E-ISSN: 2622-304X, P-ISSN: 2622-3031
Available online at:
http://proceedings.itbwigalumajang.ac.id/index.php/progress

The Effect of Return On Asset, Current Ratio, Debt to Asset Ratio, And Total Asset on Profit Growth in the Healthcare Sector on the IDX in 2018-2022

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Abstract

This study's goal is to determine how profit growth is impacted by return on assets, current ratio, debt to asset ratio, and total assets. Companies in the healthcare subsector that were listed on the Indonesia Stock Exchange between 2018 until 2022 were the subject of this study. The 31 healthcare companies that were listed on the Indonesia Stock Exchange made up the study's population. Using specific criteria for purposeful sampling is the sampling strategy employed in this study. For the years 2018–2022, a sample of 17 healthcare sub-sector enterprises was gathered based on the predefined sample selection criteria. The study's findings suggest that profit growth is influenced by return on assets. Profit growth is unaffected by the current ratio, debt to asset ratio, or total assets.

Keyword: Current Ratio, Debt to Asset Ratio, Profit Growth, Return On Asset, Total Assets

INTRODUCTION

Indonesia's capital market continues to grow, which helps the country's economy grow rapidly. Because it provides an alternative source of finance for companies and business entities to help sustainable economic development, the capital market plays an important role in the Indonesian economy.(Nabilla & Dara, 2022). The success of a company in its business operations is influenced by the environmental conditions of the company. The country's good economic situation encourages companies to improve their performance, while the country's poor economic conditions hinder the company's career development. Every business that is established has a goal to achieve, the main purpose of a company is to achieve as much profit as possible, but high profits do not necessarily maximize shareholder value (Rahayu & Sitohang, 2019). In business, the ability to generate maximum profits is very important because stakeholders such as investors and creditors measure the success of the business through management performance in making future profits (Annisa & Wulandari, 2023). At the end of 2019, the world was shocked by a new infection of the virus *Corona* and Indonesia is among the countries affected., since the corona entered Indonesia, the impact has gradually had an impact on various economic sectors (Anggraini & Santoso, 2021). This is due to the imposition of lockdowns, community quarantines and large-scale social restrictions to prevent and control the spread of viral diseases *Corona*. The pandemic has worsened the situation in most business sectors. The impact of the pandemic on the economy will reduce investor sentiment towards the market, which can ultimately make the market negative (Ramadhani, 2023). Many business sectors are affected by the negative pandemic *covid*-19 is inversely proportional to companies in the healthcare sector that have been positively affected by the pandemic *covid*-19. Apart from the pandemic, health services are a sector that grows every year in line with the increasing public need for health services (Nabilla & Dara, 2022). Sectors that recorded growth during the crisis *Corona* is part of health (Anggela, 2022). The healthcare sector recorded a development of more than 11.56% in 2020 compared to the year before the pandemic of 8.69% in 2019 (Anggela, 2022), but the performance of issuers in the sub-sector of health service providers experienced pressure as the number of Covid-19 infections in the country decreased (Cakti, 2022).

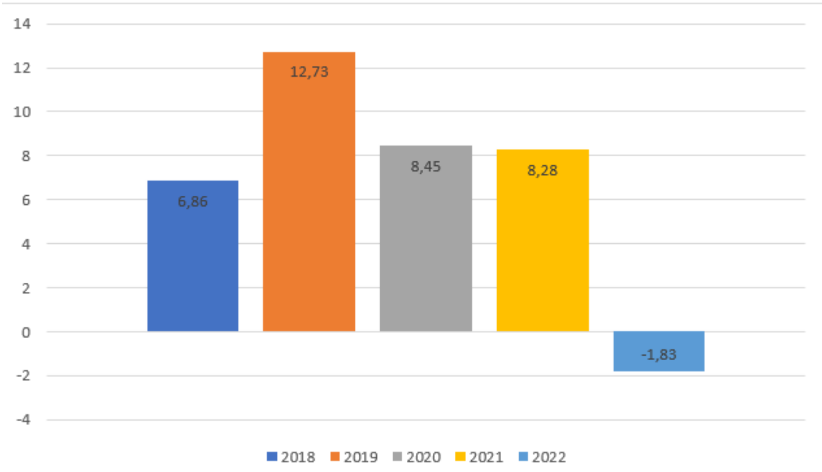

Figure 1.1 Profit Growth of Healthcare Companies
Source: Processed from www.bps.go.id (2024)

