

EFFECT OF NET PROFIT MARGIN (NPM), DEBT TO EQUITY RATIO (DER), TOTAL ASSET TURNOVER (TATO), CURRENT RATIO (CR), AND COMPANY SIZE ON PROFIT GROWTH IN HEALTH SECTOR COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE FOR THE 2018–2021 PERIOD**Keren Hapukh¹, Helly Aroza Siregar^{2*}, Irawati Irawati³, Zulhelmi Zulhelmi⁴, Melia Frastuti⁵**^{1,2,3,4}Institut Bisnis dan Teknologi Pelita Indonesia⁵Universitas Indo Global MandiriEmail: helly.aroz@lecturer.pelitaindonesia.ac.id²

*Correspondence author

ABSTRACT

This study aims to determine the effect of net profit margin, debt to equity ratio, total asset turnover, current ratio, and company size on profit growth in health sector companies listed on the Indonesian stock exchange for the 2018–2021 period. This study uses secondary data. The sample technique in this study used purposive sampling. The number of samples obtained were 15 companies. The analytical method of this research uses descriptive analysis and several types of evaluation using the SmartPLS software. From this study it was concluded that only net profit margin has a significant influence on profit growth. While the debt to equity ratio, total asset turnover, current ratio, and company size have positive effect but do not have a significant on profit growth.

Keywords : Company Net Profit Margin; Debt to Equity Ratio; Total Asset Turnover; Current Ratio; Company Size; Profit Growth

INTRODUCTION

Current developments in Indonesia show that market conditions are being overshadowed by global economic uncertainty, high inflation rates and tightening of monetary policy. The health sector is considered one of the defensive sectors, because it has become a primary need despite volatile economic conditions. Although the Covid-19 pandemic has been controlled, the health sector still has its appeal. IDX Healthcare is still rising sectorally, although with insignificant movements, strengthening by 2.54% year to date. The health sector is able to be a driver of strengthening the JCI. The performance of health sector issuers in 2022 is still better than before the pandemic. The penetration of health services is still quite low, but still has the opportunity to be of interest to market players. After the Covid-19 pandemic is over, the catalyst that can maintain performance growth is public awareness of the importance of health. Another challenge faced is the high price of raw materials for medicines, most of which are still imported (<https://investasi.kontan.co.id>, 2022).

Given the awareness of people in the world today, health will become an extraordinary consumption or need. According to data from the Ministry of Health, until 2021, there are 241 pharmaceutical manufacturing industries, 17 pharmaceutical raw material industries, 132 traditional medicine industries, and 18 natural product extraction industries. The growth of medical equipment production facilities also continues to increase. Since 2015 to 2021, the number of companies producing medical devices has increased from 193 to 891 companies. Furthermore, in the last five years, the domestic medical device industry has grown by 361.66 percent or approximately 698 companies (<https://www.bkpm.go.id>)

The health industry is a vital sector to develop if Indonesia wants to become a developed country. Currently, public spending on the health sector is low compared to other countries. Spending on health in Indonesia is only 3.1 percent compared to Gross Domestic Product (GDP). In one decade, it is estimated that growth in spending on health will increase by 19 percent per year and the increase in spending compared to GDP will increase by 2.4 times (<https://katadata.co.id>, 2022).

The improving performance of the health sector is not only reflected in the growth rate. The sector's contribution to the national economy has also increased over time, especially in the last two years. Before the pandemic, the health sector lagged behind other sectors whose contributions were minimal. The contribution of the health and social activities sector in 2011 was only 0.98 percent and the following year it only reached 1.0 percent. Its contribution then increased in the following years, reaching 1.07 percent in 2015. In 2020, its contribution reached 1.30 percent, then increased to 1.34 percent in 2021. The health and social activities sector is also the only sector whose contribution changes have been consistently positive during the pandemic. In 2020, there was an increase in contribution of 0.20 percentage points, while in 2021 it was 0.04 percentage points. This growth achievement is still better compared to other sectors whose contribution changes were negative after increasing in the previous year (<https://www.kompas.id>, 2022).

