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THE EFFECT OF FINANCIAL RATIOS TO PREDICTING PROFIT CHANGES (STUDY OF REGISTERED PHARMACEUTICAL SECTOR MANUFACTURING COMPANIES ON THE INDONESIAN STOCK EXCHANGE)

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ABSTRACT

This study aims to determine and analyze: Current Ratio (CR), Debt to Equity Ratio (DER), Return on Assets (ROA), and Gross Profit Margin (GPM) on changes in profits on the Indonesia Stock Exchange. Current Ratio (CR) to changes in profits on the Indonesia Stock Exchange. Debt to Equity Ratio (DER) to changes in profits on the Indonesia Stock Exchange. Return on Assets (ROA) on changes in profits on the Indonesia Stock Exchange. Gross Profit Margin (GPM) on changes in profits on the Indonesia Stock Exchange. The objects in this study are Current Ratio (CR), Debt to Equity Ratio (DER), Return on Assets (ROA), Gross Profit Margin (GPM), and Operating Profit (Profit Growth) in Manufacturing Companies in the Pharmaceutical Sector Registered on the IDX for the period of 2014-2018.

The results of this study conclude that: Current Ratio, Debt to Equity Ratio, Return on Assets, and Gross Profit Margin have a positive and significant effect on changes in earnings. This means that short-term debt and debt to capital, as well as the gross profit obtained, have not been able to provide a significant increase in profit changes, it's just that asset utilization is still able to provide a balance to profit changes. CR has a negative but not significant effect on changes in profit, meaning that an increase or decrease in CR (the company's ability to guarantee its short-term debt) is not able to affect the decrease or increase in profit margins. DER has a negative but not significant effect on changes in profit, meaning that the company's (equity debt) is still high with profit income. ROA has a positive but not significant effect on profit changes, meaning that there is an increase in (asset utilization) that has been carried out to increase profits. GPM has a negative but not significant effect on profit changes, meaning that (the gross profit margin) has not experienced growth with increasing profits.

Keywords: ***Current Ratio, Debt to Equity Ratio, Return on Assets, Gross Profit Margin, Profit***

INTRODUCTION

Along with the pace of the world economic order that has experienced development and is starting to lead to a free market economic system, companies are increasingly motivated to increase competitiveness. A company can be said to achieve success and win the competition if it can generate maximum profit. Profit reflects the return to equity holders for the period concerned. Profit is an increase in economic benefits during an accounting period in the form of income or additions to assets or decreases in liabilities resulting in an increase in equity that does not come from investment contributions (Juliana and Sulardi, 2003).

The capital market is an alternative source of funding for companies as well as a means of investment for investors. The capital market in general can be identified as a place where capital is traded between investors and people who need issuer capital to develop investments. Law No. 8 of 1995, the capital market is defined as "activities concerned with public offerings and securities trading, public companies related to the securities they issue, as well as institutions and professions related to securities.

Financial ratios are a financial analysis tool used in this study. Financial ratios have connected various estimates contained in financial statements so that the financial condition of the finances and operating results of a company can be interpreted. Financial ratios are also a method of financial analysis that is used as an indicator for assessing the company's development, by taking data from financial statements during the accounting period. So that it can be known the maximum financial performance of the company. This ratio is often used by company management to decide the policies imposed by the company, to save the company's assets. So there is no wrong step in making a decision.

According to Simamora (2004: 822), financial ratios are a useful guide in evaluating a company's financial position and operations and also making comparisons with the results of previous years or other companies. According to Harahap (2008: 297), financial ratios are numbers obtained from the results of a comparison of one financial statement post with another post that has a relevant and significant (meaningful) relationship.

The results of these financial ratios are used to achieve management performance within a period of whether it reaches the target asset. Then also assessed the ability of management in empowering company resources effectively (Kasmir, 2010). Financial ratios according to Weston are an analysis that provides a framework for the relationship between balance sheet items and profit and loss calculations. Such analysis allows one to trace the history of a company and assess its current financial condition. In addition, financial ratios allow financial managers to estimate the reaction of creditors or investors to the company's financial condition. That way, they can find the best solution to get funding.

Profit growth is also influenced by changes in the components of the financial statements. Profit growth is caused by changes in financial statement components, for example, changes in sales, changes in the cost of goods sold, changes in operating expenses, changes in interest expenses, changes in income tax, changes in extraordinary items, and others. A set of financial reports in the form of data from the statement of financial position, calculation of profit and loss statements, reports of changes in capital, cash flow statements, and notes on financial statements cannot provide maximum benefit to the user before the user analyzes the financial statements further in the form of financial statement analysis including analysis to financial ratios.

The development of the business world today makes competition between companies, especially between similar companies, increasingly stringent. One of the reasons for the intense competition between similar companies is the large number of foreign companies that have sprung up in Indonesia. To overcome this competition, the method used is to show good company performance in the eyes of the public in general and investors in particular.

