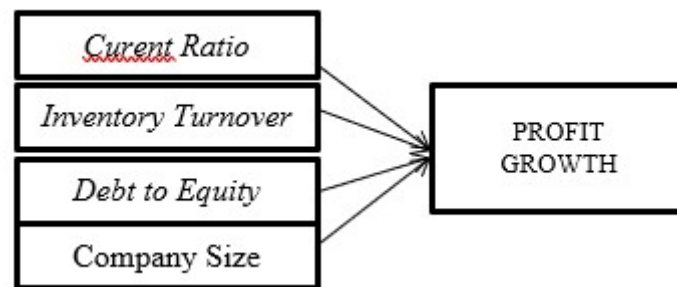
Research conducted by (Zakaria, Noholo and Rasuli, 2015) which revealed that there is a significant influence between the Debt to Equity Ratio and the company's profit growth, this is inversely proportional to research (Agustina Rice, 2016) revealed that there is no significant influence between the Debt to Equity Ratio and profit growth.

The Effect of Company Size on Profit Growth

The size of the company can be seen from the total assets owned by the company. High total assets will cause the company's capital to increase and encourage investors to invest. The company's increased capital affects sales and increases company profits. Research conducted by M. Rifai, Arifati.R and Magdalena.M (2013) revealed that Company Size affects profit growth.

Analysis Framework

Current Ratio (X1), Inventory Turnover (X2), Debt to Equity Ratio (X3), and Company Size (X4) are independent variables while Profit Growth (Y) is the dependent variable (dependent variable). Research that will be conducted to examine the influence between the independent variable and the dependent variable. For more details can be seen in the following chart:



Analysis Framework Drawing Hypothesis

Based on the explanation described earlier, the following hypothesis can be formulated:

1. Current Ratio has a positive and significant effect on profit growth in sub-industrial companies listed on the Indonesia Stock Exchange 2015-2017.
2. Inventory turnover has a positive and significant effect on profit growth in various sub-industry companies listed on the Indonesia Stock Exchange 2015-2017.
3. Debt to equity ratio has a positive and significant effect on profit growth in subindustrial companies listed on the Indonesia Stock Exchange 2015-2017.
4. The size of the company has a positive and significant effect on profit growth in subindustrial companies listed on the Indonesia Stock Exchange 2015-2017.

Object of Research

The object of this study is profit growth influenced by Current Ratio, Inventory Turnover, Debt to Equity Ratio, and Company Size in companies in various industrial sectors listed on the Indonesia Stock Exchange for three years, namely 2015-2017. This research used 22 companies in various industrial sectors. Observation using secondary data obtained from the company's financial statements.

The population used in this study is all companies of various industries listed on the Indonesia Stock Exchange in 2015-2017, with a total population of 42 companies. Sampling is taken using the Purposive Sampling method, which is a sampling technique with certain considerations (Sugiyono, 2013: 81), with the aim of obtaining a representative sample. In this study the author uses several criteria that have been set, which are as follows:

- a. Companies of various industry sub-sectors that provide complete financial statement data in accordance with the data needed during the research period.
- b. Companies Sub-sector of various industries that use Rupiah currency.

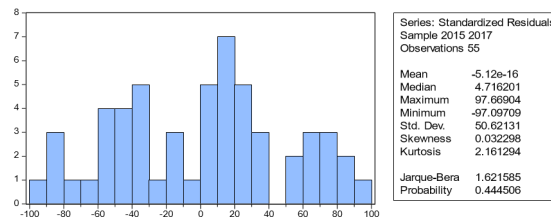
Based on the above sampling criteria from a population of 42 sub-industrial companies, researchers managed to get 22 companies from various industry sub-sectors with company codes as follows: AUTO, BOLT, ASII, IMAS, INDS, LPIN, GJTL, PRAS, NIPS, SMSM, HDTX, MYTX, RICY, STAR, TRIS, UNIT, BATA, JECC, KBLI, KBLM, SCCO, VOKS.