The development of good health industry profits will produce positive conditions. Profit reflects a company's financial performance. The better a company's financial performance, the greater its profit growth and vice versa. Profit growth is the percentage increase in profits earned by a company. Profit development can be influenced by several aspects, both external and internal aspects. (Hanafi and Halim, 2016) stated that profit development is influenced by the size of the industry, industry costs, leverage, marketing levels, and profit changes in the later era. Not only that, profit development is influenced by external aspects such as inflation and the existence of administrative independence that selects accounting methods and increase profits.

The size of a company's profit is influenced by many factors, according to (Jumingan, 2014) The factors that affect changes in net profit are the increase or decrease in the amount sold and the selling price. The increase or decrease in the cost of goods sold. Changes in the cost of goods sold are influenced by the number of units purchased or produced or sold and the purchase price per unit or the cost of goods sold per unit. The increase or decrease in business costs influenced by the number of units sold, variations in the number of units sold, variations in price levels and the efficiency of the company's operations. The increase or decrease in income items or non-operational costs influenced by variations in the number of units sold, variations in price levels and changes in policies in giving or receiving discounts. The increase or decrease in corporate taxes influenced by the size of the profit obtained or the high or low tax rates. There are changes in accounting methods.

The first factor is net profit margin (NPM), (Weston and Copeland, 2013) stated that fluctuations in net profit and revenue mean that the company is increasingly inefficient in generating net profit and revenue, so that it affects the NPM which will experience fluctuations. With fluctuations in net profit and revenue, it will affect the company's NPM which will also fluctuate. Research (Puspasari, 2017) shows that NPM has a significant positive effect on profit growth. (Estininghadi, 2018) found that NPM had a positive but insignificant effect on profit growth. (Yasin, 2018) found that NPM had no significant effect on profit growth.

The company can manage external loan funds well for investment or production activities to increase profits. Debt to equity ratio (DER) which is low means that fewer company assets are financed by debt and the smaller the interest burden that must be paid so that the company's profit will increase. According to (Authority, 2016), DER reflects the company's ability to fulfill the company's obligations in fulfilling its obligations as

indicated by its own capital or equity used to pay debts. DER is a comparison between the total debt owned by the company and its total equity. According to (Sudan, 2015) The greater this ratio, the greater the use of debt in financing investment in assets and the company's financial risk increases. Research (Olfiani, 2019) show DER has a significant positive effect on profit growth. (Puspasari, 2017) found that DER had a significant negative effect on profit growth. (Martini, 2018) which found that DER had no significant effect on changes in profit.

The increase in revenue can increase the company's net profit, so that the total asset turnover ratio has a positive effect on changes in profit. Total Asset Turnover (TATO) is one of the activity ratios that measures the turnover of all assets owned by the company. TATO measures the effectiveness of the use of all assets in generating sales. (Sudan, 2015). TATO is the asset turnover ratio. This ratio measures the company's ability to generate sales based on the total assets owned by the company. (Hanafi and Halim, 2016). According to (Ang, 1997) The bigger the TATO, the better because the more efficient all assets are used to support sales activities. The faster the turnover of a company's assets to support its net sales activities, the higher the income obtained so that the greater the profit obtained. (Salmah, 2018) found that TATO had a significant positive effect on profit growth. While the research (Puspasari, 2017) shows that TATO has a significant negative effect on profit growth. (Fatihah, 2018) found that TATO does not have a significant effect on profit growth.

The next factor is the current ratio (CR) which is one of the liquidity ratios. The efficiency of managing total assets and the effectiveness of using short-term debt with funds from total debt determine the company's ability to earn profits. The amount of idle funds will result in a decrease in income and profits, so that the profit growth achieved by the company will decrease. The current ratio shows the amount of current liabilities that are covered by assets that are expected to be converted into cash in the short term. (Brigham and Houston, 2013). Based on signal theory, decreasing profit will indicate poor company performance and give a negative signal to investors, thus reducing investment interest and reducing company profit. (Olfiani, 2019) found that CR has a significant positive effect on profit growth. The results of the study (Puspasari, 2017) shows that CR has a negative but insignificant effect on profit growth. (Fatihah, 2018) found that CR does not have a significant effect on profit growth.

