The Influence of Financial Ratios on Profit Growth of Property & Real Estate Companies Listed on the IDX for the Period 2019-2021

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Abstract: Profit growth is considered very important for companies because it can be used to predict future business strategies. In addition, profit growth cannot be separated from the company's financial performance as reflected in financial ratios. This research aims to determine and analyze the influence of the current ratio, debt-to-equity ratio, net profit margin, and total asset turnover toward profit growth. The population in this study was 79 property & real estate companies for three years, while the sample was obtained through a purposive sampling method, namely 20 companies. The data analysis technique used in this research is multiple regression analysis using Eviews 9 software. The results showed that partially, CR and NPM had no significant effect on profit growth, while DER and TAT had a significant effect on profit growth. Simultaneously, all independent variables, namely CR, DER, NPM, and TAT affect profit growth. The predictive ability of the four independent variables simultaneously amounted to 33.8%. This shows the predictive ability of financial ratios on profit growth and can influence investors’ investment decisions.

Keywords: Current Ratio; Debt to Equity Ratio; Net Profit Margin; Profit Growth; Total Asset Turnover

INTRODUCTION

Business development plays a major and important role that has an impact on opportunities for economic growth in a country. This cannot be separated from the purpose of establishing a company to achieve large profits to fulfill and achieve welfare for company officials, employees, and investors. Related to this, of course, the company will make efforts to improve its performance to be able to survive and compete amid the crowded competitors in similar industries. One of the company’s performances that are considered crucial in terms of attracting external parties, especially investors, to want to invest in the company, lies in financial performance information such as profits visualized through financial reports that the company publishes periodically. The financial condition of a company will be known to investors through financial reports by assessing its financial performance which is then used as a basis for making decisions to invest. As for creditors, the profit information contained in the financial statements is used as an illustration in determining decisions in accepting or rejecting credit requests. For the government, the amount of profit reported in the financial statements is used as a benchmark to determine the amount of tax that the company must pay (Indaryani et al., 2022). As for internal parties, earnings information is used by company officials to find out whether the company is showing progress or setbacks regarding its profit growth. If profits decrease, the manager as the person in charge must evaluate to increase them in the next period. The managerial line determines a decision through various earnings information. As for employees, earnings information is used as a medium to find out how the company is performing by looking at its real financial condition (Indaryani et al., 2022).

Regarding funding, apart from investors, another source of funding used in this sector comes from bank funding through credit, even though the property & real estate sector operates with fixed assets such as buildings and land, so if you want to convert...
them into current assets in the form of cash, it takes a relatively long time. As a result, many real estate & property companies are unable to pay their debts according to the maturity schedule. In addition, the company's inability to repay its debts was due to a decline in sales due to the high selling price of a building due to inflated prices and land speculation (Halomoan, 2018). Not only that, the pandemic conditions that have been passed have also worsened the financial condition of property & real estate sector companies because people's economic activities are disrupted and have an impact on demand and people's purchasing power which decreases so their profit growth is also affected. The profits that companies usually earn can increase or decrease in the following year. Profit is considered to increase if every year it experiences growth so that the company's achievements can be properly assessed, an assessment and analysis of its financial statements are needed. Nasution & Sitorus (2022) describe profit growth as the company's ability to make a profit in carrying out its operational activities. Assessment of financial statements is carried out using a measuring tool called financial ratios. The function of financial ratios is to evaluate and analyze the financial condition and performance of a company through a comparison of all financial ratios each year. The financial condition of a company in the future can be predicted by ratio analysis because of its future-oriented nature (Royda, 2019).

The research subjects that the researchers used were 79 property and real estate companies on the IDX for the period 2019-2021 because they were considered to have a large risk, where when the trend of the property and real estate industry increases and develops, there will be an increase in economic growth and vice versa. In addition, apart from being a basic necessity, property & real estate are also a choice of tangible investment products that are quite promising because property & real estate have an increasing asset value, rarely fluctuate in price, and have a relatively low risk. The property & real estate sector contains a relevant and broad scope, especially for human needs, for example, land, apartments, housing, hotels, office buildings, and malls as one of the supporters of human activities. Development in this sector has an impact on one of the supporting factors for purchasing power and community economic development, namely labor absorption. Development that is carried out in a mass and massive manner to support the needs of human boards has also increased along with the increase in population. BPS recorded an increase of 17.85 people in Indonesia's population from 257.51 million in 2012 to 275.36 million in 2012-2022. This shows the rapid growth of the population which has the opportunity for a high level of development so that it has a good impact on the ecstasy of the property and real estate business.

