

**ANALYSIS OF THE EFFECT OF CHANGES IN ACTIVITY  
RATIO AND INFLATION VALUE ON THE PROFITABILITY  
OF MULTI FINANCE PT. BFI FINANCE INDONESIA TBK.  
PERIOD 2014 - 2019**

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**ABSTRACT**

This study aims to examine the effect of changes in activity ratios and changes in inflation in Indonesia. Changes in turnover of working capital and changes in turnover of fixed assets are chosen to represent changes in activity ratios. The population of this research is PT. BFI Finance Indonesia Tbk with financial statements 2014 - 2019 as secondary data. The data analysis technique used partial significance test, simultaneous significance test and determination coefficient test. While this type of research uses a descriptive quantitative approach, which is measured using a method based on multiple linear regression with Eviews 2020.

The results of the study conclude that (1) Working Capital Turnover has a significant effect on Profitability at PT BFI Finance for the 2014-2019 period. (2) Fixed Asset Turnover has a significant effect on Profitability at PT BFI Finance for the 2014-2019 period. (3) Inflation has a significant effect on Profitability at PT BFI Finance for the 2014-2019 period. (4) Capital Turnover Ratio, Asset Turnover and Inflation simultaneously have a significant effect on profitability at PT BFI Finance for the 2014-2019 period.

**Keywords: Effect of Changes in Activity Ratios, Changes in Rupiah Exchange Rates, Profitability of Profits, Working Capital Turnover, Changes in Turnover of Fixed Assets.**

**I. PRELIMINARY**

In this modern era where this era is called the era of modern digital transition where everything is required to be completely digital, all practical as well as speed and accuracy are top priorities. In this transition era, there are many economic fluctuations caused by the transition to being completely digital, of course, resulting in many changing factors, one of which is the changing inflation rate, where service companies are required to work more quickly and accurately in order to survive or even increase company profitability.

For companies and shareholders, the value of a profit in the company's financial statements is an important indicator to assess the company's ability to manage existing resources and capital. Profitability or the ability to earn profits is a measure in percentage used to assess the extent to which the company is able to generate profits at an acceptable level and in a certain period. Husnan (2001) stated that profitability is the ability of a company to generate profits (profit) at the level of sales, assets, and certain share capital. Meanwhile, according to Michelle & Megawati (2005) Profitability is the company's ability to generate profits which will become the basis for dividend distribution of the company.

Profitability describes the ability of a business entity to generate profits with using all the capital owned. In turn, the profitability of a company will influence the investors' policies on the investments made. The company's ability to generate profits will be able to attract investors to invest their funds to expand their business, on the other hand, a low level of profitability will cause

investors to withdraw their funds. As for the company itself, profitability can be used as an evaluation of the effectiveness of the management of the business entity.

According to Brigham (1993: 79) "Profitability is the result of a large number of policies and decision. Their ratio examined thus far reveals some interesting thing about the way the firm operates, but the profitability ratio shows the combines objects of liquidity, asset management and debt management on operating assets. "

Gibson (2001: 303), profitability is the ability of a firm to generate earnings. It is measured relative to a number of bases, such as assets, sales, and investment ". Gibson defines profitability as the ability of a company to increase the company's profit, this profitability is measured by comparing the profit earned by the company with a number of estimates that are the benchmarks for the company's success, such as company assets, sales and investment. So that it can be seen the effectiveness of financial and asset management by the company.

In the company's operational activities, profit is an important element in ensuring the company's continuity. With the ability to earn profits by using all company resources, the company's goals will be achieved. Users of all these resources allow the company to earn high profits. Profit is the result of sales revenue which is deducted from cost of goods sold and other expenses.

The use of profitability for the company and for those outside the company aims to (1) measure or calculate the profit earned by the company in a certain period, (2) assess the company's profit position from the previous year to the current year, (3) assess the progress of profit over time, and (4) measuring the productivity of all company funds used both for loan capital and for own capital.

Research conducted by Hantono (2015: 28-29) shows the results of the current ratio and DER have a significant effect on profitability in metal sector manufacturing companies and the like. Novia M. and M. Chabachib (2013: 11) state that DER has a negative and significant effect on profitability and TATo has a positive and significant effect on profitability. In contrast to research conducted by Janati et al (2014: 7) which shows that DER has a positive and significant effect on profitability and research by Asty Dela M et al (2013: 138) with the same results. Meanwhile, Muhammad Halil (2014: 13) states that DER has no significant effect on profitability. Hastuti (2010: 57) states that there is a negative influence between TATo and profitability. It is inversely proportional to the results of research conducted by Novia M and M. Chabachib (2013: 11) that company activity (TATo) has a significant positive effect on profitability. This statement is supported by the results of research conducted by Muhammad Halil (2014: 13) which gave the same results.

PT BFI Finance Indonesia Tbk ("BFI Finance or the" Company ") is one of the largest finance companies in Indonesia in terms of assets and operational network. With the support of more than 340 outlets throughout Indonesia and more than 9,000 employees, the Company focuses its business activities on automotive and non-automotive financing, which consists of financing for four-wheeled vehicles (cars), financing for vehicle collateral, as well as leasing for heavy equipment and machinery. machines and others. BFI Finance was founded in 1982 and has listed its shares on the Indonesia Stock Exchange since 1990 under the ticker code BFIN. The company received a credit rating of 'A + (idn)' from Fitch Ratings.

## **II. BASIS OF THEORY AND HYPOTHESIS DEVELOPMENT**

### **Definition of Profitability**

Profitability or the ability to earn profits is a measure in percentage used to assess the extent to which a company is able to generate profits at an acceptable level. According to Munawir (2002), profitability is the company's ability to generate profits within a certain period of time. Meanwhile, the definition of profitability according to Brigham and Houston (2006) is the net result of a series of policies and decisions. Profitability can be determined by calculating various relevant benchmarks. One of these benchmarks is the financial ratio as one of the analyzes in analyzing financial conditions, results of operations and levels profitability of a company.