Based on figure 1.1, it shows that the profit growth of health service companies has increased and decreased (fluctuated) and decreased significantly in 2022. This changing landscape requires better business management skills for *healthcare* companies to survive.

The research gap in this study is that the researcher uses a five-year period, namely from 2018 to 2022, in contrast to the previous researcher who only researched for three years. Researchers choose healthcare companies because of their profits. The healthcare industry contributes to the provision of essential services for human health and well-being, which encourages researchers to conduct profit analysis of companies in this sector.

This study uses 2 reference journals. The first journal is a study conducted by Yuliana & Djunaedi (2023) which is entitled the impact of company size, profitability and liquidity on the development of profits through the bound variable is the development of profits, while the free variable is the size of the company, profitability and liquidity. The second research is his research which was carried out on Simbolon & Miftahuddin (2021) through the title The Influence of Liquidity and Solvency on Profit Development in Transportation Companies Listed on the IDX for the period 2009-2018 with the dependent variable, namely Lana growth, but the independent variables are liquidity and solvency. The research uses quantitative methods and sample collection methods used in the research, namely the method of *Purposive Sampling* with exclusive criteria with the hypothesis of return on asset, current ratio, debt to asset ratio and total assets impacting profit growth

Based on this description, the following is the formulation of the hypothesis in this study:

1. Effect of Return On Asset on Profit Growth
   According to Hidayati & Putri (2022), ROA has an impact on the development of benefits because if there is an increase in the proportion of benefits, it will increase the activity of benefit growth. The high proportion that occurs ensures that the company strives to grow revenue or transactions until development profits increase. According to Bionda & Mahdar (2017) and Wiyanti et al., (2022) ROA has an impact on the development of profits because if the increase in productivity proportions is implemented, it will increase the benefits of development exercises. The high proportion that occurs shows that the company is trying to increase revenue or transactions so that development profits increase. Pinontoan and Saerang (2019) return on assets shows that profitability does not affect the company's profit growth. Based on the explanation above, a hypothesis can be put forward, namely:

H1: Return on assets has an effect on profit growth.

2. Effect of Current Ratio on Profit Growth
   According to Rahayu & Sitohang (2019), current ratio affects the development of profits. Due to the high liquidity value, it means that a company can pay off its short-term liabilities, allowing creditors to provide loans to the company and increase profits. According to Chasanah (2017) and Purnama & Anggraini (2020) the current ratio has a good and significant impact on profit growth, while the idea of Aryanto et al., (2018) CR has no impact on profit growth. According to the explanation above, a hypothesis can be put forward, namely:
   H2: Current ratio affects profit growth.
3. The Effect of Debt to Asset Ratio on Profit Growth
   According to Bura et al., (2023) The higher the debt-to-asset ratio, the higher the level of debt repayment. If a company has a low ratio, sharing that the company is better able to fulfill its obligations at the time of maturity, then the company is said to have good company performance. His research was carried out by Febrianti & Divianto (2017) and Aryanto et al., (2021) showed that DAR had no effect on profit growth, while Siregar & Batubara (2017) and Syafril & Djawoto (2020), providing the results of the debt to asset ratio has a good and significant impact on profit development. Based on this explanation, hypotheses can be concluded, namely:
   H3: Debt to assets affects profit growth.
4. The Effect of Total Assets on Profit Growth
   According to Octaviani (2021)(Octaviani, 2021), the larger the company, the higher the level of profit development desired. Investors tend to trust large companies more because they are considered to be able to further improve the company's performance and generate profits every year. Puspasari (2017) and Petra et al., (2021) results ensure that total assets have a good and significant impact, while according to Safitri et al., (2021) and Endri et al., (2020) that total assets have no impact on profit growth. Based on this description, allegations were obtained, including:
   H4: Total Assets affect profit growth

