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**The Effect of Financial Performance on Profit Growth in  
Automotive Companies Listed on IDX**

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**ABSTRACT**

Profit growth has an important role in evaluating the performance of a company, when the development of business entity profits is higher, shareholders tend to be interested in putting their investment because they believe that the company has positive prospects in the future. The purpose of this study was to examine the effect of financial performance, namely Current Ratio, Net Profit Margin, and Total Asset Turnover on profit growth in Automotive Companies. This type of research used is quantitative using secondary data from Automotive Companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2022 with a research sample of 31 samples. The analysis technique uses multiple regression analysis with the spss statistical test tool. The results of this study are that Net Profit Margin has a significant positive effect, while other factors such as Current Ratio and Total Asset Turnover do not show a significant effect. However, simultaneously Current Ratio, Net Profit Margin, and Total Asset Turnover affect profit growth.

*Current Ratio, Net Profit Margin, Total Asset Turnover, Profit Growth*

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**INTRODUCTION**

In general, a company is an entity that creates something or service (product) for customers by utilizing labor, raw materials, and resources (input). Increasing revenue is the goal of every company, the company's ability to generate profits is largely determined by the extent of the effectiveness and efficiency of the business and resources that can be (Sabrina, 2019). Every company expects its revenue to increase every year because it allows the company to develop and remain operational in its designated industry (Rena Badriyah & Amanah, 2021). Profit growth has an important role in evaluating the performance of a company, when the development of business entity profits is getting higher, shareholders tend to be interested in investing because they believe that the company has positive prospects in the future.

Financial performance is considered good if it meets the requirements outlined in Indonesian accounting principles, which include relevant, understandable, impartial, timely, comparative, and complete. The economic performance of an organization can be analyzed using its financial statements (Prihastuti et al., 2019). According to (Hakim & Naelufar, 2020), financial statements are documents that represent the financial data of a company at accounting time and are intended to describe the state or performance of the business.

According to (Andriyani Ima, 2015) financial ratios give investors access to a company's financial data and operational performance, which helps them assess the strengths and shortcomings of a company. According to (Sipahelut et al., 2017) defines the numbers obtained through the comparison of financial statements known as financial ratios. The success of a business can be ensured through an examination of the size of financial aspects that include profitability, liquidity, and effectiveness ratios, based on existing facts businesses can use these ratios to identify trends and take necessary actions (Masyitah & Harahap, 2018).

This research used is the profitability ratio including net profit margin, liquidity seen from the current ratio and for activities observed through the number of asset turnover. The level of profitability can show how well the management of the company's management (Haninun & Nurdiawansyah, 2014). Liquidity is a ratio needed in analyzing a company's financial statements. In research (Afriyanti, 2023) in a manufacturing organization written on the Indonesia Stock Exchange for the period 2017-2021, it shows that liquidity variables (CR) and activities (TATO) do not have a major impact on profit development, while solvency (DAR) has a significant negative impact on interest development, and profitability ratio (ROE) has a major effect on interest increases. While research (Mahaputra, 2012) the test product shows that the current ratio, debt to equity, total asset turnover to net profit margin have a large dampang for profit increase. In research (Rena & Amanah, 2021) in food and drink business entities listed on the Indonesia Stock Exchange in 2015-2019. Based on the research output, it can be concluded that profit growth is not influenced by the leverage ratio and liquidity ratio, but there is an influence from the activity ratio.

**Saham-Saham Industri Otomotif Merah Merona Sejalan dengan Turunnya Sektor Manufaktur RI**



**Figure 1.**

**Industrial Stock Movement in Indonesia**

Sumber: *cnbcindonesia.com*, 2019

According to information from the Indonesia Stock Exchange, the manufacturing industry throughout 2019 experienced a decline, shares of the automotive industry and its components also declined as seen from the red data in the chart above. The industrial sector that houses the automotive and component industries has decreased 7.03% since the beginning of the year in line with the decline in the manufacturing industry due to declining demand for automotive compared to last year. In 2019, the manufacturing industry grew 3.8%, down 12.4% compared to manufacturing growth in 2018, which was 4.3%. From the description of the phenomenon that has been described, the main purpose of this study is to examine the impact of the influence of financial performance which includes liquidity, profitability, and activity on profit growth in automotive companies listed on the Indonesia Stock Exchange. (*cnbcindonesia.com*).