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Table 1. Development of Financial Ratios and Profits in Manufacturing Companies in the Pharmaceutical Sector Listed on the IDX for the 2014 – 2018 Period

NO	YEAR	CR	DER	ROA	GPM	PROFIT
1	2014	1848,82	3.38	58,53	271.78	683,732
2	2015	1975,36	3.92	55,26	265,69	752,594
3	2016	1631.79	3.71	53,76	271.15	903,708
4	2017	1636,30	4.79	48.93	270.00	971,901
5	2018	1563.78	5.86	38,28	277.80	852,820
AVERAGE		1731,21	4,33	50.95	271,284	832,951

Source: www.idx.co.id

The table above explains that the financial ratios of the current ratio and return on assets have decreased in the last 5 years, while the debt-to-equity ratio, gross profit margin, and profit values have fluctuated. So this needs to be investigated further by researchers.

In this study, there is also previous research from Desy Niken Widhaningsih (2015) The Effect of Financial Ratios in Predicting Profit Changes in Manufacturing Companies Listed on the Indonesia Stock Exchange (2012 – 2013) with the population used in this study are manufacturing companies listed on the Stock Exchange Indonesian Securities (IDX) during 2012-2013. The results of the hypothesis testing show that only the current ratio and net income to sales have a positive and significant effect on the prediction of changes in earnings. Meanwhile, the operating profit margin has a positive and significant effect on the prediction of profit changes. From this statement, researchers have obtained problems from profit income, this can be seen from the value of financial ratios.

LITERATURE REVIEW

Financial Report Concept

In the concept of financial reports in making the right decisions, accurate and complete information is needed. In this case, the company will prepare a financial report that can describe all the results of the company's activities. The financial statements are prepared with the intention of providing information about business results, financial position, and various factors that cause changes in a financial position to various parties who have an interest in the existence of the company so that investors can consider buying and selling their shares on the stock exchange.

According to Kieso, Weygrandt, and Warfield (2011: 5), financial reports are the main means of communicating financial information to outside parties. This report displays the history of the company quantified in monetary value. Financial statements (financial statements) that are often presented are (1) statement of financial position, (2) statement of profit or loss or statement of comprehensive income, (3) statement of cash flows, and (4) statement of changes in equity. Notes to financial reports are an integral part of every financial report.

By analyzing financial statements, an analyst can assess whether financial managers can plan and implement every action consistent with the aim of prospering shareholders. Analyzing financial reports can be done by comparing the financial statements of one period with the previous period so that there is a trend according to Sartono (2010: 113).

Based on this explanation, comes to the author understanding that financial statement analysis is a method or technique used to understand more depth the data in the financial statements more. To carry out financial statement analysis, appropriate analytical methods and techniques are needed. The purpose of determining the appropriate analytical methods and techniques is so that the financial statements can provide maximum results. The results of the analysis of financial statements will provide information about the

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weaknesses and strengths of the company.

Financial Ratio Concept

Financial ratios are an analysis that uses data in financial reports to evaluate company performance. This ratio is used to assess which stocks are worth buying and which are worth selling. Various types of financial ratios are used to assess companies from various aspects. Investors can analyze the company comprehensively. Some of the benefits of financial ratios are Comprehensive, namely, the ratio does not only cover one aspect but various aspects of company performance. Starting from liquidity, management effectiveness, and solvency to valuation. Get a comprehensive analysis of different types of ratios. Look at the company from various angles. Comparison i.e. Ratio is easy to compare. Either between periods for one stock or between one stock and another. Standard formulas and ratio results make it easy to compare the financial performance of a company with other companies. Meanwhile, the comparison is very important in investing to be able to choose which stock is the most worth buying. Easy to obtain means that there is a fair amount of information about financial ratios available.

Types of Financial Ratios, Current Ratio Current ratio measures a company's financial ability to pay short-term obligations and debts that will mature soon, with current assets owned. Current assets are liquid assets that can be liquidated quickly, including cash, cash equivalents, receivables from customers, and others. The position of current assets can be seen in the first section of assets in the financial statements. The greater the ratio of current assets to current liabilities, the higher the company's ability to cover its short-term liabilities. If the current ratio is 1:1 or 100%, it means that current assets can cover all current liabilities. Current Ratio Formula: Current Assets divided by Short-Term Liabilities.

The Quick Ratio Quick Ratio shows the company's ability to pay its current debt obligations (short-term debt) with current assets without taking into account the value of inventory. The difference with the current ratio, the value of assets used in the Quick ratio is smaller because current assets are reduced by inventory. This is because supplies cannot be sold immediately, some are still in the form of raw or semi-finished materials. The quick ratio calculates the ability of the most liquid current assets to cover current liabilities. The greater this ratio the better. The quick ratio is more conservative than the Current Ratio. Quick Ratio Formula: (Cash and Cash Equivalents + Short Term Investments + Accounts Receivable) divided by Short Term Liabilities. Debt or Equity LT The Company has legal debts, as long as it can pay those obligations.

