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The Effect of Total Assets Turnover on Pharmaceutical Companies Profit Growth listed on the Indonesian Stock Exchange

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ABSTRACT

The author's aim to determine the Effect of Total Assets Turnover on Pharmaceutical Companies Profit Growth listed on the Indonesian Stock Exchange. The method used by the author in conducting this research is descriptive analysis method and multiple linear regression analysis. Data processing was carried out using IBM SPSS STATISTIC 25. This study population was all pharmaceutical companies listed on Indonesian Stock Exchange in 2020-2022 with the number of samples taken according to the researcher's criteria of 10 pharmaceutical companies. Partial research results show that the Total Assets Turnover variable has a significant effect on profit growth in pharmaceutical companies. In the determination test, the adjusted R square result was 0.168, which means that 16.8% of the independent variable (X) consists of Total Assets Turnover/TATO (X) can explain the dependent variable, namely profit growth (Y), and the remaining 83.2% is influenced by other factors that are not explained by this research.

Keywords: Profit Growth, Total Assets Turnover

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INTRODUCTION

We know that competition in the business world is currently very tight, especially aided by current advances in communication and technology, especially with very rapid changes in the external environment. In order for a company to survive and be able to compete, the company must be able to keep up with existing developments. Profit growth is the increase and decrease in profits per year. A company that experiences profit growth indicates that the company has good performance. Future profit growth cannot be guaranteed, so a company needs to make predictions about profit growth.

Continuing declining economic growth could have a negative impact on the performance of pharmaceutical sector companies in Indonesia. The GDP of the chemical, phrmaceutical and traditional medicine industries was recorded to have decreased by 3.50% (yoy) in the third quarter of 2022. This is in line with the sloping Covid-19 pandemic which has reduced demand for this industrial product.

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The financial reports published by the company are one source of information regarding the company's development which can be seen from the financial reports, performance and changes in the company's financial position which are very useful for supporting appropriate decision making. Business people, both internal and external to the company and the government, need this information in making economic decisions. It is important to assess company performance by management, shareholders, government and stakeholders. It is important for users of financial reports to know profit growth because the increase in profits obtained by the company determines the level of return to shareholders or for potential investors to make decisions about investing in the company. For company management, profit growth is used as a tool to face various possibilities that will occur in the future. Creditors, before making a decision to grant or reject a company's credit request, need information on profit growth in the financial statements which aims to measure the company's ability to pay back its debts plus interest expenses. Apart from that, from the financial reports you can see how much profit or loss the company made in the accounting period.

Total Asset Turnover (TATO) is a ratio used to measure how efficiently all company assets are used to support sales activities by comparing sales with total assets (Ghasempour et al., 2013:2839), which means that the higher the asset turnover, the more efficient use of company assets. Total Asset Turnover (TATO) reflects the company's ability to measure the level of efficiency in utilizing company resources in carrying out daily activities. A higher Total Asset Turnover (TATO) indicates higher profit growth, conversely, the lower the Total Asset Turnover (TATO), the lower the profit growth (Mahaputra & Adnyana, 2012:253).

The sustainability of the company does not only depend on the total turnover of assets, but also due to the existence of good company competence in Niman (Kusuma, 2005). If a company has superior competence and is able to determine selling prices that can compete with larger companies, then the company can have a profit that is greater than its production costs. This explanation shows that total asset turnover/TATO also has a positive influence on company profit growth. This explanation is in accordance with research results from (Sunaryadi, 2019). However, research conducted by Rurul Siti M., and Purnama Siddi (2021) shows that total asset turnover/TATO does not have any influence on Profit Growth.

Based on the background above, the author intends to conduct research with the title "Analysis of the Effect of Total Asset Turn Over on Profit Growth of Manufacturing Companies in the Pharmaceutical Sector Listed on the Indonesian Stock Exchange in 2020-2022".