**RESEARCH METHODE**

The method applied to this research is a comparative causal approach, with the intention of identifying the extent of the relationship between the two variables, namely the independent variable with bound. The quantitative data used in this study was sourced from financial reports.

In the study, a purposive sampling approach was used by considering the following criteria for sample selection: 1) automotive business entities contained in the IDX, (2) business entities that submitted financial statements for the period 2018-2022, and (3) companies that recorded profits for the previous five years.

The origin of the information in this study comes from the subject on which the information was obtained. His study examined secondary data pulled from financial statements, official websites, and other sources. In this

study, information is used in the form of financial statements covering the period from 2018 to 2022 for the automotive sector written on the IDX. The annual report is obtained from the official website of the Indonesia Stock Exchange ([www.idx.co.id](http://www.idx.co.id)).

In this research, the chosen strategy is Multiple Linear Regression Analysis through the application of SPSS applications. This is because there are three independent elements, such as the current ratio, net profit margin, to total asset turnover (free element), in addition to the dependent element is profit growth. The multiple linear regression model used in this study can be formulated by:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$$

Note:

- Y = Dependent variable i.e. PL
- a = Constant
- b = Regression coefficient
- X1 = Current Ratio
- X2 = Net Profit Margin
- X3 = Total Asset Turnover
- e = Standard Error

## RESULT AND DISCUSSION

### Descriptive Analysis Results

Descriptive statistics illustrate the summary of information according to the average number, standard deviation, maximum, total, range, minimum, kurtosis, and skewness (difference in spread) accordingly (Ghozali, 2016). The following table displays the findings of the descriptive analysis:

**Table 1.**

**Descriptive Test Results**

	N	Minimum	Maximum	Mean	Std. Deviation
CR	31	.72	2.16	1.5390	.34757
NPM	31	-.08	.19	.0532	.06705
TATO	31	.38	1.21	.8113	.22271
PL	31	-.266	2.08	-.1852	1.07859
Valid N (listwise)	31				

Source: SPSS Managed Information, 2023

Based on the results in the table above, the N value on all variables shows as many as 31 data from 10 automotive business entities listed on the IDX in the 2018-2022 period.

1. The current ratio has the lowest number of 0.72, the highest number is 2.16, the average result (mean) is 1.5390, and the standard deviation value is 0.34757.
2. Net profit margin has a low of -0.08, a high of 0.19, a mean of 0.0532, and a standard deviation of 0.06705.

3. Total asset turnover has the lowest number of 0.38, the highest number is 1.31, the average result (mean) is 0.8113, and the standard deviation value is 0.22271.
4. Earnings growth had a low of -2.66, a high of 2.08, a mean of -0.1852, and a standard deviation of 1.07859.

**Classical Assumption Test**  
**Normality Test**

**Table 2.**  
**Normality Test Results**

		Unstandardized Residual
N		31
Mean		0E-7
Std. Deviation		.94106221
Absolute		.166
Most Extreme Differences	Positive	.107
	Negative	-.166
Kolmogorov-Smirnov Z		.926
Asymp.Sig. (2-tailed)		.3571

Source: Data Processed SPSS,2023

A normality test is carried out to find out if an element is normally or abnormally distributed. You can see the number asymp.sig. (2-tailed) is 357 on the findings of the normality test output of one sample of Smirnov obtained above. With a value of  $0.357 > 0.5$ , the significance number is higher than 0.5. As a result, information is spread normally.