Gross Margins or Gross margin is the ratio that compares gross profit to income. Gross profit is income minus COGS of Cost of Goods Sold (Cost of Sold). The gross margin is important to show several things, namely: The cost structure of the company's COGS. Was there an increase in COGS costs that depressed gross margins or vice versa, the company was able to suppress HPP's Ability to control product sales prices. How the company manages these costs will be in the Gross Margin. Gross margins will decrease if unusually high raw material cost pressures are overcome. Conversely, a stable gross margin from time to time if the company can more freely increase prices, without fear of losing sales. This shows the company has the strength as a market leader.

Operating profit is gross profit minus operating expenses. Examples of business costs are employee costs, marketing, and others. Even though it has a high gross profit margin, if operational costs are not controlled, the resulting operating profit will not be optimal. Profit margin is a ratio that compares profit or net income to income. Net profit is income after deducting expenses, including interest and taxes. It's the ratio that matters. Photo of whether the company can score healthy margins that keep its business sustainable and growing. Small margins indicate that competition is fierce, depressing the level of profit from sales. High margins indicate that the company has a strong position in the market compared to other competitors. In other words, the company has a large economic moat making it difficult to compete in the market. Interest Coverage The greater the business entity's ability to meet interest obligations, the safer it will be for the company. If the coverage capability is an indication of the company's performance is in trouble. Whether the company can control its obligations or not.

Profit Growth Concept

Profit is an increase in capital (net assets) derived from side transactions or infrequent transactions of a business entity, and from all transactions or other events that have a business entity during a period, except those arising from revenue (revenue) or investment owners (Baridwan, 1992: 55). The definition of profit, in general, is the difference between revenue and expenses in a certain period. Profit is often used as a basis for tax imposition, dividend policy, and investment guidelines as well as decision-making and predictive elements (Harnanto, 2003: 444). Profit or profit can be defined in two ways. Profit in pure economics is defined as the increase in an investor's wealth as a result of the investment, after deducting the costs associated with the investment (including the opportunity cost). Meanwhile, profit in accounting is defined as the difference between the selling price and production costs. The difference between the two is in the definition of costs.

In economic theory, the term profit is also known, but the meaning of profit in economic theory is different from the meaning of profit according to accounting. In economic theory, economists interpret profit as an increase in company wealth, while in accounting, profit is the difference in income realized from transactions that occur at a time compared to costs incurred in a certain period.

Profit is the difference between income and expenses on an accrual basis. Understanding this will make it easier to measure and report profit objectively. Defining profit like this will also be more meaningful as a measure of return on investment than just changes in cash. Based on the understanding and method of measurement, accounting profit is expected to be used as: a measure of efficiency, a measure of entity and management performance, a basis for determining taxes, a means of allocating economic resources, determining public service rates, optimizing debt-receivable contracts, a basis for compensation, a motivator, a basis for dividend distribution.

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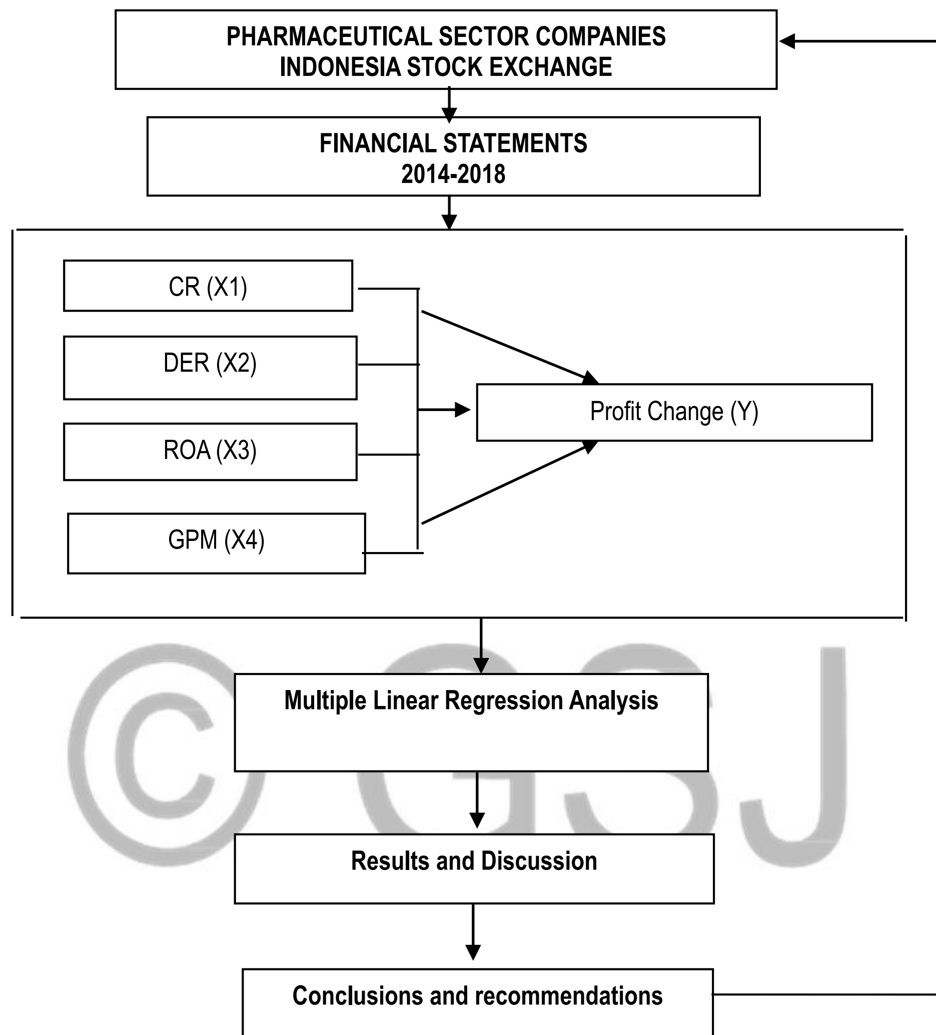
Conceptual Framework

