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Effect of CR, DER, and TATO on Profit Growth in Pharmaceutical Companies Listed on IDX

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Abstract

This study aims to determine the influence of Current Ratio, Debt to Equity Ratio, and Total Assets Turnover on Profit Growth in pharmaceutical sub-sector manufacturing companies which were listed on Indonesia Stock Exchange in 2014-2018. The sample consisted of 9 pharmaceutical companies which were obtained using purposive sampling method. This study used multiple linear regression analysis and SmartPLS 3. The results showed that Current Ratio and Debt to Equity Ratio do not have significant influence on Profit Growth. Meanwhile, Total Assets Turnover has a significantly negative influence on Profit Growth.

Keywords: CR; DER; TATO; Profit Growth

1.0 INTRODUCTION

The pharmaceutical sector plays an important role in reforming the health sector. As in general, health problems are closely related to the availability of medicines needed by the community. Many pharmaceutical companies as drug producers are established in Indonesia, both foreign companies and national companies. The development of pharmaceutical companies is affected by many things, one of which is the increased access to health along with the implementation of BPJS Health, namely the Social Security Administrator for Health in Indonesia since early 2014 – which has caused business competition to be tighter in the pharmaceutical industry. Indonesia can be the most promising pharmaceutical market compared to other countries in Southeast Asia. Several factors have become a reference for the growth of the pharmaceutical industry in Indonesia, namely the large population of Indonesia, the higher public awareness of health, the increasing level of the community's economy, and the increased access to health along with the implementation of BPJS Health – as aforementioned.

The Large and Medium Industrial (IBS) Production Index data which shows the production growth of several non-oil and gas processing industry sectors explains that the production growth from 2014 – 2nd Quarter of 2018 in pharmaceutical companies continues to experience a constant increase and growth rates. If the Large and Medium Industrial (IBS) Production Index at the next pharmaceutical company is compared to the growth rate pharmaceutical sector on the Indonesia Stock Exchange for the period 2014-2018, it can be seen that the level of sales at pharmaceutical companies also continued to increase throughout 2014-2018. Based on this phenomenon, it can be concluded that the growth in production of pharmaceutical companies during 2014-2018 which continues to increase is also followed by sales growth, this is due to good company management and factors that support pharmaceutical companies in Indonesia.

Increased sales were also followed by profit growth. Many factors influence the increase in profit growth of pharmaceutical companies listed on the Indonesia Stock Exchange, one of which is the Current Ratio (CR), Debt to Equity Ratio (DER), and Total Assets Turnover (TATO). CR is very important for profit growth because with CR we can find out the effectiveness of the use of current assets that are allocated to pay off current debts. The statement that CR affects earnings is supported by researches that have been conducted by Anggani (2017), Anggraeni (2017), Trirahaju (2015), Hartini (2012), and Pramono (2015) – but contrary to researches that have been conducted by Amalia (2017), Andriyani (2015), Puspasari, et al. (2017), Wardhani (2019), Sholiha (2014).

DER serves to measure the ratio between total debt and total assets. Where the higher the DER, the worse the performance of a company due to the large amount of debt interest that must be paid, resulting in decreased profit growth in the company. This statement is supported by researches that have been conducted by Anggraeni (2017), Puspasari, et al. (2017), Hartini (2012), Pramono (2015), Wardhani (2019), Sholiha (2014) – but contrary to researches that have been conducted by Anggani (2017), Amalia (2017), Andriyani (2015), and Trirahaju (2015). Therefore, a study regarding the effect of DER on Profit Growth needs to be conducted.

TATO aims to determine the ability of total assets in generating sales of a company. The higher the TATO, the higher the sales of a company which will result in better profit growth. This statement is supported by researches that have been conducted by Amalia (2017), Puspasari, et al. (2017), Pramono (2015), Sholiha (2014) but contrary to researches that have been conducted by Andriyani (2015), Trirahaju (2015), Hartini (2012), Wardhani (2019) and Anggraeni (2017).

Based on the above phenomena and research gaps from the previous researches, this study was conducted to investigate on how much influence the liquidity ratio, solvency, and activity have on the profit growth of pharmaceutical companies listed on the IDX in 2014-2018 – in order to know the effect of CR, DER, TATO on company profit growth.