METHODS

The data used in this study is the pharmaceutical company Listed on the Indonesia Stock Exchange (IDX) in 2020–2022. IDX was determined as a research location because researchers considered IDX as a place to obtain the necessary data in the form of financial reports and stock prices as samples in this study. This research is located on the Indonesia Stock Exchange (IDX) by downloading the company's annual reports at the official website address www.idx.co.id.

The population is a collection of all objects of observation that are the center of attention in research, the population of observations is pharmaceutical companies listed on the Indonesian Stock Exchange. Population is the entire collection of elements that have a number of general characteristics consisting of the fields to be researched (Sanusi, 2011).

The sample to be taken from the population must be truly representative or representative. The sample from this research is the financial reports of pharmaceutical companies on the Indonesia Stock Exchange. The method that the researcher will use is the purposive sampling method,

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namely taking samples with certain considerations according to the interests or objectives of the researcher to represent the population. According to (Sugiyono, 2017) states that purposive sampling is a technique for determining samples with certain considerations. The reason researchers choose sampling is because not everything in the population can be used as research.

The data collection used by researchers in this research is the documentation method, namely the researcher collects data from other parties' documents or secondary data. The collection technique referred to by the researcher includes literature study, by searching for information through other people's writings or reports that have been made. by other people, such as books, research journals, and other sources that support the theoretical basis for the research object. Then, the field study carried out by researchers was to visit the Indonesian Stock Exchange Investment Gallery at the STIE Kertanegara Malang Library.

RESULTS AND DISCUSSION

Problem's Formulation of this Research is Does Total Assets Turnover Partially influence the Company's Profit Growth?. The Answer of it are as follows :

Multiple Linear Regression Test

Multiple regression aims to determine whether there is an effect of two independent variables (X) or more on the dependent variable (Y). The equations that are often used are:
$Y = \alpha + \beta X + e$
Where :

Y	=	Stock Price
α	=	Constant
β	=	Coefficient of variable X
X	=	Total Assets Turnover (TATO)
e	=	Errors

Based on the calculation of multiple linear regression between TATO and Profit Growth using SPSS 25, the following data are obtained:

Table 1 Multiple Linear Regression Test

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	11,445	3,239		3,533	,001		
X	,262	,182	,261	2,433	,003	1,000	1,000

a. Dependent Variable: Y

Source : SPSS 25 data processed in March 2024

Based on the test results data in the table above, the Multiple Linear Regression equation is as follows:
Y = 11,445 + 0,262 TATO
From the results of the regression equation above, the following results can be obtained:

1. Y (Profit Growth) is a dependent variable whose value is predicted by the independent variable. And this research uses Total Asset Turnover/TATO (X).
2. The constant value (a), namely 11.445, shows the value of the Profit Growth (Y) variable. If Total Asset Turnover/TATO (X) is zero, then the amount of Profit Growth is 11.445, meaning that before or without the Total Asset Turnover (TATO) variable, the amount is Profit Growth will be 11,445.

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3. Total Asset Turnover/TATO (b) which is 0.262 is the regression coefficient of Total Asset Turnover/TATO (X) with a positive sign. In this case, it states that the Total Asset Turnover/TATO variable (X) has a positive influence on Profit Growth (Y). This regression coefficient shows that if the Total Asset Turnover (TATO) gets better or increases by one unit, then Profit Growth will increase by 0.262 units and vice versa, if the Total Asset Turnover (TATO) variable decreases by one unit, then Profit Growth will decrease by 0.262 units.

Partial Significance Test (t-test)

The t test is used to see the significant level of independent variables affecting the dependent variable individually or individually. To provide an interpretation of the results of the t test, it can be explained by looking at the calculated t value and the results of the significant value (5%). The technique is if the value of t counts against α with the condition that if the value of t count ≥ t table and the probability value ≤ level of significance (Sig ≤ 0.05) means that it has a significant effect partially and vice versa.