**Multicollinearity Test**

**Table 3.**  
**Multicollinearity Test Results**

Coefficient <sup>a</sup>							
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistic	
	b	Std. Error	beta			Tolerance	VIF
1. (Constant)	-1.220	.919		-1328	.195		
CR	-.345	.562	-.111	-.638	.545	.847	1.181
NPM	7.375	2.766	.459	2.667	.013	.935	1.069
TATO	1.442	.855	.299	1.687	.103	.882	1.134

Source: Data Processed SPSS,2023

This study used a linear multicollinearity test between free elements on the type of regression. Do not experience what multicollinearity if the tolerance number  $> 0.010$  and the VIF number  $< 10$ . Based on table three, it shows that the VIF number of free elements consisting of a current ratio of 1,181, net profit margin of 1,069, and total asset turnover of 1,134 is smaller than

(VIF < 10) so that it can be concluded that the variable variable is free from multicollinearity.

**Autocorrelation Testing**

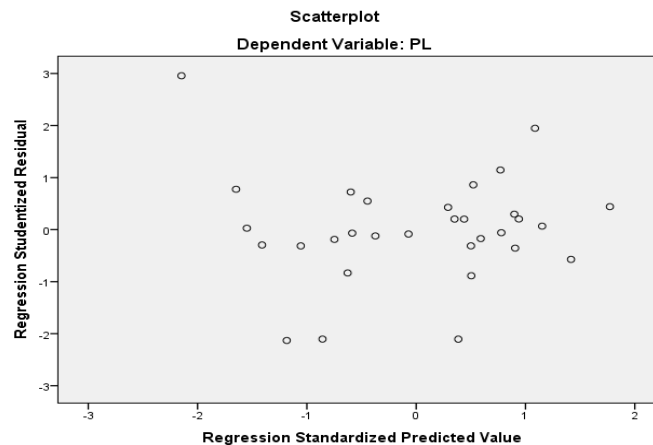
**Table 4.**  
**Autocorrelation test Results**

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. error of the estimate	durbin-watson
1	.501 <sup>a</sup>	.251	.168	.98381	2.243

Source: Data Processed SPSS,2023

In order to understand whether the problem of the confounding in period t and the fatality of the confounding in period t-1 or earlier are related in the type of linear regression, an autocorrelation test is used. According to the results of the autocorrelation test in table four shows that the Durbin-Watson test number is 2.243 which means higher than the dU number of 1.6500 at a significance level of 0.05 and lower than the number 4 - dU (2.3500) which can be concluded that there is no positive or negative autocorrelation.

**Heteroskedacity Test**



**Figure 2.**

**Heteroskecity Test Results**

The results of the test can be observed that the results of points on the Y-axis are scattered randomly based on the results of the image on the scatterplot. So it can be concluded that the classical assumption of heteroscedasticity has been fulfilled and is worthy of use by the findings of multiple regression types in this research.

**Multiple Linear Regression Analysis Test Results**

**Table 5.**  
**Multiple Linear Regression Test Results**

Coefficient <sup>a</sup>					
Model	Unstandardized Coefficient		Standardized Coefficient	t	Sig
	B	Std. Error	Beta		

1 (Constant)	-1.220	.919		-1.328	.195
CR	-.345	.562		-.111	.545
NPM	7.375	2.766		.459	.013
TATO	1.442	.855		.299	.103

Source: Data Processed SPSS,2023

This study uses the SPSS application to conduct Multiple Linear Regression Analysis, because there are three independent variables including current ratio, net profit margin, total asset turnover (independent) and dependent variable is profit growth. To determine the direction and magnitude of the impact of free elements on bound elements, Multiple Linear Regression Analysis is used (Ghozali, 2018). From the results of processing multiple linear regression data in table six obtained the equation, namely:

$$PL = -1.220 + -0.345 CR + 7.375 NPM + 1.442 TATO + e$$

**Model Feasibility Test Results**  
**Coefficient of Determination Test**

**Table 6.**  
**Determination Coefficient Test Results**

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. error of the estimate
1	.501 <sup>a</sup>	.251	.168	.98381

Source: Data Processed SPSS,2023

In table 6, it can be understood that the R Square number of 0.251 or 25.1% of the findings shows that the variable profit growth explained using the ratio of liquidity, profitability, and activity is 25.1% while the remaining 74.9% is contributed by other elements.