2.0 LITERATURE REVIEW

According to the Indonesian Accounting Association (2009: 5), the financial statement is a structured assessment of the financial position and financial performance of an entity. The purpose of a financial statement is to provide information about the entity's financial position, financial performance, and cash flow that is useful for most users of the statement in making investment decisions. The financial statement also shows the results of the management's accountability for the use of the resources entrusted to them.

Four types of financial statement that are commonly prepared according to Hery (2018: 2) are (1) Income Statement – which is a systematic report on company income and expenses for a certain period of time. This income statement contains information about the company's business results, namely net profit/loss which is the result of income minus expenses; (2) Statement of Owner's Equity– which is a report that presents an overview of changes in the owner's capital of a company for one certain period of time (report changes in capital). Owner's capital will increase with the investment (paid-up capital) and net profits, on the other hand, the owner's capital will decrease with the prive (withdrawal of cash for the owner's personal benefit) and net loss. In a corporation, a retained earnings statement is prepared to present an overview of changes in retained earnings. Cash dividends and stock dividends announced throughout the period will reduce the amount of retained earnings; (3) Balance Sheet – which is a systematic report on the position of assets, liabilities and capital of the company as of a certain date. The purpose of the balance sheet is to describe the company's financial position; (4) Statement of Cash Flows – which is a report that describes cash inflows and cash outflows in detail from each activity, from operating activities to investing activities, to funding activities (financing) for a certain period of time. The cash flow statement shows the amount of increase and decrease in net cash from all activities during the current period and the cash balance held by the company up to the end of the period.

Financial Statement Users

According to Hery (2018: 4) the accounting information needed by users of financial statement varies – depending on the type of decision to be taken. Users of this accounting information are grouped into two categories, namely internal users and external users.

Internal users are: (1) Director and manager of finance – as to determine whether the company is able to pay off its debts on time to creditors (bankers, suppliers), they need accounting information regarding the amount of cash available in the company at the time before the maturity date of loans/debts; (2) Operational director and marketing manager – as to determine the effectiveness of product distribution channels and marketing activities that have been carried out by the company, they need accounting information about the amount of sales (sales trend); (3) Production managers and supervisors who use accounting information to determine the cost of goods manufactured, which in turn – also serves as the basis for determining the selling price of the product per unit, and; (4) Other internal users.

External users are: (1) Investors – as to make decisions in terms of buying or selling their investment stocks, investors need to carefully and prudently respond to any developments in the investee's financial health condition. Investors as outsiders can assess the prospects for funds that will be or have been invested through the investee's financial statements, whether it is profitable or not; (2) Creditors, such as suppliers and bankers, who use accounting information to evaluate the level of risk from providing credit or borrowing money. In this case, creditors can reduce risk by finding out how much the bona fide and liquidity level of the debtor through the

debtor's financial statements; (3) Government – as to calculate and determine the amount of income tax that must be deposited into the state treasury, they need to know the financial statement of companies (as taxpayers); (4) Capital market supervisory agency who has an interest in the financial performance of the issuer with the aim of protecting investors; (5) Economists, practitioners, and analysts who use the financial statement of companies to predict the economic situation, determine the level of inflation, national income growth, and so on.

Definition of Financial Ratios

According to Hery (2016: 3) financial ratios are a calculation of ratios using financial statements that serve as a measuring tool in assessing the company's financial condition and performance.

Liquidity ratio according to Hery (2016: 142) is a ratio that describes the company's ability to meet its short-term obligations that are due soon. Liquidity ratios are required for the purposes of credit analysis or financial risk analysis.

Solvency ratio or capital structure ratio or leverage ratio according to Hery (2016: 142) is a ratio that describes the company's ability to fulfill all of its obligations. Similar to liquidity ratios, solvency ratios are also required for the purposes of credit analysis or financial risk analysis.

Activity ratio according to Hery (2016: 143) is the ratio used to measure the level of efficiency of the utilization of company resources or to assess the company's ability to carry out its daily activities. This ratio is also known as the asset utilization ratio, which is the ratio used to assess the effectiveness and intensity of the company's assets in generating sales.

Profitability ratio according to Hery (2016: 143) is a ratio that describes the company's ability to generate profits.