The growth trend of the property & real estate sector in the first quarter of 2022 showed a positive trend, in other words, an increase after the pandemic, seen from the normalization of population mobility and the recovery of the economy (Arka, 2022). In addition, the Ministry of PUPR (Public Works and Public Housing) mentioned that in economic growth, the property & real estate sector plays a big role and is a sector that is growing positively after the COVID-19 pandemic (Muzakir, 2022). BPS recorded that there was an increase of 5.72% (YoY) in the Indonesian economy in the third quarter of 2022 compared to the previous year in the third quarter of 2021 of only 3.51% (YoY). As for property trends, BI recorded an increase in residential property prices in the third quarter of 2022 compared to the third quarter of 2021 in the SHPR (Survey of Residential Property Prices) where the respective IHPR (Residential Property Price Index) was 1.94% (YoY) and previously 1.41% (YoY). So it can be said that, after the pandemic ended, there was a positive movement in property prices and there was a continuous increase in demand for residential property.
Based on this, measuring the condition of profit growth through financial ratios needs to be done to know, predict, and determine decisions for the future. Financial ratios consist of several kinds of ratios that have certain functions, objectives, and meanings in defining the results of calculating percentages of the state and condition of the company so that decision-making by interested parties occurs. According to Perdana (2018), financial ratios are divided into 4 types, namely activity, profitability, leverage, and liquidity ratios. Profit growth in this study will be measured through TAT (Total Assets Turnover) representing the activity ratio, NPM (Net Profit Margin) representing the profitability ratio, DER (Debt to Equity Ratio) representing the leverage ratio, and CR (Current Ratio) representing the activity ratio.

The liquidity ratio is the ability of a company to meet its short-term financial obligations that are due or due immediately. In particular, liquidity reflects the availability of funds held by a company to meet its obligations as they come due (Hayati et al., 2019). Current Ratio is one of the liquidity ratio measurement tools that are often used to analyze a financial report (Baraja & Yosya, 2018). The current ratio is used to measure the extent to which a company's current assets can be used to pay its current liabilities. Likewise, according to Endri et al. (2020), the Current ratio is performed by measuring a company's ability to service its current debt by comparing its current assets to its current liabilities.

The leverage ratio is a ratio used to determine the company's ability to meet the company's current obligations in the short and long term (Jufrizen & Sari, 2019). According to Hayati et al. (2019), the leverage ratio is a metric used to measure how much of a company's assets are funded by debt or external parties. According to Simorangkir & Fitria (2021), the Debt to debt-equity ratio is the ratio of total liabilities to equity. The decision to take on debt by the company is used as asset financing in the hope of increasing production. Therefore, companies must manage debt carefully to achieve good profit growth.

Profitability ratios measure the overall effectiveness of management which is shown by the amount of profit from sales and investments (Yulianti & Dewi, 2021). Net profit margin is used to measure the company's ability to generate profits by increasing its sales, this ratio reflects the efficiency of all parts of the company (Hayati et al., 2019). According to Prastya & Agustin (2018), Net Profit Margin is the percentage of the company's ability to create profits compared to the sales that have been achieved. Meanwhile, according to Endri et al. (2020), NPM is the ratio of net income, which is sales after deducting all expenses including taxes, compared to sales.

The activity ratio is a ratio used to measure the efficiency of resource utilization, or a ratio used to assess a company’s ability to carry out its business (Baraja & Yosya, 2018). Total asset turnover is a ratio to see how far the overall assets owned by the company have an effective turnover. All assets owned by the company must be utilized as optimally as possible because otherwise there will be idle capacity and an impact on high loading (Simorangkir & Fitria, 2021). From the TAT results, it can be seen regarding company management in measuring company performance whether the company is becoming more effective and efficient in running its assets or vice versa (Jania & Hernawan, 2022).