Profit growth can be defined as an increase in an investor's wealth from his business activities, namely profits or results of investment after deducting the costs of running his business. Meanwhile, in accounting, the meaning of profit is the positive difference between revenue from sales and production costs incurred in a certain period. In this case, profit is a measure of the success of company management in running its business where the indicators are income and costs.

Determination of profit is carried out based on transactions that occurred, profit is the achievement of a company or individual in a certain period, determination of profit is based on the principle of income which requires an understanding of the definition, measurement, and recognition of income, determination of profit requires measurement of costs in the form of historical costs to find out a particular income, the determination of profit is based on a comparison between the income and costs relevant to that income.

To further simplify the framework, a framework scheme is created as follows:

Figure 1. Research Conceptual Framework



Hypothesis

Based on the research framework that has been put forward, the research hypothesis is as follows:

1. Current Ratio (CR), Debt to Equity Ratio (DER), Return on Assets (ROA), and Gross Profit Margin (GPM) simultaneously have a positive and significant effect on profit growth on the Indonesia Stock Exchange.
2. Current Ratio (CR), partially has a positive and significant effect on profit growth on the Indonesia Stock Exchange.
3. Debt to Equity Ratio (DER), partially has a positive and significant effect on profit growth on the Indonesian Stock Exchange.
4. Return on Assets (ROA), partially has a positive and significant effect on profit growth on the Indonesia Stock Exchange.
5. Gross Profit Margins (GPM), partially have a positive and significant effect on profit growth on the Indonesia Stock Exchange.

RESEARCH METHODS

Location and Research Object

The objects in this study are Current Ratio (CR), Debt to Equity Ratio (DER), Return on Assets (ROA), Gross Profit Margin (GPM), and Operating Profit (Profit Growth) in Manufacturing Companies in the Pharmaceutical Sector Registered on the IDX for the period of 2014-2018.

Data Types and Sources

Data Type

The data used in this study is quantitative, namely data presented in the form of numbers. This study in the form of Financial Statements Company ManufactureThe Pharmaceutical Sector is listed on the IDX and the summary results of financial ratios and company profit growth issued by the Indonesia Stock Exchange.

Data source

Data Source of data used in this research is secondary data. According to Sugiyono, (2014: 131) secondary data is the source of research data obtained by researchers indirectly through intermediary media (obtained and recorded by other parties). The data used in this study were obtained from IDX data, where the data can be obtained from (http://idx.co.id).

Population and Research Sample

The population in this study were all Manufacturing companies registered on IDX in 2014 – 2018. The sampling method used was random sampling, namely samples selected based on certain criteria or objectives (Sugiyono: 2014). The purpose of sampling in this way is so that this research can be representative of the population, the criteria used by the author in this study are:

1. Manufacturing companies in the Pharmaceutical Sector are listed on IDX
2. Having the data needed in research, especially regarding the variables used in research.
3. The company publishes financial reports and publishes them continuously.

Table 2. Research Sample

No	Stock code	Issuer Name
1	KAEF	Kimia Farma Tbk
2	INAF	PT. Indofarma (Persero) Tbk.
3	PYFA	PT. Pyridam Farma Tbk
4	DVLA	PT Darya Varya Laboratorya Tbk.
5	BRAND	PT. Merck Tbk
6	TSPC	PT. Tempo Scan Pacific Tbk.