### **Types of Profitability**

#### **1. Gross Profit Margin**

Gross Profit Margin is often referred to as Gross Margin Ratio (Gross Margin Ratio). Gross profit margin measures the efficiency of calculating the cost of goods or production costs. The greater the GPM ratio, the better the company's operating condition. on the other hand, the lower

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the GPM, the less good the company's operations (Gitman, 2006). The formula for calculating gross profit according to (Ang, Robert, 1997) is as follows.

$$\text{Gross Profit Margin} = (\text{gross profit} / \text{total revenue}) \times 100\%$$

### **2. Net Profit Margin**

This net profit margin is also called the profit margin ratio. This ratio measures the net profit after tax against sales. The higher the net profit margin, the better the operation of a company. Net profit margin according to (Ang, 1997) is calculated by the following formula.

$$\text{Net Profit Margin} = \text{Net Profit After Tax} / \text{Sales}$$

### **3. Return on Assets Ratio**

Return on assets (ROA) shows the company's ability to generate profits from the assets used. Return on assets (ROA) is the most important ratio among the existing profitability ratios (Ang, Robert, 1997). Profitability is used to measure management effectiveness based on the returns generated from loans and investments. The factors that affect the profitability of a company can be sourced from various profitability performances shown by several indicators. (Nasser & Aryati, 2000). ROA according to (Ang, Robert, 1997) can be calculated using the formula:

$$\text{ROA} = \text{Net Income} / \text{Total Assets}$$

### **4. Return on Equity Ratio**

ROE is a ratio that shows what percentage of net income is obtained when measured by the owner's equity. This ratio represents profitability from a shareholder's point of view and is the tool most often used by investors in making investment decisions. ROE is the ratio between net profit after tax and equity investment. This ratio shows the power to generate a return on investment based on the book value of shareholders, and is often used to compare two or more companies in the same industry. High ROE often reflects a company's acceptance of good investment opportunities and effective cost management. However, if the company has chosen to raise high debt levels based on industry standards, High ROE is simply the result of excessive financial risk assumptions. According to cashmere (2014), ROE can be calculated using the following formula:

$$\text{ROE} = \text{Net Profit After Tax} / \text{Shareholder's Equity}$$

### **5. Return on Sales Ratio**

Return on Sales is a profitability ratio that displays the level of company profit after payment of production variable costs such as worker wages, raw materials, etc. before deducting taxes and interest. This ratio shows the level of profit earned from every dollar of sales, which is also called the operating margin or operating income margin. Here is the formula for calculating return on sales (ROS).

$$\text{ROS} = (\text{Profit before Tax and Interest} / \text{Sales}) \times 100\%$$

### **6. Return on Capital used (Return on Capital Employed)**

Return on Capital Employed (ROCE) is a profitability ratio that measures the company's profit from the capital used as a percentage (%). Capital in question is the equity of a company plus non-current liabilities or total assets minus current liabilities. ROCE reflects the efficiency and profitability of a company's capital or investment. Profit before tax and interest deduction is known as "EBIT", namely Earning Before Interest and Tax. Here are 2 commonly used ROCE formulas.

$$\text{ROCE} = \text{Profit Before Tax and Interest} / \text{Working Capital}$$

or

$$\text{ROCE} = \text{Profit Before Tax and Interest} / (\text{Total Assets} - \text{Liabilities})$$

### **7. Return on Investment (ROI)**

Return on investment is the profitability ratio calculated from net income after deducting taxes to total assets. Return on investment is useful for measuring the overall ability of the company to generate profits on the total assets available to the company. The higher this ratio, the better the condition of a company. The Return on Investment formula according to (Ang, 1997) is

as follows.

$$\text{ROI} = ((\text{Return on Investment} - \text{Initial Investment}) / \text{Investment}) \times 100\%$$

## 8. Earning Per Share (EPS)

Earning per share is a ratio that describes the amount of rupiah earned for each common share (Syamsuddin, 2009: 66). According to Sofyan Syafri Harahap 2008: 306 "Earning Per Share is a ratio that shows how much the ability per share to generate profits". Therefore, in general, corporate management companies, common shareholders and prospective shareholders are very interested in Earning Per Share. Earning Per Share is an indicator of the success of a company. According to Kasmir (2014) EPS can be calculated by the formula:

$$\text{EPS} = \frac{\text{Net Profit After Tax} - \text{Dividend for Preferred Shares}}{\text{Number of Common Shares Outstanding}}$$

### Activity Ratio

According to Hery, SE, M.Si. (2012) in his book Analysis of Financial Statements, activity ratios are ratios used to measure the effectiveness of a company in utilizing existing resources. According to Harahap (2009: 308), "the activity ratio is a ratio that describes the activities carried out by the company in carrying out its operations both in sales, purchases and other activities". According to Hanafi (2009: 76), the activity ratio is a ratio that looks at several assets and then determines several levels of activity for these assets at a certain activity level.

### Type - Type of Activity Ratio

#### 1. Accounts Receivable Turnover (Receivable Turn Over)

According to Kasmir (2012: 175), Receivable Turnover is a ratio used to measure how long it takes to collect accounts receivable during a period or how many times the funds invested in these receivables rotate in one period. Here is the formula for finding Receivable Turn Over (RTO)

$$\text{RTO} = \frac{\text{Credit Sales}}{((\text{Accounts receivable at the beginning of the year} + \text{Accounts receivable at end of year}) / 2)}$$

Or

$$\text{RTO} = \frac{\text{Credit Sales}}{\text{Average trade receivables}}$$

#### 2. Working Capital Turn Over

According to Kasmir (2012: 182), Working Capital Turnover is one of the ratios to measure or assess the effectiveness of a company's working capital during a certain period. This means how much working capital rotates during a period or in a period. " Here is the formula for finding Working Capital Turn Over (WCTO):

$$\text{WCTO} = \frac{\text{Sales}}{((\text{Current assets at the beginning of the year} + \text{Current assets at the end of the year}) / 2)}$$

Or

$$\text{WCTO} = \frac{\text{Sales}}{\text{Average Current assets}}$$

#### 3. Fixed Assets Turn Over

According to Kasmir (2012: 184) Fixed Assets Turnover is a ratio used to measure the number of times the funds invested in fixed assets rotate in one period. Or in other words, to measure whether the company has fully used its fixed asset capacity or not.

$$\text{FATO} = \frac{\text{Sales}}{((\text{Fixed assets at the beginning of the year} + \text{fixed assets at the end of the year}) / 2)}$$

Or

$$\text{FATO} = \frac{\text{Sales}}{\text{Average of fixed assets}}$$

#### 4. Total Assets Turnover

According to Harahap (2009: 309), "The ratio of total asset turnover shows the turnover of total assets measured by sales volume in other words how far the ability of all assets to create sales". In addition, according to Fahmi (2013: 135), "The ratio of total asset turnover looks at the extent to which all assets owned by the company turnover effectively.