Current Ratio (CR) according to Hery (2017: 287) is the ratio used to measure the company's ability to meet its short-term obligations that are due soon – using the total assets available. A company that has a small current ratio indicates that it has less/low working capital (current assets) to pay its short-term liabilities. However, if a company has a high current ratio, it does not necessarily mean that the company is in a good condition as it can happen due to ineffective cash and inventory management.

Debt to Equity Ratio (DER) according to Hery (2017: 300) is the ratio used to measure the proportion of debt to equity. This ratio serves to find out how much of each rupiah of capital is used as debt collateral and provides general guidance on the creditworthiness and financial risk of the debtor. (Brealey and Myers, 1984 in Puspawardhani (2014)) briefly describes Pecking Order Theory as a theory that explains the causes of a company in determining its funding decisions by following the hierarchy of sources of funds favored by the company. Thus, in this Pecking Order Theory, it can be concluded that the order of company funding is – first, from companies internal in the form of retained earnings; second, from companies external which come from debt and; the last one comes from companies external which come from the issuance of new stock. Therefore, it can be concluded that the company will minimize debt if there is sufficient internal reserve of funds to run the company's operations.

Total Assets Turnover (TATO) according to Sujarweni (2019: 63) is the ratio used to measure the effectiveness of the total assets owned by the company in generating sales, or in other words to measure how many sales will be generated from each rupiah of funds embedded in total assets. This ratio is calculated as the dividend between the amount of sales (cash or credit) and the average of total assets. The average of total assets is the total assets at the beginning of the year plus the total assets at the end of last year divided by two. A low total assets turnover means that the company has excess total assets, wherein the total assets have not been fully utilized to create sales.

Anggani (2017: 2) defines profit as the excess of income over expenses related to business activities. If expenses are greater than income, the difference is called loss. Profit or loss is the result of periodic calculations.

Fahmi (2012: 69) explains profit growth as the ratio that measures how much the company's ability to maintain its position in the industry and in general economic development. Furthermore Fahmi (2012: 69) also explains the formula for calculating profit growth is the current year's net profit minus last year's net profit and divided by last year's net profit.

The Effect between Variables and Hypotheses
The Effect of Current Ratio on Profit Growth

Based on the Pecking Order Theory (POT), the first company funding order is taken from the company internal before borrowing or issuing stocks for capital acquisition, this causes the company to be free from interest expenses so that it can increase the company's profit growth, in other words it can be concluded that according to POT - Current Ratio has a positive effect on profit growth. The bigger the current assets, the easier the company will pay the debt. And the higher the Current Ratio, the higher profit growth (Kasmir, 2012). The statement based on the POT above is in accordance with the researches by Trirahaju (2015) and Hartini (2012).

H1:   Current Ratio has a positive effect on Profit Growth in pharmaceutical sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the 2014-2018 periods.

The Effect of Debt to Equity Ratio on Profit Growth

According to Trade off Theory, company will be in debt up to a certain level of debt. If the company has a debt level that is too high, then this condition will increase the risk for the company. Thus, it can be concluded that DER has a negative effect on profit growth. This statement is supported by Pramono (2015).

H2:   Debt to Equity Ratio has a negative effect on Profit Growth in pharmaceutical sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the 2014-2018 periods.

The Effect of Total Assets Turnover on Profit Growth

Higher sales mean that the company is efficient and effective in running its operations and also utilizing its assets; the higher the Total Assets Turn Over, the higher the profit growth (Cashmere, 2012). The higher the level of sales in the future makes the profit growth is higher too. According to Pramono (2015) the greater the TATO, the more efficient the use of all company assets is to support sales activities. This shows that the company's performance is getting better, thus investors are interested in investing, so as to increase company profits. The results of this study are consistent with the researches by Amalia (2017) and Pramono (2015).

H3:   Total Assets Turnover has a positive effect on Profit Growth in pharmaceutical sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the 2014-2018 periods.

3.0 METHODOLOGY

Time and Place of Research

This study was conducted at pharmaceutical sub-sector manufacturing companies listed on the Indonesia Stock Exchange – which were downloaded from the official website of the Indonesia Stock Exchange through the website www.idx.co.id., in June 2019.