The data collection technique used in this study is a documentation technique, namely by collecting, recording and reviewing secondary data in the form of financial statements of various industrial sub-sector companies listed on the Indonesia Stock Exchange. The source of data in this study comes from various industrial sub-sector companies listed on the IDX and can be accessed on the official website, namely www.idx.co.id.

Classical Assumption Test Normality Test

The normality test aims to test whether in multiple linear regression models the independent variable and the dependent variable are normally distributed or not. Good

data to prove research models are data that have a normal distribution. After the data is processed using the Eviews application version 9, the results can be seen as follows:



Source : Output Eviews 9

From the test results above, it can be seen, if Prob. JB count is greater than 0.05 then it can be concluded that the residual is normally distributed and vice versa if the Prob JB count is smaller than 0.05 then the residual is distributed innormally. Based on the picture above, it can be seen that the value of Prob. JB calculated $0.444506 > 0.05$. This condition identifies that the residuals formed by the linear regression model are normally distributed.

Multicollonicity Test

The multicollonicity test aims to test whether in the regression model there is a correlation between independent variables. The way to detect the presence or absence of multicollonicity in the regression model can be seen from the tolerance value or variance inflation factor (VIP). A good regression model should not occur multicollonicity.

Variance Inflation Factors

Date: 02/09/19 Time: 16:50

Sample: 2015 2069

Included observations: 55

Variable	Coefficient		Variance Inflation Factors	
	Uncentered	Centered	VIF	VIF
CR	51.88297	3.937754	1.310770	
ITO	12.79413	4.641488	1.108986	
DER	36.21847	2.202531	1.344744	
UP	27.95219	38.57185	1.027639	
C	3418.438	49.21886	NA	

Source : Output Eviews v9

Based on the results of the multicollonicity test in table 4.2 above, it can be seen in the centered VIP column the VIP value of each independent variable, namely 1.310770, 1.108986, 1.344744, 1.027639. Because the value of the four variables is not greater than 10, it can be concluded that there is no multicollonicity in the four variables.

c. Autocorrelation Test

The autocorrelation test aims to test whether in the linear regression model there is a correlation between the confounding error in the t period with the confounding error in the previous period. A good regression equation is one that does not have autocorrelation problems. If autocorrelation occurs, the equation becomes unfit to be

used as a predictive tool. The method used to detect the presence or absence of autocorrelation is the Breusch-Godfrey method or LM (Lagrange Multiplier) Test. If the value of Prob. F count greater than 0.05 then it can be concluded that no autocorrelation occurs. And vice versa, when the value of prob. F count is smaller than 0.05 then it can be concluded that autocorrelation has occurred.

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	1.332599 Prob. F(4,46)	0.2722
Obs*R-squared	5.711464 Prob. Chi-Square(4)	0.2218

Test Equation:

Dependent Variable: RESID

Method: Least Squares

Date: 02/09/19 Time: 17:04

Sample: 1 55

Included observations: 55

Presample missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CR	-1.931423	1.383996	-0.261569	0.7948
ITO	0.378527	0.739209	0.101232	0.9198
DER	-0.732837	0.981729	-0.122513	0.9030
UP	-1.771951	1.363243	-0.330388	0.7426
C	20.23324	9.43441	0.340430	0.7351
RESID(-1)	-0.148565	0.149655	-0.992713	0.3260
RESID(-2)	-0.013340	0.150706	-0.088520	0.9298
RESID(-3)	-0.199584	0.150950	-1.322186	0.1926
RESID(-4)	0.154561	0.155587	0.993403	0.3257

R-squared 0.103845 Mean dependent var Adjusted R- 1.29E-15

squared -0.052008 S.D. dependent var 59.47269

S.E. of regression 60.99962 Akaike info criterion Sum 11.20819

squared

resid 171163.9 Schwarz criterion 11.53667

Log likelihood -299.2253 Hannan-Quinn criter. 11.33522

F-statistic 0.666299 Durbin-Watson stat 1.975365

Prob(F-statistic) 0.718075

Source : Output Eviews 9\

Based on the results of the autocorrelation test in table 4.3 above, the value of Prob can be seen. F of 0.718075 can be called that the probability value F is calculated. Value Prob. F count is greater than 0.05 ($0.718075 > 0.05$) so it can be concluded that no autocorrelation occurs