METHODS

An associative quantitative approach was used in the study. Research that measures research variables in numerical form and uses statistical techniques to analyze data is called quantitative research. (Annisa & Wulandari, 2023). In his research, purposive sampling was used as a method of sampling samples. Purposive sampling is a method of sampling carried out by the researcher himself based on the known traits and characteristics of the population and with certain considerations (Machali, 2021). The sample of this study includes 31 health service companies registered on the IDX from 2018 to 2022.

The criteria for determining the sample in the research are: **Table 1 Sample Criteria**

It	Criterion	Sum
1.	Manufacturing companies listed on the IDX for the period 2018-2022	170
2.	Healthcare sector companies listed on the IDX for the period 2018-2022	31
3.	Healthcare sector companies that report financial statements on the IDX for 2018-2022	17
Selected companies as samples		17
Number of observation samples (17 x 5 years)		85

Source: Researcher

RESULTS AND DISCUSSION

Table 2. Descriptive Statistics

	N	*Minimum*	*Maximum*	*Mean*	*Std. Deviation*
Return on asset	75	-6,35	23,02	17,21	4,35
Current ratio	85	17,20	22,59	20,37	1,30

Debt to asset ratio	85	11,74	20,67	19,19	1,35
Total assets	85	16,54	21,85	21,19	0,92
Profit Growth	38	16,12	22,82	20,57	1,90
Valid N (*listwise*)	36				

Source: SPSS Output Results (2024)

Table 2 provides an explanation for the findings of the descriptive statistical test for the return on assets variable, which shows an average value of 17.21 with a standard deviation of 4.35. Return on assets of -6.35 is the minimum figure. The highest possible return on assets was 23.02. The current ratio variable has a standard deviation of 1.30 and an average value of 20.37. 17.20 is the minimum value of the current ratio. 22.59 is the maximum value of the current ratio. The average value of the debt-to-asset ratio variable is 21.19, with a standard deviation of 1.35. The debt-to-asset ratio should not be less than 11.74. The maximum value of the debt-to-asset ratio is 20.67. With a standard deviation of 0.92, the average variable value of the total asset is 21.19. The total asset value of 16.54 is the minimum. At PT Kalbe Farma Tbk, the maximum total asset value is 21.85. With a standard deviation of 1.90, the profit growth variable has an average value of 20.57. The minimum profit growth figure is 16.12. Profit growth has a maximum value of 22.82.

Table 3. Coefficient Determinants

Type	R	*R Square*	*Adjusted R Square*
1	0,490	0,240	0,202

Source: SPSS Output Results (2024)

Based on the results of table 3, the Adjusted R-Square score is 0.202 which shows that the proportion of the variables ROA, CR, DAR and TA to profit growth is 20.2%, even the remaining 79.8% is influenced by other elements other than the independent variables that are not studied

Table 4. Partial Test

		Standardizd Coefficients	t	*Sig.*
		Beta		
1	Return on asset	0,496	4,795	0,000
	Current ratio	-0,085	-0,793	0,430
	Debt to asset ratio	-0,026	-0,254	0,800
	Total assets	-0,66	-0,665	0,508

Source: SPSS Output Results (2024)

Based on the t-test, it can be stated if the sig score is < 0.05 that it is stated to have an impact and if the sig score is > 0.05 that it has no impact. The findings of the study show that the variable return on assets has an impact on the development of profits, even the variable current ratio, debt to asset ratio and total assets have an impact on the development of profits.

