INFLUENCE OF TOTAL ASSETS, PROFITABILITY AND LIQUIDITY ON PROFITS

(Case Study of Pharmaceutical Sector Companies Listed on the Indonesian Stock Exchange for the 2019 – 2022 Period)

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ARTICLE INFORMATION

ABSTRACT

This research aims to determine the effect of Total Assets, Profitability and Liquidity on Profits in Pharmaceutical Sector Companies Listed on the Indonesian Stock Exchange for the 2019 - 2022 Period.

The analysis technique is carried out using multiple linear regression analysis. The sample selection in this research used the purposive sampling method. The number of companies used as samples based on predetermined criteria was 10 companies. Hypothesis testing uses the t test, F test, and determination test. Apart from that, the normality test, multicollinearity test, autocorrelation test and heteroscedasticity test are also used.

The results of this research show that partially Total Assets, Profitability and Liquidity have a significant effect on Profit. Total Assets has a positive and significant effect on Profit. Profitability has a positive and insignificant effect on Profit. Liquidity has a negative and insignificant effect on Profit. The coefficient of determination (R^2) is 0.150, which means that the ability of the independent variable to explain variations in related variables is 15%, while the remaining 85% is explained by other independent variables not examined in this research. This research provides useful input and considerations for companies to predict company profits and increase the strength of their assets.

Keywords: Liquidity, Profit, Profitability, Total Assets.

INTRODUCTION

Companies use financial performance to measure their success in achieving optimal net profit. Increasing company profits explains the company's success every year. Financial ratios are a management analysis tool for evaluating company performance based on company data comparisons. To parties such as; company owners, management, shareholders and lenders are used as references in making decisions. Companies that generate large profits are also considered efficient and effective.

Among the many pharmaceutical sectors listed on the Indonesian Stock Exchange, the author chose the pharmaceutical sector as a research reference, where pharmaceutical sector companies are still one of the triggers for promising prospects. This is because pharmaceutical companies are very important to Indonesian society, especially in areas where people trust pharmaceutical companies when it comes to their health. As industry competition becomes increasingly fierce, pharmaceutical companies strive to be better and faster, with the aim of providing quality products and services to customers and ensuring the welfare of the Indonesian people.

According to Brigham and Houston (2014), one financial ratio that may be used to assess a company's asset resource management effectiveness is total assets. Kasmir (2016: 196) claims that profitability ratios are a gauge of a company's capacity to turn a profit. It also offers a ballpark figure for how effectively a given company's management is operating. This is a result of the money made from sales and investments. The first is using this ratio to calculate the efficiency of a business. The ability of the business to produce net profits increases with a better or greater return on assets (ROA), and vice versa. The term "net profit" refers to profit after taxes, which is also frequently used to refer to current.

Every year, the average profit for pharmaceutical businesses listed on the IDX between 2019 and 2022 varies. This is evident from the -0.05 average profit value in 2019 and the 0.14 average profit value in 2020. The average profit increased by 126.3 percent on average in 2021. It will, however, see a decrease in 2022, with an average profit value of 6.14. Pharmaceutical businesses' financial health, specifically fluctuations in profitability, is impacted by the growing public use of pharmaceuticals and medical devices. There are two possible outcomes for changes in profits: either a decline or a rise. The company's steadily rising profits show that business is doing well overall.

Given this context, the research objective is to examine and characterize the influence of total assets, profitability, and liquidity on profits in pharmaceutical companies listed on the Indonesia Stock Exchange between 2019 and 2022. In addition, this research formulates the problems that arise, especially how profitability affects profits in pharmaceutical sector companies listed on the IDX for the 2019–2022 period, how total assets affect profits, and how liquidity affects profits. What is the effect of total assets, profitability and liquidity on profits in pharmaceutical sector companies listed on the Indonesia Stock Exchange for the 2019–2022 period, as well as in companies listed on the IDX. Based on practical aspects, the results of this research can provide useful input and consideration for companies to predict company profits and increase the strength of their assets. Meanwhile, for investors, it can be used for assessment so they don't hesitate to invest.

LITERATURE REVIEW

The balance sheet is the company's position at a certain time which is represented by the balance sheet. Assets that are classified as long-term are assets that are expected to remain in use for a period of more than one year. These assets include machinery and plant as well as intellectual property such as patents and copyrights. (Brigham and Houston, 2019). The Income Statement is a report that starts with net sales, which is followed by operating expenses, interest, and taxes to arrive at the net income distributed to common shareholders. The most significant item for shareholders in the income statement is EPS. Although professional security analysts and managers distinguish between operating and non-operating income, shareholders usually concentrate on reported EPS. A company's normal core business generates operating profits. (Brigham and Houston, 2019).