Source: idx.co.id

Data Collection Technique

According to Sugiyono (2014: 401), data collection techniques are: "Data collection techniques are ways to obtain data and information that supports this research." Data collection techniques in this study use techniques documentation, namely data from the Financial Statements and the summary results of the company's stock trading issued by IDX.

Multiple Linear Regression Analysis

The analysis technique that will be used in this study is to use multiple regression analysis technique to obtain a comprehensive picture of the relationship between one variable and another. This analysis is used

to determine the direction of the relationship between the independent variables and the variables. In this study, data were processed using SPSS (Statistical Package for SocialScience) Version 20. The results of the regression analysis were in the form of coefficients for each independent variable. To find out whether there is a significant effect of the independent variable on the dependent variable, multiple regression models are used. According to Sugiyono (2015: 277), the specified multiple linear regression equation is as follows:

$$Y = a + b1\ X1 + b2\ X2 + b3\ X3 + b4\ X4\ e + bn\ Xn + e$$

note:

Y	=Profit
X1	=Current Ratio (CR)
X2	=Debt to Equity Ratio (DER)
X3	=Return On Assets (ROA)
X4	=Gross Profit Margins (GPM)
A	= constant
b1-2	= regression coefficient
e	= Errors

RESULT AND DISCUSSION

Description of Research Variables

Descriptive statistics provide an overview or description of the data obtained from the research results. Descriptive statistics include the minimum value, maximum value, mean and standard deviation. The results of descriptive statistical calculations are shown in table 3, as follows:

Table 3. Variable Description Analysis

Descriptive Statistics			
	Means	std. Deviation	N
Operating Profit (Y)	232.80	222,049	30
Current Ratio (X1)	254.06	105,773	30
Debt to Equity Ratio (X2)	.76	.554	30
Return On Assets (X3)	7.41	7055	30
Gross Profit Margin (X4)	43.54	14,234	30

Source: Data Test Results

Based on table 3, shows the results of descriptive statistical analysis, the number of samples (N) in this study was 30 samples. The dependent variable in this study is profit. From the results, it has an average profit value of 232.80. While the standard deviation is 222,049. This means that there is a deviation from the profit value to the average value of 222,049.

The independent variable Current Ratio, the average value of the Current Ratio is 254.06. The standard deviation of the Current Ratio is 105,773. This means that there is a deviation from the Current Ratio value to the average value of 105,773. DER independent variable, the average value of DER is 76. The standard deviation of the DER is 554. This means that there is no deviation from the DER value to the average value of 554.

The independent variable ROA, the average value of ROA is 741. The ROA standard deviation is 7,055. This means that there is no deviation from the ROA value to the average value of 7,055. GPM independent variable, the average value of GPM is 43.54. The standard deviation of GPM is 14,234. This means that there is no deviation from the GPM value to the average value of 14,234.

Normality test

The normality test is carried out by looking at the normal probability plot graph which compares the

cumulative distribution of the normal distribution. If the data distribution is normal, then the line that describes the actual data will follow a diagonal line. The SPSS output results for the normality test are shown in the following figure:

Figure 1. Graph of Normality Test Results

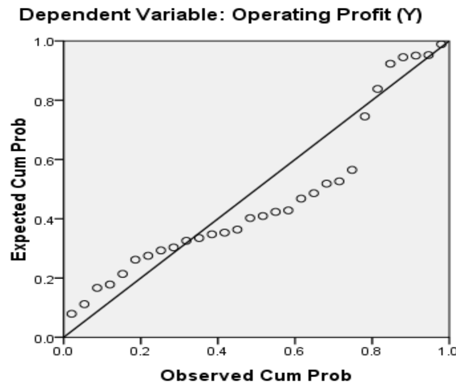


Figure 1 shows that the data spread around the diagonal line and follows the direction of the diagonal line. Therefore it can be stated that the data in these variables are normally distributed.

Multicollinearity Test

The multicollinearity test aims to test whether there is a correlation between the independent variables in the regression model. A good regression model should not occur between independent variables. In this study, the symptoms of multicollinearity can be seen from the tolerance value and Variance Inflation Factor (VIF). The results of the multicollinearity test can be seen in table 4 below:

Table 4. Multicollinearity Test

Variable	tolerance	VIF	Information
CR	276	3,629	Multicollinearity does not occur
DER	308	3,248	Multicollinearity does not occur
ROA	414	2,414	Multicollinearity does not occur
GPM	528	1895	Multicollinearity does not occur

Source: Primary Data 2022

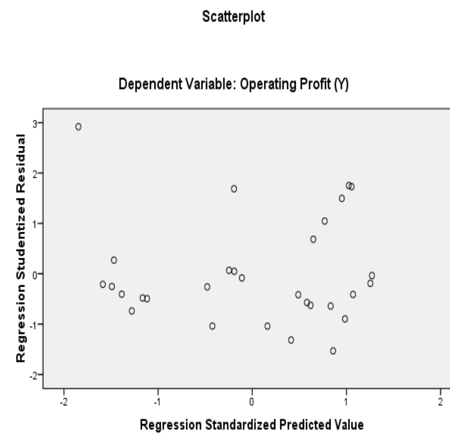
The table shows that the regression model does not experience multicollinearity disturbances. This is shown by the tolerance value for the four independent variables of more than 0.10. While the VIF value calculation shows that all independent variables have a value of less than 10. So it can be concluded that there is no multicollinearity between the independent variables in the regression model.