The purpose of this research is to determine the effect of CR, DER, NPM, and TAT on profit growth. The research analyzes the impact of financial ratios on profit growth for various companies in the same industry. In addition, it can be used to assess the level of growth in a company's profit and as a source of information for investors to make an investment decision and estimate or predict the future company business strategic prospects.
METHODS

All companies on the IDX in 2019-2021, namely 79 companies in the property and real estate sector, became the research population, and for determining the sample used a purposive sampling technique, where this method is based on predetermined sample criteria, namely:

Table 1. Sample Criteria

<table>
<thead>
<tr>
<th>No.</th>
<th>Criteria</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The IDX-listed property and real estate companies</td>
<td>79</td>
</tr>
<tr>
<td>2</td>
<td>Companies with IPO after 2019</td>
<td>(13)</td>
</tr>
<tr>
<td>3</td>
<td>Companies whose financial statements are not published consecutively (2019-2021)</td>
<td>(6)</td>
</tr>
<tr>
<td>4</td>
<td>Companies that are not profitable consecutively in 2019-2021</td>
<td>(40)</td>
</tr>
<tr>
<td></td>
<td>Total research sample</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Total observations (20 companies x 3 years)</td>
<td>60</td>
</tr>
</tbody>
</table>

Source: Data that has been processed by the author (2023)

The data source used is secondary data and is a quantitative data type in the form of data that can be calculated in the form of numerical units (Indaryani et al., 2022). The quantitative data is in the form of financial reports of various property & real estate companies listed on the IDX website for 2019-2021, namely www.idx.co.id. The data is in the form of a panel that combines a cross-section and time series (2019 to 2021) of 20 research subjects.

Researchers use documentation techniques in collecting data, namely downloading, collecting, and then recording the necessary information through company documents or research subjects, namely financial reports obtained through the official IDX website (Simorangkir & Fitria, 2021).

Researchers set profit growth as the variable Y or as the dependent variable, which is the variable that gets influenced or becomes the result of other variables. Meanwhile, CR, DER, NPM, and TAT are used as independent variables or successively as variables X1, X2, X3, and X4, namely variables that affect other variables. The research design chart is presented as follows:

![Research Design Diagram](image-url)
Based on the research design chart above, the research hypothesis is obtained as follows:

H1: Current ratio (CR) partially affects profit growth.
H2: Debt to equity ratio (DER) has a partial effect on profit growth.
H3: Net profit margin (NPM) has a partial effect on profit growth.
H4: Total asset turnover (TAT) has a partial effect on profit growth.
H5: Current ratio (CR), Debt to equity ratio (DER), Net profit margin (NPM), and Total asset turnover (TAT) simultaneously affect profit growth.

Table 2. Operational Definition of Variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Definition</th>
<th>Indicator</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Ratio (X1)</td>
<td>A ratio is used as a measuring tool for the ability to fulfill short-term debt obligations in a company (Endri et al., 2020)</td>
<td>Current asset/ Current liabilities</td>
<td>Ratio</td>
</tr>
<tr>
<td>Debt to Equity Ratio (X2)</td>
<td>A ratio that functions to measure asset turnover and the number of sales obtained per rupiah (Tiyas et al., 2022)</td>
<td>Current liabilities/ Total equity</td>
<td>Ratio</td>
</tr>
<tr>
<td>Net Profit Margin (X3)</td>
<td>A ratio that defines the relationship between the company's net income and total sales (Dianitha et al., 2020)</td>
<td>EAT/Sales</td>
<td>Ratio</td>
</tr>
<tr>
<td>Total Asset Turnover (X4)</td>
<td>The ratio used to show the amount of capital invested in fixed assets survived in a certain period (Hersya &amp; Huda, 2022)</td>
<td>Sales/Total asset</td>
<td>Ratio</td>
</tr>
<tr>
<td>Profit Growth (Y)</td>
<td>Difference between current profit and previous profit divided by previous profit (Indaryani et al., 2022).</td>
<td>Y_t - Y_{t-1}</td>
<td>Ratio</td>
</tr>
</tbody>
</table>

Source: Data that has been processed by the author (2023)

Researchers analyzed the data that had been collected by calculating the strength of the relationship between variables through panel data multiple regression analysis (Aiki, 2018). Then the researcher utilizes the Eviews 9 software in testing and processing the data to find out how influential the independent variable is on the dependent variable. The following is the analysis formula:

\[ PG_t = \alpha + \beta_1 \ln CR + \beta_2 \ln DER + \beta_3 \ln NPM + \beta_4 \ln TAT + e \]