Population and Sample

The population in this study was 11 pharmaceutical companies listed on the IDX. The research sample was taken by purposive sampling method, namely sampling based on certain criteria. Based on the sampling method, there were 9 pharmaceutical companies that met the requirements as a sample, with a research period of 5 years.

Operational Definition of Research Variables

The dependent variable in this study was Profit Growth and the independent variables in this study were Current Ratio (CR), Debt to Equity Ratio (DER) and Total Assets Turnover (TATO). The Operational Definition of Variables are listed in Table 1.

Types and Sources of Data

The type of data used in this study is secondary data from the annual financial statements of pharmaceutical sub-sector manufacturing companies listed on the Indonesia Stock Exchange website (www.idx.go.id) during the study period, namely 2014-2018. Secondary data is data obtained from a particular source which classifies the data for the public interest and not for the benefit of a particular party. The data used in this study were quantitative data, namely data in the form of numbers which are analyzed by means of classified and calculated in order to obtain the correct results.

Data Analysis Technique

This study used partial linear regression analysis (Partial Least Square/PLS) to test the three hypotheses proposed in this study. Each hypothesis were analyzed using SmartPLS software to test the relationship between variables. PLS is a multivariate statistical technique that makes comparisons between multiple dependent variables and multiple independent variables.

Descriptive Analysis

Descriptive analysis is an analysis that provides an empirical description of the data collected in the study. This descriptive analysis was used to provide a description of the data on the research variables used in this study. The data observed were the amount of data, minimum value, maximum value and average/mean value.

Table 1. Operational Definition of Variables

No.	Variable Name	Definition	Indicator	Measurement Scale
1	Profit Growth (PG) (Y)	A ratio that measures how much the company's ability to maintain its position in the industry and in general economic development	$PG = \dfrac{Present - Past}{Past}$ *Present profit/Past profit (Source: Fahmi, 2012: 69)	Ratio
2	*Current Ratio* (CR) (X1)	The ratio used to measure the company's ability to meet its short-term obligations that are due soon by using the total assets available.	$CR = \dfrac{Current\ assets}{Current\ liabilities}$ (Source: Hery, 2017: 287)	Ratio
3	*Debt to Equity Ratio* (DER) (X2)	The ratio used to measure the proportion of debt to equity.	$DER = \dfrac{Total\ liabilities}{Total\ Equities}$ (Source: Hery, 2017: 300)	Ratio
4	Total Assets Turnover (TATO) (X3)	Total assets turnover is the ratio used to measure the effectiveness of the total assets owned by the company in generating sales, or in other words to measure how many sales will be generated from each rupiah of funds embedded in total assets.	$TATO = \dfrac{Net\ sales}{Total\ assets}$ (Source: Sujarweni, 2019: 63)	Ratio

Source: Processed Data

Classic Assumption Test

Before the regression analysis was carried out, the classical assumption test was first performed. This test was carried out on the research model so that it could be declared free from deviations from the classical assumptions of normality, multicollinearity, autocorrelation, and heteroscedasticity.

Normality Test

The normality test aims to test whether in the regression model, the dependent variable and the independent variables, both have a normal distribution or not. To test the normality of the data, a normal probability plot graph was used in which it can compare the observed value with the expected value from a normal distribution. If the data spreads around the diagonal line and follows the direction of the diagonal line, the regression model fulfills the normality assumption. Conversely, if the data moves away from the diagonal line and does not follow the direction of the diagonal line, the regression model does not meet the normality assumption (Ghozali, 2012). In addition to the normal probability graph, the data normality test could also be tested using the Kolmogorov-Smirnov statistical test. The Kolmogorov-Smirnov test was performed at a significant level of 0.05. For simplicity, the testing could be done by looking at the Kolmogorov-Smirnov Z statistics. If the Z statistic is less than 0.05, the residual value in a regression is not normally distributed, and if the Z statistic is greater than 0.05, the data is normally distributed.

Multicollinearity Test

According to Ghozali (2012) the multicollinearity test aims to test whether the regression model finds a correlation between the independent variables. Multicollinearity can be seen from: (1) the tolerance value and its counterpart and; (2) variance inflation factor (VIF). If the tolerance value is > 0.1 and VIF < 10, there is no multicollinearity (Ghozali 2013: 105).