Heteroscedasticity Test

Heteroscedasticity testing was carried out using a Scatterplot. The test results are in the attachment as well as in the following figure.

The results of the heteroscedasticity test show that the dots do not form a specific pattern and the dots spread above and below the number 0 on the Y axis. This shows that the regression model does not have heteroscedasticity.

Figure 2. Heteroscedasticity Test Graph



Primary Data Source 2022

Hypothesis test

Coefficient of Determination

The coefficient of determination serves to measure the proportion or presentation of the contribution of all independent variables (X) contained in the regression model to the dependent variable (Y).

Table 5. Determination Coefficient Test
Summary models

Model	R	R Square	Adjusted R Square	std. Error of the Estimate
1	.526a	.277	.161	203,405

a.Predictors: (Constant), Gross Profit Margin (X4), Return On Assets (X3), Debt to Equity Ratio (X2), Current Ratio (X1)
b.Dependent Variable: Operating Profit (Y)

Coefficient of determination The results of the output in the table show that the value of R Square is 0.277. This means 27.7% of the variability of the dependent variable which can be explained by the variability of the independent variables. While the remaining 72.3% is explained by other variables not included in the regression model.

F Test

The F test is needed to determine the effect of the independent variables on the dependent variable simultaneously and to determine the accuracy of the regression model used. The model accuracy test aims to determine whether the formulation of the model is appropriate or fit.

Table 6. F-Test

ANOVA b						
Model		Sum of Squares	df	MeanSquare	F	Sig.
1	Regression	395527896	4	98881.974	2,390	.078a
	residual	1034335.709	25	41373.428		
	Total	1429863.605	29			
a. Predictors: (Constant), Gross Profit Margin (X4), Return On Assets (X3), Debt to Equity Ratio (X2), Current Ratio (X1)						
b. Dependent Variable: Operating Profit (Y)						

The results of the F test obtained a calculated F value of 2,390 with a significant value of 0.078 far greater than 0.05, so it can be concluded that the selected regression model is not feasible for testing data and regression models and cannot be used to predict changes in earnings that Current Ratio (CR), Debt to Equity Ratio (DER), Return on Assets (ROA), and Gross Profit Margin (GPM) has a positive and not significant effect on changes in earnings. This means that an increase or decrease in the Current Ratio (CR), Debt to Equity Ratio (DER), Return on Assets (ROA), and Gross Profit Margin (GPM) cannot increase or decrease changes in profit.

t-test

Hypothesis testing using Multiple Linear Regression. The following are the results of the regression test:

Table 7. t-test Result
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	std. Error	Betas		
1	(Constant)	852,732	277,473		3,073	005
	Current Ratio (X1)	-. 733	.680	-.349	-1,078	.291
	Debt to Equity Ratio (X2)	-221,266	122,763	-.553	-1,802	084
	Return On Assets (X3)	10,827	8,318	.344	1.302	.205
	Gross Profit Margin (X4)	-7,933	3,653	-.509	-2,172	040

a. Dependent Variable: Operating Profit (Y)

Hypothesis testing uses multiple linear regression analysis which is used to determine the effect of the independent and dependent variables.

CR has a negative but not significant effect on changes in profits, meaning that an increase or decrease in CR (the company's ability to guarantee its short-term debt) is not able to affect a decrease or increase in profit margins and is indicated by a significance value of inflation -1.078 > 0.291 which is said to be insignificant due to a decrease in income which affect the company's financial position is getting weaker.

DER has a negative but not significant effect on changes in profit, meaning that the company's (equity debt) is still high with profit income, and is also indicated by a significance value of inflation -1.802 > 0.084 which is said to be insignificant because the company has not received additional funding from lenders because there has been no settlement of obligations debt to capital.

ROA has a positive but not significant effect on changes in profits, meaning that there is an increase in (asset utilization) that has been carried out to increase profits and is also indicated by a significance value of

inflation 1,302 > 0,205 which is said to be insignificant and there is no efficiency in activities in allocating costs and capital in activities related to assets that have been utilized.

GPM has a negative but significant effect on profit growth, meaning that (gross profit margin) has not experienced growth with increasing profits, and is also indicated by a significance value of inflation -2.172 > 0.040 which is said to be significant because the sales performance of the company's production process has been running efficiently. The consideration for using these numbers is based on the level of confidence (confidence interval) desired by the researcher. If the significance number is 0.05, then the level of confidence is 95%.