Heteroscedasticity Test

The heteroscedasticity test aims to test whether in the regression model there has been an inequality of variance and residuals of one observation to another. If the variance from the residual of one observation to another observation is fixed then it is called homoscedasticity and vice versa if it is different it is called heteroscedasticity. A good regression model is one that does not occur heteroscedasticity. After the data is processed using eviews 9, the results are as follows:

Heteroskedasticity Test: Breusch-Pagan-Godfrey



C	1183.887	4150.492	0.285240	0.7766
CR	1230.489	511.3263	2.406465	0.0198
ITO	-73.06913	253.9166	-0.287768	0.7747
DER	45.17417	427.2193	0.105740	0.9162
UP	25.19432	375.3130	0.067129	0.9467

F-statistic	1.925802	Prob. F(4.50)	0.1206
Obs*R-squared	7.342337	Prob. Chi-Square(4)	0.1189
Scaled explained SS	5.081058	Prob. Chi-Square(4)	0.2791

Test Equation:
 Dependent Variable: RESID^2
 Method: Least Squares
 Date: 02/09/19 Time: 17:36
 Sample: 1 55
 Included observations: 55

Variable	Coefficient	Std. Error	t-Statistic	Prob.
R-squared	0.133497	Mean dependent var		3472.692
Adjusted R-squared	0.064177	S.D. dependent var		4535.428
S.E. of regression	4387.480	Akaike info criterion		19.69741
Sum squared resid	9.62E+08	Schwarz criterion		19.87989
Log likelihood	-536.6787	Hannan-Quinn criter.		19.76797
F-statistic	1.925802	Durbin-Watson stat		2.150961
Prob(F-statistic)	0.120638			

Source : Output Eviews 9

Based on the results of the heteroscedasticity test, it can be seen that the value of Prob. F- statistic of 0.120638 means greater than 0.05. It can be concluded that the regression model in this study did not occur heteroscedasticity.

Data Analysis Techniques

Multiple Linear Regression Analysis

Multiple linear regression analysis is a method used to explain the influence of the independent variable on the dependent variable.

Regression Analysis of Random Effect Method

Dependent Variable: PERLAB
 Method: Least Squares
 Date: 02/12/19 Time: 12:56 PM
 Sample: 2015 2017
 Periods included: 3
 Cross-sections included: 19
 Total panel (unbalanced) observations: 55

Variable	Coefficient	Std. Error	t-Statistic	Prob.
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C	-		
	60.03827	58.46741	1.026867 0.3094
CR	23.12729	7.202983	3.210793 0.0023
ITO	9.931366	3.576888	2.776538 0.0077
DER	7.706515	6.018179	1.280539 0.2063
	-		
UP	2.907177	5.286983	0.549874 0.5849
R-squared	0.258842	Mean dependent var	8.626909
Adjusted R-squared	0.199550	S.D. dependent var	69.08158
S.E. of regression	61.80583	Akaike info criterion	11.17238
Sum squared resid	190998.0	Schwarz criterion	11.35487
	-		
Log likelihood	302.2405	Hannan-Quinn criter.	11.24295
F-statistic	4.365506	Durbin-Watson stat	2.504944
Prob(F-statistic)	0.004180		

Source : Output Views 9

Based on the results of running data, the least square model can be expressed in the equation:

$$LAB = -60.03827 + 23.12729*CR + 9.931366*ITO + 7.706515*DER - 2.907177*UP$$

From the results of the multiple linear regression equation, each independent variable can interpret its effect on the company's Profit Growth as follows.