$$\text{TATTOOS} = \frac{\text{Sales}}{((\text{Total assets at the beginning of the year} + \text{total assets at the end of the year}) / 2)}$$

Or

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$$\text{TATO} = \text{Sales} / \text{Average of total assets}$$

## **Inflation**

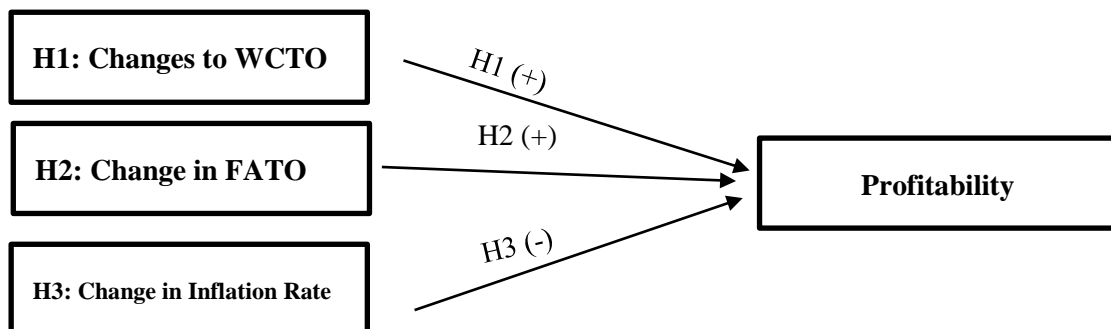
(Kuncoro, 1998: 46) is: the tendency of prices to increase generally and continuously. According to Boediono (1994: 155) a short definition of inflation is the tendency of prices to generally and continuously increase.

## **Relationship Between Research Variables**

- a) Effect of Changes in Activity Ratios on Profitability of Profits
  - H1 : Changes in Working Capital Turnover have a positive effect on profitability.
  - H2 : Changes in Fixed Assets Turnover have a positive effect on profitability.
- b) The Effect of Changes in the Level of Inflation in Indonesia on Profitability of Profits
  - H3 : Changes in the level of inflation in Indonesia have a negative effect on profitability.

## **Research Conceptual Framework**

This research was conducted to determine the effect of the independent variable on the dependent variable. The independent variable of this study is the Activity Ratio and Inflation Rate in Indonesia. While the dependent variable of this study is Profitability. Based on the theoretical basis and the relationship between variables that have been described above, a diagram of the conceptual framework of research can be drawn as follows:



## **III. RESEARCH METHODS**

### **Research Strategy**

This type of research used in this research is quantitative research with a descriptive method approach. According to Sugiyono (2018: 35-36) quantitative methods can be interpreted as a research method used to study a specific population or sample, data collection using research instruments, data analysis is quantitative / statistical, with the aim of testing predetermined hypotheses.

### **Population and Research**

#### **Sample Research Population**

The research population according to Sugiyono (2016: 22) is a generalization area consisting of: objects / subjects that have certain quantities and characteristics that are applied by researchers to study and then draw conclusions. The population used is the financial statements of PT. BFI Finance Tbk. from 2014 to 2019

#### **Research Samples**

The sample is part of the number and characteristics of the population (Sugiono, 2016: 81).

### **Method of collecting data**

Types and sources of data used in this study are secondary data in the form of financial reports for 2014 to 2019. The method used in this research is the ex post facto method. Nana Sudjana (2011: 54) says "the ex post facto method is more intended to see and study the relationship between variables or more, where the studied variables have occurred previously through the treatment of others.

### **Operational Definition of Variables and Their Measurements**

In this study, the dependent variable (Y) used is profitability, while the independent variable changes work capital turnover (X1), fixed assets turnover (X2), and the inflation rate in Indonesia (X3).

#### **1. Profitability (Y)**

Profitability is a measuring tool to determine the company's ability to generate profits in relation to sales, assets, and its own shares.

$$ROA = \frac{NetProfit}{TotalAset} \times 100\%$$

#### **2. Change in Work Capital Turnover (X1)**

This ratio shows the relationship between working capital and sales that can be obtained by the company for every rupiah of working capital. The working capital turnover formulation is as follows:

$$\text{Working Capital Turnover (WCTO)} = \frac{\text{Sales}}{\text{Current Assets} - \text{Current Debt}}$$

#### **3. Changed Fixed Assets Turnover (X2)**

In the Statement of Financial Accounting Standards (PSAK) No. 16 of 2015 says that "Fixed assets are tangible assets that are used for more than one period (one year) and are owned by the company for use in the production process or supply of goods and services, to be leased to other parties or for administrative purposes".

$$\text{Fixed Asset Turnover Ratio} = \frac{\text{Net Sales}}{\text{Fixed assets}}$$

#### **4. Changes in the Inflation Rate in Indonesia (X3)**

Inflation is a general and continuous increase in prices over a certain period of time. (BI definition).

#### **Data Analysis Methods**

There are several statistical techniques that can be used to analyze data. The purpose of this analysis is to get the relevant information contained in the data and use the results to solve a problem. To achieve the objectives of this study, multiple linear regression analysis can be used.

Multiple linear analysis was used to examine the effect of the ratio change activity and the value of inflation on profitability of Multi Financa company profits PT.BFI Finance Indonesia Tbk. 2014-2019 period. Before multiple linear regression analysis is carried out, the classical assumption test must first be tested to ensure whether the regression model is used there are no problems of normality, multicollinearity, heteroscedasticity and auo-tolerance. If met, the analysis model is feasible to use

### **3.5.1 Descriptive Statistics**

Descriptive statistics are used to provide a descriptive description of the variables used in the study, which consists of the dependent variable, namely profitability, and independent variables, namely changes in work capital turnover, changes in fixed assets turnover and changes in the inflation rate in Indonesia.

### **3.5.2 Classic Assumption Test**

The use of multiple linear regression analysis models can be done with the consideration that

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there is no violation of the classical assumption. Classical assumptions that must be met include normal, non-multicollinear, homocedasticity and non-autocorrelation data.