Descriptions:

- \( PG \) = Profit Growth
- \( CR \) = Current Ratio
- \( DER \) = Debt to Equity Ratio
- \( NPM \) = Net Profit Margin
- \( TAT \) = Total Asset Turnover
- \( LN \) = Natural Logarithm
- \( \alpha \) = Constant
- \( \beta_1, \beta_2, \beta_3 \) = Regression coefficient of the independent variable
- \( i \) = Cross-section Data
- \( t \) = Time-series Data
- \( e \) = Error component

In this research, there are several test stages, including descriptive statistical analysis, panel data multiple regression analysis through the selected model, classical assumption test, selection and estimation of panel data regression models, and Goodness of Fit test. An overview of information about dependent and independent
variables that contain numerical information in the form of tables can be known through descriptive statistical analysis. How influential the dependent variable is on the independent variable can be known through model estimation carried out with 3 approaches, namely REM (Random Effect Model), FEM (Fixed effect Model), and CEM (Common Effect Model). All three will be determined or chosen which one is the most suitable through several tests such as Lagrange Multiplier, Hausman, and Chow at the regression model selection stage. Whether or not a regression model in multiple regression analysis needs to be known through classical assumption testing, namely the multicollinearity and normality tests.

Panel data multiple regression analysis has the purpose of analyzing the relationship between its variables, namely independent on dependent through the estimation of the selected model. The last test is the Goodness of Fit test, consisting of the coefficient of determination test (R²), F-test (simultaneous), and t-test (partial).

RESULTS AND DISCUSSION

Descriptive Statistical Analysis
This type of analysis is used in presenting overall statistical attributes of the variables studied which include the SD (Standard Deviation) value, mean (average), maximum and minimum values. The following is a presentation of the data results:

Table 3. Descriptive Statistical Analysis Results

<table>
<thead>
<tr>
<th></th>
<th>PG (Y)</th>
<th>CR (X1)</th>
<th>DER (X2)</th>
<th>NPM (X3)</th>
<th>TAT (X4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>-0.019333</td>
<td>6.341000</td>
<td>0.688833</td>
<td>0.248867</td>
<td>0.156667</td>
</tr>
<tr>
<td>Maximum</td>
<td>5.290000</td>
<td>84.53000</td>
<td>3.690000</td>
<td>0.900000</td>
<td>0.390000</td>
</tr>
<tr>
<td>Minimum</td>
<td>-10.30000</td>
<td>0.940000</td>
<td>0.010000</td>
<td>0.002000</td>
<td>0.020000</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>1.727339</td>
<td>15.35876</td>
<td>0.732738</td>
<td>0.198436</td>
<td>0.077123</td>
</tr>
<tr>
<td>Observations</td>
<td>60</td>
<td>60</td>
<td>60</td>
<td>60</td>
<td>60</td>
</tr>
</tbody>
</table>

Source: Data that has been processed by the author (2023)

The descriptive statistical analysis table shows that the PG (Profit Growth) value has an SD of 1.727339, a mean of -0.019333, a maximum value of 5.290000, and a minimum value of -10.30000. The SD, mean, maximum, and minimum values for the CR variable are 15.35876; 6.341000; 84.53000; and 0.940000, respectively. Meanwhile, the results for DER are 0.732738; 0.688833; 3.690000; and 0.010000, respectively. In NPM, each is worth 0.198436; 0.248867; 0.900000; and 0.002000. While in TAT, each is worth 0.077123; 0.156667; 0.390000; and 0.020000.

Panel Data Regression Model Estimation
The following are the results of panel data regression estimation to determine how influential the four independent variables are on the dependent variable through three approaches (CEM, FEM, and REM):
Table 4. Panel Data Regression Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>CEM</th>
<th>FEM</th>
<th>REM</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>-3.033901</td>
<td>-7.342320</td>
<td>-3.048945</td>
</tr>
<tr>
<td>LN_X1</td>
<td>0.194601</td>
<td>-0.206995</td>
<td>0.195135</td>
</tr>
<tr>
<td>LN_X2</td>
<td>0.185384</td>
<td>-2.934194</td>
<td>0.186693</td>
</tr>
<tr>
<td>LN_X3</td>
<td>-0.193619</td>
<td>0.212704</td>
<td>-0.130086</td>
</tr>
<tr>
<td>LN_X4</td>
<td>-0.790932</td>
<td>-2.102223</td>
<td>-0.855969</td>
</tr>
<tr>
<td>R²</td>
<td>0.202842</td>
<td>0.595755</td>
<td>0.174792</td>
</tr>
<tr>
<td>Adj. R²</td>
<td>0.144866</td>
<td>0.337488</td>
<td>0.174792</td>
</tr>
<tr>
<td>F-Statistik</td>
<td>3.498767</td>
<td>2.306737</td>
<td>2.912464</td>
</tr>
<tr>
<td>Prob. F-Statistik</td>
<td>0.012900</td>
<td>0.011926</td>
<td>0.029473</td>
</tr>
</tbody>
</table>