- 1) The constant value is -60.03827. That is, if the current ratio (CR), inventory turnover (ITO), debt to equity ratio (DER), company size (UP) are considered constant, then the value of the company's profit growth will increase by assuming other variables are constant 60.03827.
- 2) The Current Ratio has a coefficient of 23.12729 with a significance level of 0.0023. This means that if the current ratio increases by one unit, then profit growth will increase by 23.12729 assuming other variables are constant.
- 3) Inventory turnover has a coefficient of 9.931366 with a significance level of 0.0077. This means that if inventory turnover increases by one unit, then profit growth will increase by 9.931366 assuming other variables are constant.
- 4) Debt to Equity Ratio has a coefficient of 7.706515 with a significance level of 0.2063. This means that if the Debt to Equity Ratio increases by one unit, then profit growth will increase by 7.706515 assuming other variables are constant.
- 5) The size of the company has a coefficient of -2.907177 with a significance level of 0.5849. This means that if the size of the company increases by one unit, then profit growth will increase by 2.907177 assuming other variables are constant.

Hypothesis Testing Coefficient of Determination

R² testing is used to measure the proportion or percentage of the contribution of the independent variable studied to the variation in the rise and fall of the dependent variable. From table 4.5 it can be seen that the R² value (Coefficient of Determination) of the regression equation is 0.258842, which means that the dependent variable that can be explained by the independent variable is 25.88% while the rest is explained by

other variables that were not analyzed in this study 74.12% is explained by other variables that were not analyzed in this study.

Statistical Test

Statistical tests are used to test how much significance the regression coefficient of the independent variable simultaneously has on the dependent variable. The use of software makes it easy to draw conclusions in this test. If the value of prob. F count is smaller than the error rate or error 0.05 then it can be said that the regression model can be said to be loyal, while if the value of Prob. F count is greater than the error rate of 0.05 then it can be said that the regression model is not feasible.

The results of the F test can be seen from table 4.5, it can be explained that the value of f-statistics > F table ($4.365506 > 1.67022$) with an F-statistic probability of 0.004180 which is smaller than the level of significance 0.05 ($0.00 < 0.05$) then H_0 is accepted. It can be concluded that the model used is feasible.

Test t

The t test is used to determine whether the partially independent variable has a significant influence on the dependent variable. If the probability value of T calculated (shown on prob) is less than the error rate (alpha) 0.05 (specified) then it can be said that the independent variable has a significant effect on the dependent variable. Meanwhile, if the probability value of T is greater than the error rate of 0.05, it can be said that the variable has no significant effect on the dependent variable. Based on table 4.8 it can be explained that as follows.

- 1) Current Ratio (CR) has t-Statistic > ttable ($3.210793 > 1.675285$) with profit growth Probability T of $0.0023 < 0.05$ then H_0 is accepted, meaning that Current Ratio (CR) has a positive and significant effect on the company's profit growth.
- 2) Inventory Turnover (ITO) has t-Statistics > table ($2.776538 > 1.675285$) with profit growth Probability T of $0.0077 < 0.05$ then H_0 is accepted, meaning that Inventory Turnover has a positive and significant effect on the company's profit growth.
- 3) Debt to Equity Ratio (DER) has t-Statistics > table ($0.2063 < 1.675285$) with profit growth Probability T of $0.2063 > 0.05$ then H_0 is rejected, meaning that the Debt to Equity Ratio does not have a positive and significant effect on the company's profit growth.
- 4) Company Size (UP) has t-Statistics > table ($0.549874 < 1.675285$) with profit growth Probability T of $0.5849 > 0.05$ then H_0 is rejected, meaning that the Debt to Equity Ratio does not have a positive and significant effect on the company's profit growth.

Discussion

a. The Effect of Current Ratio on Profit Growth

The current ratio has a coefficient of 23.12729 which indicates that the influence that occurs between the Current Ratio on profit growth is a positive influence. For a probability value of 0.0023, by having a α level of 5%, this variable can be declared acceptable H_1 so that it can be stated that the Current Ratio has a positive and significant effect on profit growth in sub-industrial companies listed on the IDX for the 2015-2017 period.