Cash Flow is "cash is king" in the banking industry, the net profit shown in the income statement is not cash. Management's goal is to optimize the inherent value of the organization, and the anticipated cash flow of any asset, including stock, determines its value. Therefore, managers work to optimize the cash flows accessible to investors. (Brigham and Houston, 2019). One of the financial statistics that can be used to measure how well a company manages its asset resources is the activity ratio, often known as the total assets ratio (Brigham and Houston, 2014). Total asset turnover, the activity ratio used in this research as a measurement indicator, can also be used to measure how well a business manages its assets to generate income.
H_1 : Total Assets has a positive and significant effect on Profit

Kasmir (2012) states that profitability ratios are measurements that assess a company's capacity to generate profits from its routine business operations. An entity whose function is to generate income through the sale of goods or services to customers is known as a company. Most businesses want to maximize their profits, both short and long term as a primary operating goal.
H_2 : Profitability has a positive and significant effect on profits

A ratio called liquidity is used to assess a company's capacity to pay off short-term debt and other financial commitments. This ratio is indicated by the current size of assets. In general, short-term liabilities (liabilities that last less than a year) determine how quickly (liquid) the company meets its financial performance (Sujarweni, 2017). Current Ratio is the liquidity ratio used by researchers in this research.
H_3 : Liquidity has a positive and significant effect on Profit

The definition of accounting profit is the difference in measuring revenue and costs, which is what the current accounting structure uses to define profit. The accuracy of measuring income and expenses has a significant effect on the size and magnitude of profits as a measure of increasing assets (Chariri and Ghozali, 2014: 213).
H_4 : Total Assets, Profitability and Liquidity simultaneously have a positive and significant effect on profits
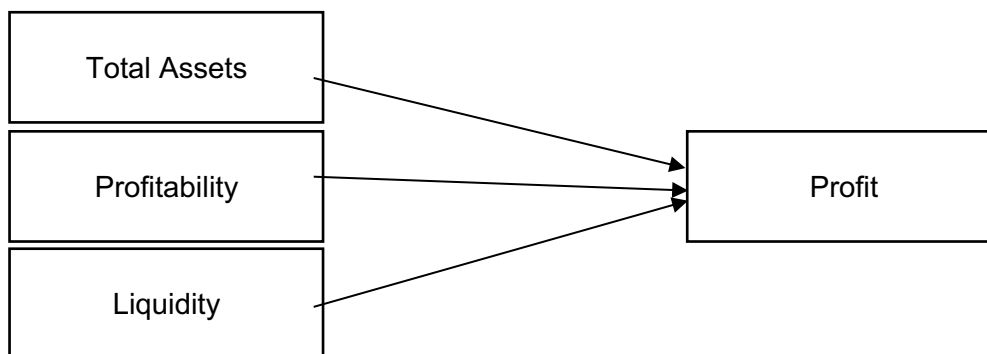
Research Thinking Framework

Figure 1. Research Thinking Framework

RESEARCH METHOD

This research uses a population in the form of pharmaceutical sector companies listed on the Indonesia Stock Exchange (BEI) in 2019-2022. Sample selection was determined by purposive sampling. Of the 11 pharmaceutical sub-sector companies listed on the Indonesian Stock Exchange (BEI), there are 10 pharmaceutical sub-sector companies that were selected as research samples and have met the criteria based on the purposive sampling method that the author has previously determined. So, the amount of data that will be used in this research is 40 sample data. The data in this research uses documentation techniques, namely data collection by collecting secondary data from financial reports that have been published on the IDX and the 2019-2022 annual report.

RESULTS

This research explains how profit affects total assets, profitability and liquidity. The sample method used is the purposive sampling method. The sample size for this study was 30.

Table 1. Results of Descriptive Statistical Analysis

Variable	Minimum	Maximum	Mean	Std. Deviation
Profit	-,99	,93	-,1053	,45407
TAT	,00	1,81	,9520	,40866
ROA	-,150	12,700	2,95917	4,623807
CR	,90	444,50	111,6190	158,58273

Source: data processed in 2024

From the table above it can be seen that the average values of the TAT, ROA, CR and profit variables are 0.9520, 2.959, 111.61, and -0.1053. The standard deviation of each variable is 0.454, 0.408, 4.623, and 158.58. Meanwhile, the minimum values for the TAT, ROA, CR and profit variables are 0.00, -0.15, 0.90 and -0.99. And the maximum values are 1.81, 12.7, 444.5, and 0.93.