Source: Data that has been processed by the author (2023)

Panel Data Regression Model Selection

Chow Test

To determine the best model between CEM and FEM, we conducted a Chow test with the following results:

Table 5. Regression Model Selection Results with Chow Test

<table>
<thead>
<tr>
<th>Effects Test</th>
<th>Statistic</th>
<th>d.f.</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section F</td>
<td>1.841626</td>
<td>(19,36)</td>
<td>0.0563</td>
</tr>
<tr>
<td>Cross-section Chi-square</td>
<td>40.741962</td>
<td>19</td>
<td>0.0026</td>
</tr>
</tbody>
</table>

Source: Data that has been processed by the author (2023)

Ho: CEM (Common effect model)
Ha: FEM (Fixed effect model)

The conclusion that can be drawn from the data presented above is that FEM is declared as the most appropriate model and Ho is accepted because the cross-section chi-square probability is significant at alpha 0.05 or 5%, which is 0.0026.

Hausman Test

In determining which is the best model between REM and FEM, researchers conducted Hausman testing with the following results:

Table 6. Regression Model Selection Results with Hausman Test

<table>
<thead>
<tr>
<th>Test Summary</th>
<th>Chi-Sq. Statistic</th>
<th>Chi-Sq. d.f.</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section random</td>
<td>11.875563</td>
<td>4</td>
<td>0.0183</td>
</tr>
</tbody>
</table>

Source: Data that has been processed by the author (2023)

Ho: CEM (Common effect model)
Ha: FEM (Fixed effect model)

The conclusion that can be drawn from the data presented above is that FEM is declared as the most appropriate model and Ha is accepted because the cross-section chi-square probability is <0.05 or 5%, which is 0.0183.

After these two tests, the FEM model is determined as the best regression model to be used in this study.
Classical Assumption Test
Normality Test
The data that researchers distribute can be known whether it is normal or not through normality testing with test criteria where if the probability is > 0.05 then the data is declared normally distributed, whereas if the probabilistic value is < 0.05 then the data is not normally distributed. Here are the results:

![Figure 2. Normality Test Results](image)

The conclusion that can be drawn from the data presented above is that this research data is normally distributed because the probability is > 0.05, namely 0.768710.

Multicollinearity Test
This test has the aim of knowing whether a regression model has a similarity/correlation between independent variables which causes a strong relationship to each of the independent variables. If the coefficient is > 80% or 0.8, it is said that multicollinearity disorder does not occur.

Table 7. Multicollinearity Test Results

<table>
<thead>
<tr>
<th></th>
<th>X1</th>
<th>X2</th>
<th>X3</th>
<th>X4</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1</td>
<td>1.000000</td>
<td>-0.245344</td>
<td>-0.206658</td>
<td>-0.306353</td>
</tr>
<tr>
<td>X2</td>
<td>-0.245344</td>
<td>1.000000</td>
<td>-0.262567</td>
<td>-0.173667</td>
</tr>
<tr>
<td>X3</td>
<td>-0.206658</td>
<td>-0.262567</td>
<td>1.000000</td>
<td>0.113068</td>
</tr>
<tr>
<td>X4</td>
<td>-0.306353</td>
<td>-0.173667</td>
<td>0.113068</td>
<td>1.000000</td>
</tr>
</tbody>
</table>

The conclusion that can be drawn from the data presented above is that there is no multicollinearity or no correlation between the independent variables because the coefficient is < 80% or 0.08.