The results of this study are in line with research conducted by (Anggraeni, 2017) which found that the Current Ratio affects profit growth. If the Current Ratio increases, profit growth will also increase, because a high current ratio indicates an excess of current assets that can cover the company's current liabilities so that the company is able to pay its short-term debts. This study can conclude that the compatibility between the results of the study and the theory is that the current ratio has a significant effect on profit growth.

b. The Effect of Inventory Turnover on Profit Growth

Inventory Turnover has a coefficient of 9.931366 which indicates that the influence that occurs between Inventory Turnover on profit growth is a positive influence. For a probability value of 0.0077 with a α level of 5%, this variable can be declared acceptable H2 so that it can be stated that Inventory Turnover has a positive and significant effect on profit growth in sub-industrial companies listed on the IDX for the 2015-2017 period.

The results of this study are in line with research conducted by (Gunawan, and wahyuni.2013) which found that Inventory Turnover affects profit growth. If the increase in inventory turnover is followed by increased profit growth in the company. This means that the effectiveness of the company's inventory turnover is very good, so that the inventory owned can increase the company's operational activities, especially in terms of the ability to increase the company's profit growth. This study can conclude that the compatibility between the results of the study and the theory is that inventory turnover has a significant effect on profit growth.

a. The effect of Debt to Equity Ratio on profit growth

Debt to Equity Ratio has a coefficient value of 7.706515 and for a probability value of 0.2063 with a level of $\alpha=5\%$, this variable can be declared not accepted H3 so that it can be stated that the Debt to Equity Ratio does not affect profit growth in various sub-industry companies listed on the IDX for the 2015-2017 period.

The results of this study are in line with research conducted by (Yohanas.2014) which found that the Debt Equity Ratio has no effect on profit growth. A high debt equity ratio indicates that the company uses more debt in fulfilling its operational activities. The use of debt by companies basically has weaknesses. Companies that use too high a debt composition indicate that the company has not been able to finance its assets from the company's operating results. The risk posed by the use of debt by the company has an impact on increasing the level of profit required by investors. This study can conclude that there is a mismatch between the results of the study and the theory, namely that the debt to equity ratio has a significant effect on profit growth.

The Effect of Company Size on Profit Growth

The size of the company has a coefficient value of -2.907177 and for a probability value of 0.5849 with a α level of 5%, this variable can be declared not accepted H4 so that it can be stated that the size of the company does not have a positive and significant effect on profit growth in sub-industrial companies listed on the IDX for the 2015-2017 period.

The results of this study are in line with research conducted by (Yohanas, 2014) and (Anggraeni, 2017) which found that Company Size has no effect on profit growth. Company size is the total amount of debt and equity of the company which will amount to the total assets. Debt is one source of funding a company by creditors, some companies are not triggered by the size of the company but are triggered by a more objective to get a larger investment. This study can conclude that there is a mismatch between the results of the study and the theory, namely that the size of the company has a significant effect on profit growth.

CONCLUSION

Based on the results of research and discussion previously described, it can be concluded that: Current Ratio has a positive and significant effect on profit growth. The higher the company's current ratio value indicates that there is an excess of current assets that can be used to cover the company's current liabilities, so that the company has a small risk of not paying its short-term debts, the picture shows that creditors can

easily provide loan funds to increase the company's profit growth. Inventory Turnover has a positive and significant effect on profit growth. The higher inventory turnover indicates the effectiveness of the company's inventory turnover and the company's operational activities, especially in terms of the ability to increase the company's profit growth. Debt to Equity Ratio does not have a positive and significant effect on profit growth, reflecting a high debt to equity ratio cannot increase profits, but if debt is used appropriately it will increase sales and profit growth of the company. It can be interpreted as the absence of effective use of debt so that it has nothing to do with the growth of profits generated by the company. Company size does not have a negative and significant effect on profit growth, some companies are not triggered by the size of the company but are triggered by the company's goal which is to get investment.

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