Table 5 Simultaneous Tests

	Type	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	132499861 298462470 000.000	4	331249653 246156200 00.000	6,324	0,000
	Residual	419030771 505228600 000.000	80	523788464 381535740 0.000		
	Total	551530632 803691100 000.000	84			

Source: SPSS Output Results (2024

Based on the results of the table, it can be seen that the F value calculated in the significant column of 0.000 is more than the minimum than 0.05, which can be said to have a significant impact on the development of profits at the same time. Based on the data and analysis obtained, the discussion is:

1. Effect of ROA on Profit Growth
   The findings of the research are that ROA has an impact on the development of profits a. This is because return on assets shows the magnitude of net profit. that a business produces compared to the price of its assets. This ratio can be used to find out the range of profits. The increase in the value of profitability achieved by a business also has a greater impact on profit growth. Higher returns on equity indicate the company's assets are being used as best as possible to generate profits. This research is consistent with signal theory. According to *the signalling theory*, a high ROA is a good indication of investors because it ensures that investors are interested in spending their money and establishing partnerships with companies that perform well.
2. Effect of Current Ratio on Profit Growth
   The study found that the lancer ratio had no effect on the development of profits. The findings of his research show that a low current ratio does not affect a company's profit growth. Companies with very high current assets because they try to make the most of their current assets not only for debt payments but also for other needs. However, this does not guarantee the availability of working capital for the business. This is because it is impossible to say that a business is running well if the ratio measurement findings are high, the proportion and current asset allocation are not good, and there is no guarantee that the company's debt will be paid. Because it is not useful, it will not affect the development of benefits. It can be concluded that high turnover does not necessarily mean increased profits. This research is consistent through the signal theory that the less the lancer ratio is, the worse it gets. This can bode ill for potential investors, as it means companies that are struggling to pay short-term debt could suffer losses.
3. The Effect of Debt to Asset Ratio on Profit Growth
   The results of this research are that debt to asset ratio has no effect on profit growth. Companies make more use of allocated funds from debt to maximize company wealth, but the use of funds from debt has the consequence of increasing the interest expense paid which has an impact on reducing company profits. This means that a company has difficulty paying its long-term debt and can result in losses for the company. This research is in accordance with signal theory which states that the higher the debt to assets ratio, the higher it can be used as a bad signal for investors who want to invest, because this means that a company is having difficulty paying off its long-term debt and could result in losses for the company.
4. The Effect of Total Assets on Profit Growth
   The findings of the study are that the debt-to-asset ratio has no impact on revenue growth. The company uses a lot of inventory from debt to overwrite the company's assets, however, the use of borrowing costs increases interest costs and reduces the company's profits. This means that the company will have difficulty paying long-term debts that can result in losses for the company. Total assets cannot reflect the development of a company's profits, so it is not an expected explanation or viewed by stakeholders. This is because a company's assets as a whole do not always show strong profit growth, but depend on how effectively these assets are managed by the company's management.

CONCLUSION

Based on the tests carried out, it can be concluded that ROA has an impact on profit development. The matter shows that high return on assets ensures good business prospects. Therefore, investors reacted positively to the company's signals and revenue growth increased. The current ratio has no impact on the development of its profit.

This is due to the fact that if the estimated proportion of the proportion produced is high, it cannot be said that the company's condition is good, and there is also no guarantee that the company's obligations will be paid, because the distribution and distribution of current assets will not generate profits. Therefore, it does not affect profit growth. The reason is that the company uses a lot of costs allocated from debt to raise assets, but the use of borrowed funds causes an increase in interest costs which has an impact on decreasing the company's profits. DAR has no impact on profit development because it utilizes more funds from debt to increase assets. However, financing through loans leads to an increase in interest payments, which negatively impacts the company's profits. Total assets do not affect profit growth. This is because both small and large businesses are unable to maximize profits, so the size of the company determined by total assets has no effect on profit growth.

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