**Test F or Model Qualification Test**

**Table 7.**  
**F-Test Results**

ANOVA <sup>a</sup>						
Model		Sum of Square	df	Mean Square	f	Sig.
1	Regression	8.777	3	2.926	3.023	.047 <sup>b</sup>
	Residual	26.133	27	.968		
	Total	34.910	30			

Source: Data Processed SPSS,2023

The F test is conducted to find out what free elements inserted in this type have an impact on the bound element. From Table 7, it can be seen that the results of the F statistical test show a calculated F number of 3.023 with a significance level of 0.047. So it can be said that the ratio of liquidity, profitability, and activity simultaneously has an influence on net interest growth. These results indicate that this type of regression is worth using to test hypotheses.

Statistical Test T

**Table 8.**  
**T Test Results**

Coefficient <sup>a</sup>					
Model	Unstandardized Coefficient		Standardized Coefficient	t	Sig
	B	Std. Error	Beta		
1 (Constant)	-1.220	.919		-1.328	.195
CR	-.345	.562	-.111	-.613	.545
NPM	7.375	2.766	.459	2.667	.013
TATO	1.442	.855	.299	1.687	.103

Source: Data Processed SPSS,2023

The statistical test t is used to show how much participation a free element has over the dependent element, and the hypothesis is accepted if the significance value is less than 0.05. Conversely, an alternative hypothesis is considered rejected if its significance figure is greater than 0.05. The conclusions in the table can be drawn, namely:

a. The Effect of Current Ratio on Profit Growth

In table 8, it can be concluded that the impact of the current ratio (CR) on profit development has a significance value of 0.545. Therefore, a significance figure higher than 0.5 shows that the current ratio does not have a significant impact on profit growth, as a result H1 is rejected. By examining current assets, a company's capacity to make payments in the near future can be assessed using the current ratio. The higher the value of this ratio, the easier it is for the company to make short-term payments. This indicates that the company is having difficulty paying off its short-term commitments because its short-term debt exceeds its total current assets.

b. The effect of net profit margin on profit growth

In table 8 presented, it can be seen that the effect of net profit margin (NPM) on profit development has a significance value of 0.013. With a significance figure lower than 0.5, it can be said that the net profit margin has a significant impact on profit growth. As a result, H2 is received. This shows that the company is increasingly effective and efficient in obtaining profits. Likewise, the profit target that is expected to be achieved by the business in the coming year. Of course, this can increase the interest of stock investors to invest in shares which can ultimately increase company profits

c. The effect of total asset turnover on profit growth

In table 8 listed above, it can be observed that the impact of total asset turnover (TATO) on interest growth has a significance of 0.103. Therefore, a significance figure higher than 0.05 indicates that total asset turnover does not have a significant impact on profit growth. As a result, H3 is



rejected. This can occur as a result of the business's inability to properly manage and use its resources, such sales, or as a result of the business failing to offer profits. Because the business does not offer benefits for all assets owned in generating sales that will generate profits for the business.

## CONCLUSION

The conclusion that can be drawn is that profitability, which is analyzed through the use of net profit margin (NPM), has a significant influence on the development of profits in automotive business entities listed on the Indonesia Stock Exchange from 2018 to 2022. Meanwhile, other factors such as liquidity assessed through the current ratio (CR) and activities assessed by utilizing total asset turnover (TATO) did not show a significant effect. But simultaneously, this research shows that the current ratio, net profit margin, and total asset turnover have an influence on profit growth.

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