Table 2. Data Normality Test

	Unstandardized Residual
N	30
Asymp. Sig. (2-tailed)	,200[c,d]

Source: data processed in 2024

The results of the data normality test in the research can be seen in table 2 showing that the Kolmogorov-Smirnov Z test is 0.200. These results conclude that the value of Asymp. signature. (2-tailed) above 0.05 then the data is normally distributed.

Table 3. Multicollinearity Test Results

Model		Collinearity Statistics	
		Tolerance	VIF
1	TAT	,910	1,098
	ROA	,528	1,893
	CR	,493	2,027

Source: data processed in 2024

Based on the results of table 3, the results of the multicollinearity test show that all independent variables have a tolerance value < 0.10 and a Variance Inflation Factor (VIF) value > 10.

Figure 2. scatterplot graph
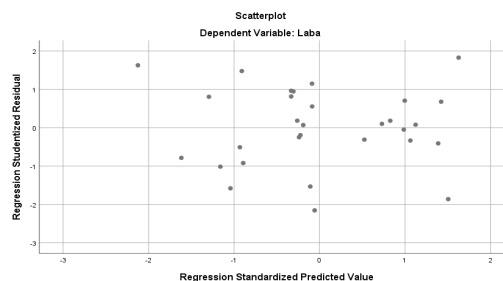
Source: data processed in 2024

Table 4. Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,387[a]	,150	,052	,37911	2,440

Source: data processed in 2024

Based on table 4 above, So if the Durbin-Watson table is included in the formula, there is no autocorrelation du < d < 4 - du = du (1.421) Durbin-Watson < (2.440) < 4-du (2.579) it can be concluded that the du value is smaller than the d value, whereas d value is smaller than 4 – du value. From this statement it can be concluded that there is no autocorrelation.

Table 5. Multiple Linear Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-,582	,196		-2,964	,006
	TAT	,466	,193	,419	2,418	,023
	ROA	,068	,055	,695	1,240	,226
	CR	-,002	,002	-,527	-,936	,358

Source: data processed in 2024

Y = (-0,582) + 0,466 X1 + 0,068 X2 – 0,002 X3 + e The results of this equation can be interpreted as follows :

a. The constant value is -0.582 and has a negative direction. This means that before being influenced by the TAT, ROA and CR variables or if the three variables are zero or constant, the Profit value is -0.582.
b. The TAT regression coefficient value is 0.466 and is positive. This shows that TAT has a positive effect on Profit. This means that if the TAT value increases by 1, then Profit will increase by 0.466 assuming that other variables remain constant.
c. The ROA regression coefficient value is 0.068 and is positive. This shows that ROA has a positive effect on Profit. This means that if the ROA value increases by 1, Profit will increase by 0.068 assuming that other variables remain constant.
d. The CR coefficient value is -0.002 and is negative. This means that CR has a negative effect on profits. This means that if the CR value decreases by 1, Profit will decrease by 0.002 assuming that other variables remain constant.

Hypothesis testing
Partial Test (t test)
The partial test (t test) was carried out using a significance level of 5% or 0.05. Based on table 5 above, it can be concluded that:

a. The Effect of Total Assets on Profit
   Based on the test results, the calculated t value for the TAT variable is 2.418 and the t table obtained from the t distribution table is 1.705, so it can be concluded that 2.418 > 1.705 and the significance value is 0.023 < 0.05, so the decision result is that H0 is rejected and Ha is accepted. This means that there is a positive and significant influence between Total Assets and Profit, so it can be concluded that hypothesis one is accepted.
b. The Effect of Profitability on Profit
   Based on the test results, the calculated t value for the ROA variable is 1.240 and the t table obtained from the t distribution table is 1.705, so it can be concluded that 1.240 < 1.705 and the significance value is 0.226 > 0.05, the decision result is that H0 is accepted and Ha is rejected. This means that there is a positive and insignificant influence between Profitability and Profit, so it can be concluded that hypothesis two is rejected.
c. The Effect of Liquidity on Profit
   Based on the test results, the calculated t value for the CR variable is -0.936 and the t table obtained from the t distribution table is 1.705, so it can be concluded that -0.936 < 1.705 and the significance value is 0.358 > 0.05, the decision result is H0 is accepted and Ha rejected. This means that there is a negative and insignificant influence between Liquidity and Profit, so it can be concluded that hypothesis three is rejected.