Coefficient of Determination (R^2)

The coefficient of determination aims to measure how far the model's ability to explain the variation in the dependent variable. The greater the coefficient of determination, the better the independent variable explains the dependent variable. According to Ghozali (2013: 97), if the empirical test shows a negative adjusted R^2 value,

then the adjusted R^2 value is considered zero. Systematically, if the value of R^2 = 1, then the adjusted R^2 is R^2 = 1, whereas if the value of R^2 = 0, then the adjusted R^2 = (1- k)/(n - k). If k > 1 then the adjusted R^2 will be negative.

Multiple Linear Regression Analysis

According to Ghozali (2013: 96) regression analysis is used to measure the strength of the relationship between two or more variables; besides, it also shows the direction of the relationship between the dependent and independent variables. This data analysis method would be carried out with the help of the SPSS computer program. The regression equation in this study is:

$Y = a + b1X1 + b2X2 + b3X3 + e$

Notes:

Y	= Profit Growth (PG)
a	= Constant
b1 - b3	= Regression Coefficient
X1	= *Current Ratio* (CR)
X2	= *Debt to Equity Ratio* (DER)
X3	= *Total Assets Turnover* (TATO)
e	= *Error Term*/Another factor

Partial Test (t test)

According to Imam Ghozali (2013: 98), the t statistical test shows how far the influence of one independent variable individually in explaining the dependent variable. This test was carried out using significant. Acceptance or rejection of the hypothesis was done with the criteria: (1) If Sig t < alpha, then Ho is rejected and Ha is accepted; (2) If Sig t > alpha, then Ho is accepted and Ha is rejected.

The alpha used in this study were 0.01***, 0.05** and 0.10*.

3.0 RESULTS AND DISCUSSION

Descriptive Analysis
Current Ratio (CR)

The average CR of each company fluctuated from year to year. In 2014, the average CR was at 3.80 and decreased in 2015 to 3.24 then increased in 2016 to 3.63. The downward trend occurred again in 2017 to 3.11 and decreased again in 2018 to 2.62 which was also the lowest average CR in the 2014-2018 periods. The highest CR ratio was in 2014 by PT Industri Jamu and Farmasi Sido Tbk (SIDO) which was 10.25 and the lowest CR was in 2017 by PT Indofarma Tbk (INAF), which was 1.04.

Debt to Equity Ratio (DER)

The average DER of each company fluctuated from year to year, in 2014 the average DER was -3.02 and this was the smallest average DER in the 2014-2018 periods and in 2015 the DER average experienced the largest increase during the 2014-2018 periods, which was 2.05 which then fell in 2016 to 1.04, the downward trend occurred again in 2017 to 0.9 then increased again in 2018 to 1.02. The highest DER ratio was in 2015 by PT Merck Sharp Dohme Pharma Tbk (SCPI), which was 13.98 and the lowest DER was in 2014 by PT Merck Sharp Dohme Pharma Tbk (SCPI), which was -31.18.

Total Assets Turnover (TATO)

The average TATO of each company fluctuated from year to year. In 2014 the average TATO ratio was 1.14 then it experienced a slight increase in 2015 to 1.25 and increased again in 2016 to 1.26 and it was the highest average value in the 2014-2018 periods. In 2017, it decreased slightly to 1.19 and fell again in 2018 to 1.04 and it was the lowest value in the 2014-2018 periods. The highest average TATO ratio was in 2016 by PT Merck Sharp Dohme Pharma Tbk (SCPI) which was 1.72 and the lowest was in 2018 by PT Merck Indonesia Tbk (MERK) which was 0.48.

Profit Growth

The average profit growth experienced fluctuating movements in the 2014-2018 periods. In 2014, it was 0.27 but decreased in 2015 to 0.06 and decreased again in 2016 to -0.25 in which it was also the smallest profit growth in the 2014-2018 periods. But it increased again in 2017 to 0.26 and continued to increase to the highest growth rate that occurred in 2018 which was 0.85 and it was also the highest profit growth in the 2014-2018 periods. The highest profit growth was in 2018 by PT Merck Indonesia Tbk (MERK) with a profit growth value of 7.04 and the lowest profit growth was in 2016 by PT Indofarma Tbk (INAF) with a profit growth value of -3.65.