DISCUSSION

Influence Current Ratio, Debt To Equity Ratio, Return On Assets, and Gross Profit Margins to Profit Changes

The results of the analysis show that the variable Current Ratio, Debt To Equity Ratio, Return On Assets, and Gross Profit Margins' effect on profit, indicated by a significance value of 2,390 > 0,078 much greater than 0.05. This means that the first hypothesis is accepted or the Current Ratio, Debt to Equity Ratio, Return On Assets, and Gross Profit Margins affect profits in pharmaceutical sector manufacturing companies listed on the IDX for the 2016-2018 period. This means that the company's stability in pursuing the company's short-term ability to increase profits balances the company's current debt with profit income, the company's ability to increase profits, and has optimized gross profit to increase profits.

In line with the research of Adriyanto Anugrah Septiawan (2014), this study aims to determine and analyze the effect of the current ratio, debt-to-equity ratio, total asset turnover, gross profit margin, and return on equity on profit changes in manufacturing companies listed on the Indonesia Stock Exchange. This study uses secondary data sourced from financial statements of manufacturing companies for the period 2008-2012 obtained from the Indonesian Stock Exchange website. This method uses a population of 20 manufacturing companies selected by purposive sampling method. The results of this study indicate that simultaneously the variables that significantly influence changes in earnings are the ratio of debt to equity, gross profit margin, and return on equity while the current ratio and total asset turnover have no effect. The magnitude of the coefficient of determination (adjusted R2) is 0.360. This means that 36 percent of the variable changes in earnings can be explained by the independent variables in this study, while the remaining 64 percent is explained by other variables outside the model.

Influence Current Ratio to Profit Changes

The results of the analysis show that the current ratio variable does not affect changes in earnings, indicated by its significance value -1.078 > 0.291. This means that the second hypothesis is rejected or the current ratio has no effect on profit changes in pharmaceutical sector manufacturing companies listed on the IDX for the 2016-2018 period. CR does not affect changes in profits, meaning that the company's short-term ability to increase profits is lacking. This can indicate that a company can have high current assets but does not guarantee the availability of working capital to support the company's operational activities, the current ratio (current assets) in which there are inventory items in the form of raw materials that are not ready for sale, this will add to the value of the company's current ratio but will not be able to generate profits because these inventory items still require time and cost to be converted into goods ready for sale. The excess of current assets owned by the company does not provide a guarantee that the company can obtain profits as expected. A high current ratio indicates an excess of current assets which will have an unfavorable effect on profit growth because current assets generally generate lower returns compared to fixed assets. The excess of current assets owned by the company does not provide a guarantee that the company can obtain profits as expected. A high current ratio indicates an excess of current assets which will have an unfavorable effect on profit growth because current assets generally generate lower returns compared to fixed assets. The excess of current assets owned by the company does not provide a guarantee that the company can obtain profits as expected. A high current ratio indicates an excess of current assets which will have an unfavorable effect on profit growth

because current assets generally generate lower returns compared to fixed assets.

In line Matry Des (2020) Effects of Current Ratio, Debt to Equity Ratio, Return on Assets, and Working Capital Turnover on Profit Growth (Empirical Study of Food and Beverage Manufacturing Companies Listed on the Indonesia Stock Exchange Period 2014 - 2018). Profit growth is the company's ability to see the rise and fall of profits every year, which will have an impact on the survival of the company and can influence the decisions of investors and potential investors who will invest in the company. The purpose of this study was to determine the effect of the current ratio, debt-to-equity ratio, return on assets, and working capital turnover on profit growth. This study uses secondary data from a population of 10 food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange with a total of 10 companies in 2014-2018. The sampling technique used was purposive sampling with multiple linear regression analysis methods. The results of this study indicate that there is no influence between the current ratio, debt-to-equity ratio, and working capital turnover on profit growth, and there is an effect between return on assets on profit growth

Influence Debt to Equity Ratio to Profit Changes

The results of the analysis show that the Debt to Equity Ratio variable does not affect changes in earnings, indicated by the presence of a significance value of -1.802 > 0.084. This means that the third hypothesis is rejected or the Debt to Equity Ratio has no effect on profit changes in pharmaceutical sector manufacturing finance companies listed on the IDX for the 2016-2018 period. Means the company's ability to increase profits. The inability of the debt-to-equity ratio affects profit growth because a high debt-to-equity ratio indicates the proportion of capital owned is smaller than the company's liabilities or there is a high dependence on outsiders.