### **3.5.2.1 Data Normality Test**

Data normality test is used to avoid bias. Therefore, the data used must be normally distributed. Tests were carried out using the Jarque-Bera test. This analysis was carried out with the help of the SPSS program, with the following test criteria:

Significant number (GIS) > 0.05, then the data is normally distributed

Significant number (GIS) < 0.05, so the data is not normally distributed

### **3.5.2.2 Linearity Test**

To determine the linearity of the regression equation, regression linearity test was used with the Ramsay Test. Furthermore, the results of calculations with the Ramsay Test table were consulted to the F distribution, with the following criteria:

H<sub>0</sub> is accepted if F count < F table = linear relationship

H<sub>0</sub> is rejected if F count > F table = non-linear relationship

### **3.5.2.3 Multicollinearity Test**

To determine the presence or absence of multicolliners between independent variables, one way that can be done is to look at the Variance Inflation Factor (VIF) of each independent variable against the dependent variable. If VIF is less than 0.10 or greater than 10 then multicollinearity occurs. On the other hand, there is no multicollinearity between independent variables if VIF is in the range of 0.10 to 10, Ghazali (2001) in Fauziah (2007).

### **3.5.2.4 Heteroscedasticity Test**

The Heteroscedasticity test aims to test whether the regression model has an inequality of variants from the residuals of one observation to another, which is fixed, then it is called heteroscedasticity, and if the variants are different it is called heteroscedasticity.

### **3.5.2.5 Autocorrelation Test**

Autocorrelation is the correlation between the variables themselves at different observations of time or individuals. The correlation assumption is defined as the occurrence of correlation between observational data, where the appearance of a data is influenced by the previous data.

### **3.5.3. Analysis Model**

To test the hypothesis of the effect of changes in activity ratios and the value of inflation on profitability, a multiple linear regression analysis model is used. The multiple linear regression equation in this study is:

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + e$$

$$Y = a + b_1 X_1 + b_2 X_2 + e$$

Where :

Y = Profitability

A = Constant

b<sub>1</sub>, b<sub>2</sub>, b<sub>3</sub> = Regression Coefficient

X<sub>1</sub> = Change in WCTO

X<sub>2</sub> = Change in FATO

X<sub>3</sub> = Change in Inflation Rate

e = Standard Error

### **3.5.4. Analysis Technique**

Before testing the hypothesis, it is necessary to test the research model. The goodness of fit model analysis is used to measure the accuracy of the sample regression function in estimating the actual value. The measurement of goodness of fit can be measured from the coefficient of determination, the value of the F statistic, and the t statistical value. statistical calculations are called statistically significant if the statistical test value is in a critical area (the area where H<sub>0</sub> is

rejected). Conversely, it is called insignificant if the statistical test value is in the area where  $H_0$  is accepted (Ghozali, 2016: 95).

#### 3.5.4.1 Partial Significance Test (t test)

According to Ghozali (2016: 97), the t-statistical test basically shows how much influence one independent / explanatory variable individually has in explaining the variation of the dependent variable. With a significance level of 0.05 (5%), the test criteria are as follows:

1. If the significance value  $\geq 0.05$  then  $H_0$  is accepted and  $H_1$  is rejected, it means that the independent variables individually have no effect on the dependent variable.
2. If the significance value  $\leq 0.05$  then  $H_1$  is accepted and  $H_0$  is rejected, it means that the independent variable individually affects the dependent variable.

#### 3.5.4.2 Simultaneous Significance Test (Test F)

The F statistical test basically shows whether all the independent variables that are included in the model have a joint (simultaneous) influence on the dependent variable (Ghozali, 2016: 98). The F significance test was carried out with using a significance level of 0.05. Hypothesis testing criteria are as follows:

1. If the significance value  $< 0.05$ , then  $H_a$  is accepted and  $H_0$  is rejected, it means that the independent variable simultaneously affects the dependent variable.
2. If the significance value  $> 0.05$ , then  $H_a$  is rejected and  $H_0$  is accepted, it means that the independent variable simultaneously has no effect on the dependent variable.

#### 3.5.4.3 Determination Coefficient Test ( $R^2$ )

The value of  $R^2$  can be used to measure the level of the model's ability to explain the dependent variable. However,  $R^2$  has a fundamental weakness, namely that there can be a number of independent variables included in the model, so in this study using adjusted  $R^2$ , which ranges between 0 and 1. If the adjusted  $R^2$  value is small, it means that it has limited ability to the independent variable (X) explain the dependent variable (Y). If the adjusted  $R^2$  value gets closer to 1, the model's ability to explain the dependent variable (Y) is better.

Where :

$$KD = R^2 \times 100\%$$

KD = Determination Coefficient

R = Class Coefficient

## IV. RESULTS

### 4.1.1. Research Sample Description

In this study, the sample was selected by method *purposive sampling*. Through the purposive sampling method, it is expected that the sample can represent the population and does not cause the research objectives previously described. Then the sample is selected for the availability of the data needed in the study. The sample in this study is a company engaged in freight transportation services and the sampling criteria are:

1. Companies that publish annual reports for the period 2014 - 2019.
2. Companies that use the rupiah currency in their financial statements.

The sample in this study is the financial statements at PT. BFI Finance for 6 years, namely from 2014 to 2019 in the form of a statement of financial position and an income statement. With the aim of providing the latest information from the company under study, as well as in the year concerned there is a problem or gap between theory and practice that makes the researcher choose that year to be researched.



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### **1. Descriptive Statistical Analysis**

Descriptive statistical analysis is the statistical result that is used to analyze data by describing or describing the collected data as it is without making generalized conclusions or generalizations.

This section describes the data for each variable that displays the characteristics of the sample used in the study this. The sample characteristics include: sample mean value (mean), maximum and minimum value for each variable. The description in this study includes 3 variables, namely Work Capital Turnover (WCTO) and Fixed Asset Turnover (FATO) and Inflation (INFLATION) on Return On Assets (ROA). Descriptive statistics in this study are presented in the following table:

**Table 2 Descriptive Statistics Results**

	<b>Y_ROA</b>	<b>X1_WCTO</b>	<b>X2_FATO</b>	<b>X3_INFLATIO N</b>
Mean	2,263	0.255	7,869	4,113
Median	2,514	0.255	8,315	3,330
Maximum	3,197	0.270	9,686	8,360
Minimum	0.616	0.243	5,146	3,020
Std. Dev.	0.919	0.011	1,828	2,092
Observations	6	6	6	6