Description of All Variable Data

Based on data processed from SPSS, it can be seen from the sample that the CR variable has an overall average/mean of -0.185 with a standard deviation of 0.172. The DER variable has an overall average/mean of -0.342 with a standard deviation of 0.269. The TATO variable has an overall average/mean of -0.368 with a standard deviation of 0.241.

Classic assumption test
Normality test

The results of the normality test in this study are shown in Figure 1 and Table 2.

Normal P-P Plot of Regression Standardized Residual
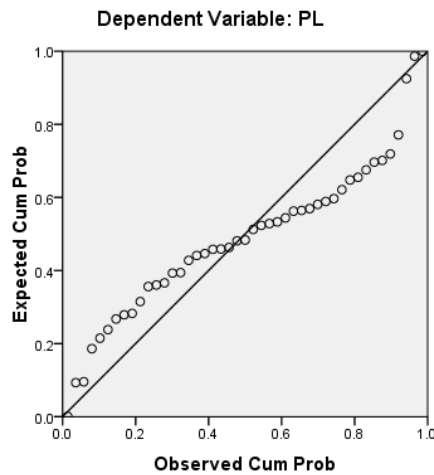
Source: Processed Data

Figure 1. Normal Probabilty Plot Graph

Table 2. Table of Data Normality Test with the Kolmogorov-Simirnov Test
One-Sample Kolmogorov-Smirnov Test

		ABS
N		45
Normal Parameters [a]	Mean	0.7335
	Std. Deviation	0.98836
Most Extreme Differences	Absolute	0.253
	Positive	0.253
	Negative	-0.241
Kolmogorov-Smirnov Z		1.698
Asymp. Sig. (2-tailed)		0.006
a. Test distribution is Normal.		

Source: Processed Data

From the Normal P-P Plot of Regression Standardized Residual graph, it can simply be concluded that the points move away from the diagonal line thus the research data were not normal. Besides, based on the Kolmogorov Smirnov test – the results also show that the data were not normal. This was indicated by the Kolmogorov Smirnov value of 1.698 with a significance value (Asymp. Sig) at 0.006 which is smaller than 0.05.

Because the data were not normal, the data processing was continued using the SmartPLS 3 with the following results:

Multicollinearity Test

The results of the multicollinearity test in this study are shown as follows:

Table 3. Multicollinearity Test Results

Variable	VIF	Information
Current Ratio (CR)	1.094	Multicollinearity does not occur
Debt to Equity Ratio (DER)	1.136	Multicollinearity does not occur
Total Assets Turnover (TATO)	1.237	Multicollinearity does not occur

Source: Processed Data

These results show that the three independent variables have a VIF of less than 10 (<10). So it could be concluded that there were no symptoms of multicollinearity in the research variables used.

Determination Coefficient Test (R^2)

The results of the determination coefficient (R^2) in this study are shown as follows:

Table 4. The Results of R^2 Determination Coefficient

	R Square	R Square Adjusted
Profit Growth	0.367	0.321

Source: Processed Data

This shows that 32.1% of the profit growth of manufacturing companies in the pharmaceutical sub-sector can be influenced by CR, DER, and TATO variables. In another word, during 2014-2018 periods, CR, DER, and TATO variables were factors that did not really affect the profit growth rate of the pharmaceutical sub-sector manufacturing companies. Meanwhile, the remaining 67.9% was influenced by external factors and other internal factors that are not disclosed in this study.

Multiple Linear Analysis

The results of multiple liner analysis in this study are shown as follows:

Table 5. Multiple Linear Regression Test Results

	Original Sample (O)	T Statistics ($|O/STDEV|$)	P Values
CR	-0.216	1.26	0.208
DER	-0.322	1.199	0.231
TATO	-0.428	1.778	0.076

Source: Processed Data

Current Ratio (CR) has a negative coefficient of 0.216 meaning that if the value of X1 (Current Ratio) increases by 1 unit with the assumption that other variables are constant, then it will reduce the profit growth by 0.216.

Debt to Equity Ratio (DER) has a negative coefficient of 0.322 meaning that if the value of X2 (Debt To Equity Ratio) increases by 1 unit with the assumption that other variables are constant, the it will reduce the profit growth by 0.322.