In line with research Halomoan Sihombing (2018) The Effect of Current Ratio and Debt To Equity Ratio on Profit Growth in Property and Real Estate Companies Listed on the Indonesia Stock Exchange for the 2010-2014 Period. This study aims to determine the effect of the Current Ratio (CR) and Debt to Equity Ratio (DER) both partially and simultaneously on profit growth in Property & Real Estate companies listed on the Indonesia Stock Exchange. The research period starts from 2010-2014 (5 years). The type of data used is secondary data. The total population in this study amounted to 57 companies. The sample selection was carried out using the purposive sampling method, to obtain a sample of 27 companies. The results of the partial test (t test) show that the variables Current Ratio (CR) and Debt To Equity Ratio (DER) have a negative and significant effect on profit growth in Property & Real Estate companies listed on the Indonesia Stock Exchange for the 2010-2014 period. The simultaneous test results (f test) show that the Current Ratio (CR) and Debt to Equity Ratio (DER) simultaneously do not affect profit growth in Property & Real Estate companies listed on the Indonesia Stock Exchange for the 2010-2014 period. The test results for the coefficient of determination show that the Adjusted R Square value is 0.021, this means that 2.1% of the dependent variable can be explained by the independent variables, while the remaining 97.9% is explained by other factors not examined in this study.

Influence Return on Assets to Profit Changes

The results of the analysis show that variable Return on Assets effect on changes in profits, indicated by a significance value of 1.302> 0.205. This means that the fourth hypothesis is accepted or Return on Assets has an effect on profit changes in pharmaceutical sector manufacturing finance companies listed on the IDX for the 2016-2018 period, meaning that there is a company's ability to increase profits. The greater the return on asset ratio, the better because the company is considered able to use the assets they own effectively to generate profits and vice versa. Manufacturing companies with production activities, especially pharmaceutical needs, of course, have a large proportion of sets as well. With good asset processing in manufacturing companies,

This is in line with Surya Perdana's research (2017) The Influence of Opm, Roe, and Roa on Profit Changes in Financial Institution Companies in Indonesia. The results of the study show that operating profit margin (OPM), return on assets (ROA), and return on equity (ROE) simultaneously have a significant effect on changes in earnings. The results of the F test produce a significance level of 0.00 <0.05. The results of the t-

test, operating profit margin (OPM) have a negative and not significant effect on changes in profits. Return on equity (ROE) has a positive and significant effect on earnings changes. Return on assets (ROA) has a positive and significant effect on earnings changes.

Influence Gross Profit Margins to Profit Changes

The results of the analysis show that the Gross Profit Margin variable does not affect profit changes, indicated by its significance value -2.172 > 0.040. This means that the fifth hypothesis is rejected or the Gross Profit Margin has no effect on profit changes in pharmaceutical sector manufacturing finance companies listed on the IDX for the 2016-2018 period, meaning that gross profit has not been balanced by increasing profits and also indicates that changes shown by gross profit margin are not followed by an increase or decrease in changes in earnings changes.

In line with Siti Fatimah's research (2014) Analysis of the Effect of Financial Ratios on Profit Changes in Manufacturing Companies in the Various Industrial Sector listed on the Indonesia Stock Exchange. The results of this study indicate that the current ratio, debt ratio, total asset turnover, return on equity, gross profit margin, and net profit margin do not affect changes in profits. Meanwhile, return on assets harms earnings changes. And simultaneously the current ratio, debt ratio, total asset turnover, return on assets, return on equity, gross profit margin and net profit margin affect profit changes.

CONCLUSIONS AND SUGGESTIONS

Conclusion

Based on the results of the research that has been done, it can be concluded that:

1. Current Ratio, Debt to Equity Ratio, Return On Assets, and Gross Profit Margin have a positive but not significant effect on Profit Changes. it's just that the utilization of assets is still able to provide a balance to changes in profits.
2. CR has a negative but not significant effect on changes in profits, meaning that an increase or decrease (the company's ability to guarantee its short-term debt) is not able to affect a decrease or increase in profit margins, it is said to be insignificant because of a decrease in income which affects the company's increasingly weak financial position.
3. DER has a negative but not significant effect on changes in profit, meaning that the company's (debt to capital) is still high with profit income, said to be insignificant because the company has not received additional funding from lenders because there has been no settlement of debt obligations to capital.
4. ROA has a positive but not significant effect on changes in profits, meaning that there is an increase in (asset utilization) that has been carried out to increase profits, it is said that it is not significant that there is no efficiency of activities in allocating costs and capital in related activities related to assets that have been utilized.
5. GPM has a negative but significant effect on changes in profit, meaning that (the gross profit margin) has not experienced growth by increasing profits, it is said to be significant due to performance.

Suggestion

Suggestions that can be given through the results of this study to get better results are as follows:

1. It is recommended for companies to use financial ratios that affect changes in profits as a material consideration in projecting the company's ability to generate profits and in measuring company performance.
2. Future researchers can re-examine research variables in companies in other sectors or the same company but need to add other variables, for example, other appropriate variables, or add to the period of the company's financial statements to become material for comparison with the results of this study.

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