Based on the test results in table 7, it is known that the coefficient of determination value which can be seen in the R Square column is 0.150. The coefficient of determination (R Square) is 15.0% (0.150 x 100%). So the results of this research can be concluded that the variables TAT, ROA, and CR simultaneously influence the profits of pharmaceutical sector companies. Meanwhile, the remaining 85 (100% - 15.0%) were influenced by other variables outside the model which were not examined.

DISCUSSION

The Effect of Total Assets on Profit
Based on the results of the analysis, the calculated t value for the Total Assets variable is 2.418 and the t table obtained from the t distribution table is 1.705, so it can be concluded that 2.418 > 1.705 and the significance value is 0.023 < 0.05, the decision result is that H0 is rejected and Ha is accepted with Thus, a decision can be taken that the Total Assets variable has a positive and significant effect on profits. This is in line with previous research conducted by Eddy Purnairawan (2023) stating that total asset turnover has a positive and significant effect on profit growth. And this is in line with research conducted by Ira Rahmawati and Dini Verdania Latif (2023) which states that total asset turnover has a significant positive effect on profit growth.

The Effect of Profitability on Profit

Based on the results of the analysis, the calculated t value of the profitability variable is 1.240 and the t table obtained from the t distribution table is 1.705, so it can be concluded that 1.240 < 1.705 and the significance value is 0.226 > 0.05, the result of the decision is that H0 is accepted and Ha is rejected, thus it can be taken decision that the ROA variable has a positive and insignificant effect on profits of pharmaceutical sector companies. This is influenced by the inventory of raw materials and goods in process, current assets that are not yet ready to be sold, which then results in low sales and decreased profits. The results of this research are in line with those conducted by Defrisa Fibrianti Tukan and Nur Laily (2021) who stated that profitability has an insignificant positive effect on profit growth.

The Effect of Liquidity on Profit
Based on the results of the analysis, the calculated t value of the liquidity variable is -0.936 and the t table obtained from the t distribution table is 1.705, so it can be concluded that -0.936 < 1.705 and the significance value is 0.358 > 0.05, the decision result is that H0 is accepted and Ha is rejected Thus, a decision can be taken that the liquidity variable has a negative and insignificant effect on the profits of pharmaceutical sector companies. This is influenced by a low current ratio, so companies should increase the amount of current assets they own, such as collecting business receivables, reducing prepaid expenses, and considering funding options through equity rather than choosing short-term loans which can cause an increase in current liabilities and reduce the ratio. The results of this research are in line with those conducted by Shinta Estininghadi (2019) who stated that liquidity has a negative and insignificant effect on profit growth.

The Influence of Total Assets, Profitability and Liquidity on Profit
Based on the results of the F statistical test in table 4.14, the calculated f value is 3.869 > F table is 2.92. The significance value obtained is 0.036 < 0.05. So it can be concluded that the variables Total Assets, Profitability and Liquidity simultaneously have a significant effect on Profit. These results indicate that hypothesis four is accepted. This is in line with previous research conducted by Defrisa et al (2021), Eddy Purnairawan (2023), and Rahmawati et al (2023) which showed the results that Total Assets, Profitability and Liquidity had a significant effect on Profit.

CONCLUSION

According to the findings of the research, pharmaceutical companies listed on the Indonesian Stock Exchange between 2019 and 2022 will see a partial and major increase in profits as a result of their total assets. It follows that better asset management will result in greater asset performance. raise the amount of money made. The impact of profitability on profits in pharmaceutical businesses listed on the Indonesia Stock Exchange between 2019 and 2022 is negligible and only slightly favorable. This implies that sales will be low and profits will drop if the inventory of raw materials and goods-in-process consists of current assets that aren't ready to be sold. (3) There is a slight negative impact of liquidity on earnings.

LIMITATIONS

Limitations that should be of concern to future researchers. Some of these limitations are:
1. The research only concentrates on three variables: total assets, profitability, and liquidity.
2. This research only uses four research periods, namely the 2019 - 2022 period. It is hoped that future research can use a longer period so that it can provide a clearer picture of profit and influencing variables such as total assets, profitability and liquidity used in this research.

ACKNOWLEDGMENT

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