Total Assets Turnover (TATO) has a negative coefficient of 0.428 meaning that if the value of X3 (Total Assets Turnover) increases by 1 unit with the assumption that other variables are constant, then it will reduce the profit growth by 0.428.

Partial Test (T Test)

The results of the partial test (T test) are shown as follows:

Table 6. T Test (Partial) Test results

Variable	T count	T table	Sig.	Result
CR	1.26		0.208	Not significant
DER	1.199	1.68288	0.231	Not significant
TATO	1.778		0.076 *	Significant

Source: Processed Data
Note: The alpha used in this study were 0.01***, 0.05** and 0.10*. TATO is significant at Alpha 10%

The Effect of CR on Profit Growth

Based on the test results that have been presented, the coefficient value of the CR variable is -0.216 with a significance value of 0.208 > 0.05 and the T $_{count}$ of the Current Ratio obtained is smaller than the T $_{table}$ (1.260 < 1.68288). This proves that CR has no significant effect on profit growth. The results of this study are supported by the researches that have been conducted by Amalia (2017), Andriyani (2015), Puspasari, et al. (2017), Wardhani (2019), Sholiha (2014), and Fadrul (2015).

The Effect of DER on Profit Growth

Based on the test results that have been presented, the coefficient value of the DER variable is -0.322 with a significance value of 0.231 > 0.05 and the T $_{count}$ of the Debt to Equity Ratio obtained is smaller than the T $_{table}$ (1.199 < 1.68288). This proves that DER has no significant effect on profit growth. The results of this study are supported by the researches that have been conducted by Anggani (2017), Amalia (2017), Andriyani (2015), and Trirahaju (2015).

The Effect of TATO on Profit Growth

Based on the test results that have been presented, the coefficient value of the TATO variable is -0.428 with a significance value of 0.076 < 0.10, which means that TATO has a significant negative effect on profit growth. This indicates a lack of sales cost efficiency which may result in a decrease in profit growth as the greater the sales, the smaller the profit growth is. Therefore, company management must be more efficient in spending sales costs. It is necessary for the company management to think about innovative and lower-cost ways to increase sales. The results of this study are supported by by the researches that have been conducted by Andriyani (2015), Trirahaju (2015), Hartini (2012), Wardhani (2019) and Anggraeni (2017) and Fadrul (2015).

4.0 CONCLUSION

This study aimed to examine the effect of Current Ratio (CR), Debt to Equity Ratio (DER), and Total Assets Turnover (TATO) on Profit Growth in Pharmaceutical Sub-Sector Manufacturing Companies listed on the Indonesia Stock Exchange (IDX) during 2014-2018 periods. Based on the results of data analysis that has been carried out with the discussion that has been described, it can be concluded that CR and DER have no significant effect on Profit Growth in Pharmaceutical Sub-Sector Manufacturing Companies listed on the Indonesia Stock Exchange for the 2014-2018 periods. However, TATO has a significant negative effect on the profit growth of Pharmaceutical Sub-Sector Manufacturing Companies listed on the Indonesia Stock Exchange for the 2014-2018 periods.

Based on the conclusion drawn in this study some suggestions are made for companies, investors, and future researchers. For companies, the financial health of a company can not only be seen from the aspects discussed in this study, but there are still many aspects that need to be considered, such as those in other financial ratios as well as the allocation of funds and an understanding of the sources of recorded profits. Pharmaceutical companies should pay more attention to sales costs so as not to have a negative impact on profit growth. For investors who want to invest in a pharmaceutical company should be wiser and more careful in analyzing the company's performance and paying attention to other financial ratios that were not examined in this study, because the results of this study prove that the profit growth of pharmaceutical companies listed on the IDX in the 2014- 2018 periods is not significantly affected by the CR and DER ratios but TATO ratio has a significant negative effect on profit growth. For future researchers, they should consider using all types of companies, so that the sample used can represent all characteristics in the population. It is also expected that future researchers will pay attention to other factors that come from outside and within the company such as exchange rates, inflation rates, liquidity ratios, leverage, and other financial ratios that affect the profitability of a company's profit growth.

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