Panel Data Multiple Linear Regression Analysis
The relationship between the four independent variables and the dependent variable can be analyzed using linear regression analysis through the FEM model with the following results:
Table 8. Results of Selected Regression Model Fixed Effect Model (FEM)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>-7.342320</td>
<td>2.037315</td>
<td>-3.603920</td>
<td>0.0009</td>
</tr>
<tr>
<td>LN_CR</td>
<td>-0.206995</td>
<td>0.997374</td>
<td>-0.207540</td>
<td>0.8368</td>
</tr>
<tr>
<td>LN_DER</td>
<td>-2.934194</td>
<td>1.446903</td>
<td>-2.027914</td>
<td>0.0500</td>
</tr>
<tr>
<td>LN_NPM</td>
<td>0.212704</td>
<td>0.262228</td>
<td>0.811141</td>
<td>0.4226</td>
</tr>
<tr>
<td>LN_TAT</td>
<td>-2.102223</td>
<td>0.636016</td>
<td>-3.305298</td>
<td>0.0022</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.595755</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.337488</td>
<td>S.D. dependent var</td>
<td>1.443300</td>
<td></td>
</tr>
<tr>
<td>S.E. of regression</td>
<td>1.174772</td>
<td>Akaike info criterion</td>
<td>3.449200</td>
<td></td>
</tr>
<tr>
<td>Sum squared resid</td>
<td>49.68324</td>
<td>Schwarz criterion</td>
<td>4.286938</td>
<td></td>
</tr>
<tr>
<td>Log-likelihood</td>
<td>-79.47600</td>
<td>Hannan-Quinn critter</td>
<td>3.776885</td>
<td></td>
</tr>
<tr>
<td>F-statistic</td>
<td>2.306737</td>
<td>Durbin-Watson stat</td>
<td>2.648243</td>
<td></td>
</tr>
<tr>
<td>Prob(F-statistic)</td>
<td>0.011926</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Data that has been processed by the author (2023)

The following formula is obtained from the data presentation table above:

\[ PG = -7.342320 \cdot 0.206995CR - 2.934194DER + 0.212704NPM - 2.102223TAT + e \]

The following is an explanation of all variables based on the formulation above:

- The constant is -7.342320, meaning that the \( PG \) variable (profit growth) will decrease by 7.342320 if the four independent variables (CR, DER, NPM, and TAT) are 0 or constant.
- CR coefficient -0.206995 means that by 0.206995 there is also a decrease in profit growth in a 1 unit increase in CR.
- The coefficient value of DER is -2.934194, meaning that by -2.934194 there is also a decrease in profit growth in an increase of 1 unit of DER.
- The NPM regression coefficient value is 0.212704, meaning that by 0.212704 there is also an increase in profit growth in an increase of 1 unit of NPM.
- The TAT coefficient value is -2.102223, meaning that by 2.102223 there is also a reduction in profit growth in an increase of 1 unit of TAT.

Regression Model feasibility test (Goodness of Fit)

**t-test**

The following is a description of the test results presented in Table 8:

- The test results concluded that partially, CR does not significantly affect profit growth so \( H_1 \) is rejected because CR has a probability value of 0.8368 > 0.05.
- It is stated that partially, DER affects profit growth so \( H_1 \) is accepted because DER has a probability value of 0.05 or below the 10% significance level.
- Partially, NPM significantly affects profit growth and \( H_1 \) is rejected because NPM has a probability value of 0.4226 > 0.05.
- Partially, TAT significantly affects profit growth and \( H_1 \) is accepted because TAT has a probability value of 0.002 (<0.05).

**F-test**

To know whether or not the independent variables affect the dependent simultaneously (simultaneously), this F test is needed. Table 8 concludes that the four independent variables (CR, DER, NPM, and TAT) simultaneously have a significant effect on profit growth because the F statistical probability value <0.05, namely 0.011926.
Test the Coefficient of Determination ($R^2$).

Based on Table 8, it can be said that Profit Growth is simultaneously or simultaneously explained or influenced by the four independent variables as much as 33.8% because the adjusted r-squared value is 0.337488 so that other variables that researchers do not raise can influence as much as 66.2%.

The Influence of Current Ratio (X1) on Profit Growth (Y)

The results of the researchers' analysis concluded that the size of the CR value did not have a significant effect on profit growth and the first hypothesis was rejected because CR had a probability of 0.8368 (> 0.05) so it did not affect profit growth.