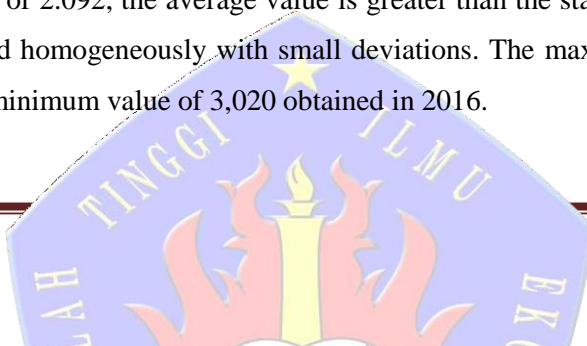
Source: Secondary Data Processed with Eviews, 2020

Based on the results of variable descriptive statistics *Return On Asset*(ROA) an average value of 2.263 with a standard deviation of 0.919, the average value is greater than the standard deviation, indicating that the data is distributed homogeneously with small deviations. The maximum value of 3.197 was achieved in 2019 with a minimum value of 0.616 obtained in 2014.

Based on the results of variable descriptive statistics *Work Capital Turover*(WCTO) an average value of 0.255 with a standard deviation of 0.011, the average value is greater than the standard deviation, indicating that the data is homogeneously distributed with small deviations. The maximum value of 0.270 was achieved in 2019 with a minimum value of 0.243 obtained in 2014.

Based on the results of variable descriptive statistics *Fixed Asset Turnover* (FATO) the average value of 7,629 with a standard deviation of 1,828, the mean value is greater than the standard deviation, indicating that the data is distributed homogeneously with small deviations. The maximum value of 9.686 was achieved in 2019 with a minimum value of 5.146 obtained in 2014.

Based on the descriptive statistics of the Inflation variable (INFLATION), the average value is 4.113 with a standard deviation of 2.092, the average value is greater than the standard deviation indicating that the data is distributed homogeneously with small deviations. The maximum value of 8,360 was achieved in 2014 with a minimum value of 3,020 obtained in 2016.



a. Development of Return On Assets in 2014-2019

**Table 3 Development of Return On Assets for the period 2014-2019**

Year	Return On Asset	Change	Percentage
2014	0.616	-	-
2015	1,877	1,261	67.2%
2016	2,580	0.703	27.3%
2017	2,448	-0.132	-5.4%
2018	2,860	0.412	14.4%
2019	3,197	0.337	10.5%

Source: Secondary Data Processed with Eviews, 2020

From the table above it can be seen that *Return On Asset* from year to year during the 2014-2019 period it has increased. Its value increased from 2014 to 2019 but decreased in 2017. However, in terms of the percentage, there was a decrease, even a minus value in 2017. The value of Return On Asset which increases every year reflects the company's improving performance.

b. WCTO developments in 2014-2019

**Table 4 Development of WCTO for the period 2014-2019**

Year	WCTO	Change	Percentage
2014	0.243	-	-
2015	0.252	0.009	3.7%
2016	0.259	0.007	2.9%
2017	0.245	-0.014	-5.8%
2018	0.266	0.021	8.0%
2019	0.270	0.004	1.3%

Source: Secondary Data Processed with Eviews, 2020

From the table above, it can be seen that the Work Capital Turover from year to year during the 2014-2019 period has increased. Its value increased from 2014 to 2019 but decreased in 2017. However, in terms of percentage, there was an increase, even a minus value in 2017. The value of Work Capital Turover which increased reflects improved working capital management.

c. Development of Fixed Asset Turnover in 2014-2019

**Table 5 Development of Fixed Asset Turover for the period 2014-2019**

Year	FATO	Change	Percentage
2014	5,146	-	-
2015	6,288	1,142	18.2%
2016	7,792	1,504	19.3%

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2017	8,838	1,046	11.8%
2018	9,466	0.628	6.6%
2019	9,686	0.220	2.3%

Source: Secondary Data Processed with Eviews, 2020

From the table above it can be seen that *Fixed Asset Turnover* from year to year during the 2014-2019 period it has increased .. However, in terms of the percentage there has been a decrease. Fixed Asset Turnover, which increases every year, reflects the better management of the company's assets.

### d. Inflation Development in 2015-2019

**Table 6 Inflation Development for the period 2015-2019**

<b>Year</b>	<b>Inflation</b>	<b>Change</b>	<b>Percentage</b>
2014	8.36	-	-
2015	3.35	-5.01	-149.6%
2016	3.02	-0.33	-10.9%
2017	3.61	0.59	16.3%
2018	3.31	-0.3	-9.1%
2019	3.03	-0.28	-9.2%

Source: Secondary Data Processed with Eviews, 2020

From the table above, it can be seen that inflation from year to year during the 2014-2019 period has decreased even the percentage is negative. The decreasing inflation every year reflects the good condition of the Indonesian economy at macro level. This is due to better control over the circulation of money and consumer prices in that period.

## **2. Classic assumption test**

### **a. Normality test**

The normality test aims to test whether in the regression model, confounding or residual variables have a normal distribution, to detect whether the residuals are normally distributed or not. To test the normality of a model, the hypothesis is as follows:

Ho: The data are normally distributed

Ha: The data are not normally distributed

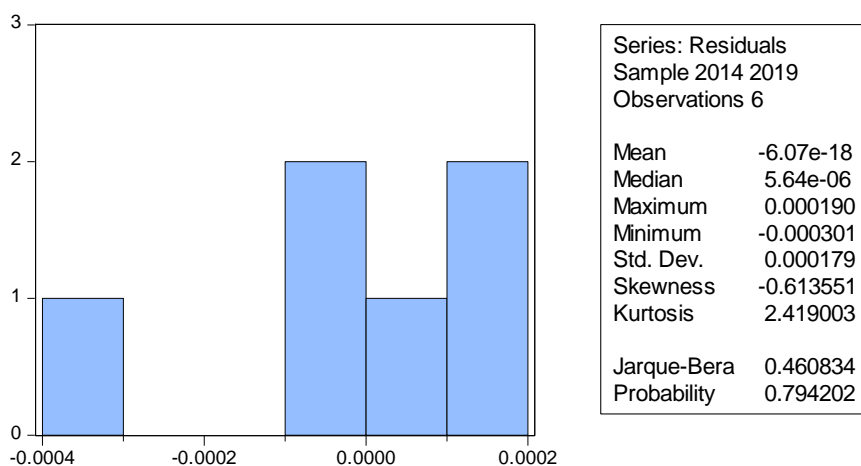


Figure 3: Normality Test

Source: Secondary Data Processed with Eviews, 2020

According to Ghozali (2016: 154) if the probability value *Jarque-Bera* < significant value (0.05) then  $H_0$  is rejected and  $H_a$  is accepted, which means the data does not have a normal distribution. Meanwhile, if the *Jarque-Bera* probability value is > significant (0.05) then  $H_0$  is accepted and  $H_a$  is rejected, which means that the data has a normal distribution. Based on the normality test histogram above, it can be seen that the *Jarque-Bera* probability > significance value (0.794202 > 0.05). This means that the data in this study are normally distributed and can be continued to the next test.