Display the table as below:

Table 2 Partial Significance Test (t-test)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	11,445	3,239		3,533	,001		
	X	,262	,182	,261	2,433	,003	1,000	1,000

a. Dependent Variable: Y

Source: SPSS 25 data processed in March 2024

In this study there were 30 samples (n) and 1 independent variables (k). based on the results obtained t count of 2.433 for TATO and t table 2.051. To find it, use the following formula:
t table = (a/2; n-k-1 or df residual)
t table = (0.05/2; 30-1-1)
t table = (0.025; 28)
Information:

a	=	level of research confidence, in this case a = 0.05.
n	=	number of samples used, in this case 10 companies x 3 years.
K	=	number of independent (free) variables, in this case there is 1 variable, namely Total Asset Turnover (TATO).
df residual	=	degrees of freedom of residual value.

In the table above it can be explained as follows:
The results of the Total Asset Turnover/TATO test are thought to be a variable that influences Profit Growth. Sig value. TATO is 0.003 < 0.05 with a calculated t value of 2.433 > t table, namely 2.051. In accordance with the t test requirements where the sig value. 0 < 0.05 and the calculated t value > t table, then TATO has a significant influence on Profit Growth in pharmaceutical companies. Then H_1 is accepted.

Determination Coefficient Test (R^2)

The coefficient of determination determines how far the ability of the independent variable explains the dependent variable. The value of the coefficient of determination is between zero and one. The small value of the coefficient of determination means that the ability of the independent variables to explain the variation in the dependent variable is very limited. A value that is close to

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one means that the independent variables provide almost all the information needed to predict the variation of the dependent variable (Ghozali, 2011).

Ghozali (Ghozali, 2011) also explained that the weakness of using the coefficient of determination is that it can affect the number of independent variables included in the model. Every additional one independent variable, it will definitely increase regardless of whether the variable has a significant effect on the dependent variable. Therefore this study uses the adjusted R2 value to evaluate the best regression model as suggested by the researchers. The value of adjusted R2 can increase or decrease if one independent variable is added to the model.

The adjusted R square value is used to determine the percentage effect of the independent variable multiple/simultaneously affecting the dependent variable. Based on the adjusted R square value, it can also be seen the magnitude of the influence of other variables outside the regression model.

This test is used to measure the ability of the independent variable, namely Total Asset Turnover/TATO (X), by explaining variations in the dependent variable, namely Profit Growth (Y). The coefficient of determination value is between 0 and 1. A small R^2 value means that the ability of the independent variable to explain the dependent variable is very limited. A value close to 1 means that the independent variables have almost all the information needed to predict variations in the dependent variable. The results of the coefficient of determination test are as follows:

Table 3 Determination Coefficient Test (R^2)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,261[a]	,168	,035	8,646606	2,870

a. Predictors: (Constant), X

b. Dependent Variable: Y

Source: SPSS 25 data processed in March 2024

As a result of the table above, the Adjusted R square result is 0.168, which means that 16.8% of the independent variable (X) consisting of Total Asset Turnover/TATO (X) can explain the dependent variable, namely Profit Growth (Y), and while the remaining 83.2% was influenced by other factors not explained by this research. Adjusted R square is the adjusted R Square, R Square is the coefficient of determination but the weakness of the coefficient of determination is that it is biased towards the number of independent variables included in the capital, so in the research we chose to use Adjuted R square to look at the coefficient of determination.

CONCLUSION

In this study, it analyzes the effect of Total Assets Turnover (TATO) on Profit Growth (Case Study at Pharmaceutical Companies on the Indonesia Stock Exchange in 2020 – 2022). Based on the formulation of the problem, hypothesis testing and discussion of the variables in this study, it can be concluded as follows: The variable Total Assets Turnover (TATO) in this study partially has a significant effect on Profit Growth in pharmaceutical companies listed on the Indonesia Stock Exchange for the 2020 - 2022 period. So that the total sales received during the company's operations after being divided by the company's total assets can show the company's profit growth rate. Therefore, investors are required to observe the total asset turnover value before investing their share capital.

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