This situation interprets that the small Current Ratio value can occur because the short-term liabilities that must be fulfilled are greater than the current assets owned by the company, or in other words, the availability of sufficient working models in encouraging company activities is not guaranteed by the company's ability to fulfill their short-term obligations.

Likewise, if the CR value is too large, there is no guarantee that it can have a positive effect on the company, because the existence of excess current assets indicates that the company is unable to allocate its current assets effectively, thus causing idle funds which can cause profits to decline. Idle funds are caused by companies that invest most of their funds in the company's current assets and this negatively affects profit growth because usually, compared to fixed assets, current assets will generate more revenue.

The Influence of Debt-to-Equity Ratio (X2) on Profit Growth (Y)

The results of the researchers' analysis concluded that the size of the DER value had a significant effect on profit growth and hypothesis 2 was accepted because DER had a probability of 0.0500 (equal to 0.05 / below the 10% significant level) so it was said to influence profit growth.

How much availability of funds that fund owners and creditors provide can be known through this DER. A large DER value can indicate a poor capital structure because the amount of debt is more than the amount of capital the company has. Therefore, it can be said that the heavier the burden the company bears and the higher the capital dependence on external parties or creditors as the DER is large and this certainly affects its declining profit growth, and vice versa.

This statement is based on the findings from Hersya & Huda (2022), Indaryani et al. (2022), Panjaitan (2018), Rahmawati et al. (2022), and Halomoan (2018) state that DER has a significant effect on the property & real estate companies profit growth on the IDX.

The Influence of Net Profit Margin (X3) on Profit Growth (Y)

The results of the researchers' analysis concluded that the size of the NPM value influenced profit growth and the third hypothesis was rejected because NPM had a probability of 0.4226 (> 0.05) so it was stated to influence profit growth.

This condition indicates the company's inability to get profit on sales results and the company's inability to manage the cost of its operations due to fluctuations in net income, so that to increase sales, the company can no longer use its net profit. In other words, if the NPM value is too low, it means that the company is not maximizing its cost.
efficiency, but if the NPM value is too high, there is an indication that the company is too strict in making efficient which can risk the company having difficulty competing because the company's capital expenditure and investment are too little.

This is based on the findings of Manalu et al. (2020), Royda (2019), Prastya & Agustin (2018), and Panjaitan (2018) that NPM does not have a significant effect on the profit growth of property & real estate companies on the IDX.

The Influence of Total Asset Turnover (X4) on Profit Growth (Y)

The test results that the researchers conducted concluded that the size of the TAT value influenced profit growth and the second hypothesis was accepted because TAT had a probability of 0.0022 (<0.05) so it was stated to have a significant influence on profit growth.

This condition interprets that the company utilizes all of its activities that affect production in making sales to achieve maximum profit. So that all assets have been managed by the company effectively, this causes Total Asset Turnover to affect its profit growth. The company's asset turnover will accelerate as its revenue increases and will affect profit growth because the company's efficiency regarding the use of assets in obtaining sales is reflected in this TAT ratio.

Following the research of Nasution & Sitorus (2022), Hersya & Huda (2022), and Endri et al. (2020) conclude that Total Asset Turnover significantly affects property & real estate companies on the IDX.

The Influence of Current Ratio, Debt to debt-to-equity ratio, Net Profit Margin, and Total Asset Turnover on Profit Growth

Simultaneously, the four independent variables affect profit growth because their profitability is <0.05, namely 0.011926 with R² worth 0.337488 or the independent variables affect 33.8% of the profit growth variable.

CONCLUSION

Based on the research results, it is concluded that the variables CR, DER, NPM, and TAT have an effect both partially and simultaneously on profit growth. DER and TAT variables partially have a significant effect on profit growth. Meanwhile, CR and NPM variables do not affect profit growth. Then 33.8% of the independent variables in this study (TAT, NPM, DER, CR) contributed to influence profit growth, so the remaining 66.2% was influenced by other variables not raised in this study. Therefore, researchers suggest that potential investors and those who have invested their funds are better off knowing the state of their company's profits and analyzing financial ratios on growth. Companies need to pay attention to the amount of CR in managing current assets because CR that is too high does not necessarily have a good impact on profit growth, having unused idle funds and needing to pay attention to the amount of NPM will result in profit growth.
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