**b. Linearity Test**

To determine the linearity of the regression equation, regression linearity test was used with the Ramsay Test. Furthermore, the results of calculations with the Ramsay Test tab were consulted with the F distribution, with the following criteria:

- $H_0$  is accepted if  $F \text{ count} < F \text{ table} = \text{linear relationship}$
- $H_0$  is rejected if  $F \text{ count} > F \text{ table} = \text{non-linear relationship}$

Table 7 Linearity Test Results

Ramsey RESET Test

Equation: UNTITLED

Specification: Y\_ROA X1\_WCTO X2\_FATO X3\_INFLASI C

Omitted Variables: Squares of fitted values

	Value	df	Probability
t-statistic	30,91235	1	0.0206
F-statistic	955.5736	(1, 1)	0.0206
Likelihood ratio	41.18015	1	0.0000

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Source: Secondary Data Processed with Eviews, 2020

Based on the results of the Ramsay Test, the F-Statistical Probability value is 0.0206, greater than 0.05. Until it can be seen that the relationship between variables (ROA, WTCO, FATO and INFLATION) has a linear relationship.

**c. Multicollinearity Test**

According to Ghozali (2013: 77), the multicollinearity test aims to test whether the regression found high or perfect correlation between independent variables. If the VIF value is above 10, it is suspected that there is internal multicollinearity model. Meanwhile, if the VIF value is below 10, it is assumed that in the model there is no multicollinearity.

**Table 8 Multicollinearity Test Results**

Variance Inflation Factors

Date: 08/28/20 Time: 11:26

Sample: 2014 2019

Included observations: 6

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
X1_WCTO	5.96E-05	274,5501	1.083247
X2_FATO	1.18E-08	57.23114	2.463222
X3_INFLATION	8.49E-09	12.95730	2.407740
C	6.23E-06	468,8505	NA

Source: Secondary Data Processed with Eviews, 2020

Based on the table above, it can be seen that the relationship between the independent variables (WCTO, FATO and INFLATION) does not show a VIF value above 10. So it can be concluded that in the model there is no multicollinearity symptom.

**d. Heteroscedasticity Test**

Heteroscedasticity test aims to test whether in the regression model there are inequalities *variance* from the residuals of one observation to another. If the probability value is  $> 0.05$  then there is no heteroscedasticity problem. However, if the probability value  $< 0.05$ , there is a heteroscedasticity problem.

**Table 9 White's Heteroscedasticity Test Results**

Heteroskedasticity Test: White

F-statistic	0.997029 Prob. F (3,2)	0.5361
-------------	------------------------	--------

Obs * R-squared	3,595714	Prob. Chi-Square (3)	0.3086
Scaled explained SS	0.283463	Prob. Chi-Square (3)	0.9631

Source: Secondary Data Processed with Eviews, 2020 Based on the table of the results of the White Test, it can be seen that the probability value of Chi-Square obs \* R-squared> significance value (0.3086> 0.05), it can be concluded that heteroscedasticity does not occur so that it can be continued to the next test

**e. Autocorrelation Test**

Test Autocorrelation aims to test whether in the linear regression model there is a correlation between confounding error in period t with confounding error in period t-1 (previous). One way to detect the presence or absence of autocorrelation is by performing the Durbin-Watson test (DW test). Decision making whether there is autocorrelation:

**Table 10 Autocorrelation Test Results**

R-squared	0.999529	Mean dependent var	0.067167
Adjusted R-squared	0.998823	SD dependent var	0.008232
SE of regression	0.000282	Akaike info criterion	-13.27191
Sum squared resid	1.59E-07	Schwarz criterion	-13.41073
Log likelihood	43,81572	Hannan-Quinn criter.	-13.82764
F-statistic	1415,758	Durbin-Watson stat	2,577350
Prob (F-statistic)	0.000706		

Source: Secondary Data Processed with Eviews, 2020

Based on the table above, the Durbin Watson value is 2.577350. Based on the Durbin Watson table for k = 3, the dL value is 0.6018 and the dU value is 1.40015. The Durbin Watson value fulfills the requirements of  $dU < DW < 4 - dU$  or  $1,40015 < 2,577350 < (4 - 1,40015)$  so that in this study there was neither negative nor positive autocorrelation.

**4.1.2. Research Data Analysis**

**Table 11 Results of Multiple Linear Regression**

Dependent Variable: Y\_ROA

Method: Least Squares

Date: 08/28/20 Time: 10:38

Sample: 2014 2019

Included observations: 6

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1_WCTO	0.072068	0.007718	9.337384	0.0113

X2_FATO	0.006651	0.000108	61.34834	0.0003
X3_INFLATION	0.003083	9.21E-05	33.45633	0.0009
C	-0.015500	0.002496	-6.209615	0.0250
R-squared	0.999529	Mean dependent var		0.067167
Adjusted R-squared	0.998823	SD dependent var		0.008232
SE of regression	0.000282	Akaike info criterion		-13.27191
Sum squared resid	1.59E-07	Schwarz criterion		-13.41073
Log likelihood	43,81572	Hannan-Quinn criter.		-13.82764
F-statistic	1415,758	Durbin-Watson stat		2,577350
Prob (F-statistic)	0.000706			

Source: Secondary Data Processed with Eviews, 2020

Based on the table above, the regression model equation between the dependent variable (ROA) and the independent variable (WCTO, FATO and INFLATION) is obtained as follows:

$$ROA = -0,0155 + 0,0720 WCTO + 0,0065 FATO + 0,0030INFLASI + e$$

From the regression equation it can be explained that:

- The constant is -0.0015500 shows that if the independent variables (WCTO, FATO and INFLATION) in period t are constant, then the ROA value is -0.0015500.
- The WCTO coefficient value is 0.0072. If the WCTO value in period t increases by 1%, while the other independent variables are considered constant. Then it will increase the ROA value at and period t of 0.0072 units.
- The FATO coefficient value is 0.0065. If the FATO value in period t increases by 1%, while the other independent variables are considered constant. Then it will decrease the ROA value in period t by 0.0065 units
- The INFLATION coefficient value is 0.0030. If the value of inflation in period t increases by 1%, while the other independent variables are considered constant. Then it will increase the ROA value in period t of 0.0030 units

#### 4.1.3. Hypothesis test

##### a. Simultaneous Effects of WCTO, FATO and INFLATION on ROA (Test F)

Simultaneous testing or the F test is used to test the effect of the independent variables together on dependent variable. The decision making criteria used is if the probability value of F-statistic >  $\alpha = 0.05$  then H0 is accepted or Ha is rejected, so it is concluded that the independent variable has a significant effect simultaneously on the dependent variable. Meanwhile, if the probability value of F-statistic <  $\alpha = 0.05$ , then H0 is rejected or Ha is accepted, so it can be concluded that the independent variable simultaneously has no significant effect on the independent variable. Simultaneous hypothesis testing can be seen from the following table:

**Table 12 F Test Results**

R-squared	0.999529	Mean dependent var	0.067167
Adjusted R-squared	0.998823	SD dependent var	0.008232
SE of regression	0.000282	Akaike info criterion	-13.27191
Sum squared resid	1.59E-07	Schwarz criterion	-13.41073
Log likelihood	43,81572	Hannan-Quinn criter.	-13.82764
F-statistic	1415,758	Durbin-Watson stat	2,577350
Prob (F-statistic)	0.000706		

Source: Secondary Data Processed with Eviews, 2020

Based on the results of the F test above, it can be seen that the F-statistic probability value <5% significance value (0.000706 <0.05), so that H<sub>0</sub> is rejected and H<sub>a</sub> is accepted. Thus it can be concluded that there is a significant effect of the independent variables (WCTO, FATO and INFLATION) on the dependent variable (ROA) simultaneously or the independent variables (WCTO, FAT and INFLATION) can explain the dependent variable (ROA) in this study.

**b. Partial Effect of WCTO, FATO and INFLATION on ROA (t test)**

Partial testing is used to test the effect of variables independent of the dependent variable. If the probability <0.05 then H<sub>0</sub> rejected and H<sub>a</sub> accepted, so it can be concluded that the independent variable has a significant effect on the dependent variable. Meanwhile, if the probability > 0.05 then H<sub>0</sub> is accepted and H<sub>a</sub> is rejected, so it can be concluded that the independent variable has no significant effect on the dependent variable. The partial hypothesis test can be seen from the following table:

**Table 13 Results of the t test**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1_WCTO	0.072068	0.007718	9.337384	0.0113
X2_FATO	0.006651	0.000108	61.34834	0.0003
X3_INFLATION	0.003083	9.21E-05	33.45633	0.0009
C	-0.015500	0.002496	-6.209615	0.0250

Source: Secondary Data Processed with Eviews, 2020

The explanation of the t test table is as follows:

- 1) Effect of Work Capital Turnover (WCTO) on Profitability (ROA)



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The test results with the panel data regression analysis above show that the probability of WCTO is 0.0113 <5% significance value (0.0 <0.05), so H<sub>0</sub> is rejected and H<sub>a1</sub> is accepted. So it can be concluded that WCTO has a partially significant effect on ROA.

**2) Effect of Fixed Asset Turnover (FATO) on Profitability (ROA)**

The test results with the panel data regression analysis above show the probability of FATO <5% significance value (0.003 <0.05), so H<sub>0</sub> is rejected and H<sub>a2</sub> is accepted. So it can be concluded that FATO has a partially significant effect on ROA.

**3) Effect of Inflation (INFLATION) on Profitability (ROA)**

The test results with the panel data regression analysis above show the probability of INFLATION <5% significance value (0.0009 <0.05), then H<sub>0</sub> is rejected and H<sub>a4</sub> is accepted. So it can be concluded that INFLATION has a significant effect on ROA partially

**c. Coefficient of Determination**

According to Ghozali (2016: 95) Value R<sup>2</sup>Small means that the ability of the independent variables to explain the variation in the dependent variable is very limited. On the other hand, the value of R<sup>2</sup> which is almost close to one means that the independent variable provides almost all the information needed to predict the variation of the independent variable.. The coefficient of determination can be seen in the following table

**Table 14**  
**Result of the Coefficient of Determination (Adjusted R-Square)**

R-squared	0.999529	Mean dependent var	0.067167
Adjusted R-squared	0.998823	SD dependent var	0.008232
SE of regression	0.000282	Akaike info criterion	-13.27191
Sum squared resid	1.59E-07	Schwarz criterion	-13.41073
Log likelihood	43,81572	Hannan-Quinn criter.	-13.82764
F-statistic	1415,758	Durbin-Watson stat	2,577350
Prob (F-statistic)	0.000706		

Source: Secondary Data Processed by Evie ws, 2020

Based on the table above, the Adjusted R-squared value is 0.998208. This shows that the Profitability variable (ROA) can be explained by the independent variables (WCTO, FAT and INFLATION) of 98.8%. While the rest (100% - 99.88% = 0.12%) is explained by other variables outside the research regression model.

**4.1. Discussion of Research Results**

**a. Effect of Work Capital Turnover (WCTO) on Profitability at PT BFI Finance 2014-2019**

The results showed that the WCTO variable had a significant effect on ROA. Thus, this study

accepts the first hypothesis (H1) which states that WCTO has a significant effect on ROA. This is evidenced by the results of hypothesis testing with a probability value that is smaller than the significance value of 5% ( $0.0113 < 0.05$ ). This is in line with research conducted by Marcelina Shinta Dewi entitled "The Effect of Liquidity Ratios and Activity Ratios on Changes in Profits in Food and Beverages Companies Registered in Bei 2013-2016 Period" which states that there is an influence between working capital turnover ratios and profitability.

The working capital turnover ratio is the ratio between sales and the total current assets owned by a company in a certain period. The greater the working capital turnover ratio, the better a company where the percentage of existing working capital is able to generate a certain number of sales. In addition, the greater this ratio indicates the effective use of available working capital in increasing the company's profitability. The high turnover rate of working capital will please short-term creditors. They will get certainty that working capital rotates at high speed and debt will be repaid soon even in difficult operating conditions, thereby increasing the company's profitability. A company is said to have high profitability meaning that large capital, effectiveness will also be high. However, large capital does not mean that the company will have high profitability. This depends on the use of working capital whether it is effective and efficient or not. Working capital always rotating will affect the flow of funds in the company. If the working capital turnover has increased every year, it means that the flow of funds back to the company will be smoother. Vice versa, the lower the working capital turnover rate, the longer the time bound for funds, which means that working capital management is less effective and tends to reduce its profitability.

**b. Effect of Fixed Asset Turnover (FATO) on Profitability (ROA) at PT BFI Finance 2014-2019**

The results showed that the FATO variable has a significant effect on ROA. Thus this study accepts the third hypothesis (H2) which states that FATO has a significant effect on debt policy. This is evidenced by the results of hypothesis testing with a probability value that is smaller than the significance value of 5% ( $0.0003 < 0.05$ ). This is in line with research conducted by. Yeni Indryawati S about "Analysis of the Effect of Liquidity Ratios, Activity Ratios and Leverage Ratios on Company Profitability" which states that there is a significant influence between Fixed Asset Turnover on Profitability.

Fixed asset turnover is the ratio used to measure the effectiveness of the company's fixed assets in generating sales, or in other words, to measure how effectively the capacity of the assets continues to contribute to creating sales. This ratio is calculated as the dividend between the amount of sales (cash or credit) and the average fixed assets. What is meant by average fixed assets is fixed assets at the beginning of the year plus fixed assets at the end of last year divided by two. Low fixed asset turnover means that the company has excess capacity of fixed assets, where existing fixed assets have not been maximally utilized to create sales.

**c. The Influence of Inflation on Profitability (ROA) at PT BFI Finance 2014-2019**

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The results showed that the inflation variable has a significant effect on ROA. Thus this study accepts the third hypothesis (H3) which states that inflation has a significant effect on debt policy. This is evidenced by the results of hypothesis testing with a probability value that is smaller than the significance value of 5% ( $0.0009 < 0.05$ ).

The definition of inflation as understood by the public at large is inflation calculated based on an index known as the Consumer Price Index or more commonly referred to as CPI inflation. Inflation is a tendency to increase the price of goods in general that occurs continuously. This will affect the increase in production costs of a company. High production costs of course will make the selling price of goods rise, so that it will reduce the number of sales which will have a negative impact on company performance. This will reduce investor interest in these shares which will lead to a decline in the company's stock return.

For financial companies, inflation can affect their financial performance, especially in relation to the allocation of credit / financing that has been given to financing customers. In the producer perspective, the higher the inflation, it will result in an increase in output in the market. If the increase in output price is not balanced with an increase in public income, it can suppress product sales in the market. So that producers will have difficulty selling the goods they produce. This condition in the end can affect the company's financial performance, where some of the existing funds are funds obtained from bank loans. So that the higher inflation rate can result in a reduced level of bank profitability, due to some bad credit / financing. In addition, companies in the real sector are also reluctant to increase capital to finance their production, which in turn will have an impact on the decline in profitability of financial companies.

## **V. CONCLUSION AND IMPLICATIONS**

### **Conclusion**

Based on the analysis and discussion of the research results by testing the hypothesis using linear regression analysis, the following conclusions can be drawn:

1. *Work Capital Turnover* had a significant effect on Profitability at PT BFI Finance for the 2014-2019 period. The WCTO regression coefficient value is 0.0720, which means that the Capital Turnover Ratio has a positive effect on profitability
2. *Fixed Asset Turnover* significant effect on Profitability at PT BFI Finance 2014-2019 period. The FATO regression coefficient value is 0.0065, which means that Fixed Asset Turnover has a positive effect on profitability
3. Inflation has a significant effect on profitability at PT BFI Finance for the 2014-2019 period. The regression coefficient value for INFLATION is 0.0030, which means that inflation has a positive effect on profitability

### **Implications**

In the future, this research is expected to be able to present higher quality research results with some input regarding several things including

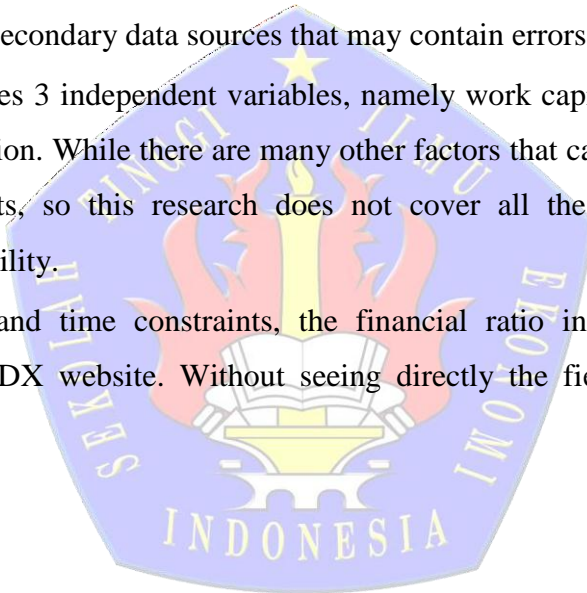
1. There needs to be improvements in the publication of financial reports in the consistency of nominal numbers and the use of the term financial ratios that have been determined by the Indonesia Stock Exchange so that the information obtained is clear and complete in accordance with applicable regulations.
2. Further research can add other independent variables that may have an influence on the profitability of PT BFI Finance because this independent model can explain about 99.8% of the variation in PT BFI Finance's profitability variables.
3. Subsequent research can add to the period of years and expand the population and research sample so that the results obtained are more accurate.

### **Research Limitations**

This study is based on a number of research limitations that can affect the research results.

The limitations in this study are as follows

- a. The research period used is only 6 years of observation, namely 2014 to 2019.
- b. In determining the variables identical to what the previous researchers did to determine the variables in this study, without a more careful analysis.
- c. The data used are secondary data sources that may contain errors.
- d. This study only uses 3 independent variables, namely work capital turnover, fixed asset turnover and inflation. While there are many other factors that can affect the profitability of company profits, so this research does not cover all the factors that affect the company's profitability.
- e. Due to resource and time constraints, the financial ratio information used here is available on the IDX website. Without seeing directly the field where the company operates.



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