The final factor is company size, which describes the size of a company, which can be expressed in terms of total assets or total net sales. (Hery, 2017). The larger the size of the company, the greater the company's opportunity to achieve profit growth by optimizing the use of assets. Research (Puspasari, 2017) shows that company size has a significant positive effect on profit growth. Meanwhile, research (Razak, 2021) shows that company size has a positive but insignificant effect on profit growth. However, (Setiono, 2021) find Company size has a partial negative effect on profit growth.

LITERATURE REVIEW

Signaling theory used to explain that basically information is used by companies to give positive or negative signals to its users. Company executives who have better information about their company will be encouraged to convey this information to potential investors where the company can increase its value through its reporting by sending signals through its annual report. (Scott, 2015). Signaling theory is a signal of information that investors need to consider and determine whether or not to invest their shares in the company concerned. Signaling theory is rooted in pragmatic accounting theory which focuses on the influence of information on changes in information behavior. One of the information that can be used as a signal is an issuer's announcement. This announcement can later affect the rise and fall of the issuer company's securities price. (Suwardjono, 2015)

Signaling theory explains why companies have an incentive to provide financial report information to external parties. The incentive for companies to provide information is because there is information asymmetry between the company and external parties because the company knows more about the company and its future prospects than external parties. The lack of company information causes them to give low prices for the company. Companies can increase the value of the company by reducing information asymmetry. One way to reduce information asymmetry is to provide signals to external parties (Arifin, 2017). Signaling theory is that companies with good future prospects tend to use debt funding sources, while companies that are not doing well enough will use funding in the form of issuing shares. (Gitman and Zutter, 2015).

Profit Growth

Profit can be explained as an important figure in financial reports for various reasons, including, profit is the basis for calculating taxes, a guideline in determining investment policies and decision making, the basis for planning and other economic events of the company in the future, the basis for calculating and assessing efficiency in running the company and as the basis for assessing the company's achievements or performance. (Harahap, 2015)

Profit is defined as the difference between income and expenses in connection with business activities. (Soemarso, 2014). Laba or profit is one of the main objectives of the company in carrying out its

activities. The profit obtained by the company will be used for various interests, the profit will be used to improve the welfare of the company for the services it receives. Net income (profit) is often used as a measure of performance or a basis for other measures such as return on investment (ROI) or earnings per share. Company performance is the result of a series of processes at the expense of various resources. One of the parameters for assessing the company's performance is profit growth. Profit growth is used to assess the performance of a company (Indonesian Accounting Association, 2012)

Good company profit growth reflects that the company's performance condition is also good, if the economic condition is good in general the company's growth is good. Therefore, profit is a measure of a company's performance, the higher the profit achieved by the company, indicates the better the company's performance, thus investors are interested in investing their capital. (Utari and Darsono, 2014)

Profit growth shows the percentage increase in profit that a company can generate in the form of net profit. (2011). Profit growth is calculated by subtracting this year's net profit from last year's net profit and then dividing by last year's net profit. (Harahap, 2015). There are two types of analysis to determine profit growth, namely fundamental analysis and technical analysis. (Public transport, 2006)

Net Profit Margin

Net Profit Margin (NPM) including one of the profitability ratios. NPM shows the company's ability to generate net income against its total net sales. (Horne, 2014). The larger the NPM, the greater the net profit obtained by the company from sales activities. With a large net profit, the wider the opportunity for the company to increase its business capital without going through new debts, so that the income obtained increases. (Harahap, 2015). *Profit margin* namely the comparison of net operating income with net sales. (Riyanto, 2008). NPM is a picture of a company in getting profit or gain from sales. So the higher the NPM will show the high ability of the company to get profit. The amount of NPM indicates its success in developing the mission of the company owner. (Murhadi, 2015).

Net profit margin ratio is a tool to measure a company's ability to generate profits from sales achieved by the company. (Sudan, 2015). Profit Margin according to (Harahap, 2015) This number shows how much percentage of net income is obtained from each sale. The higher this ratio, the better because it is considered that the company's ability to earn profits is quite high.

Profit margin measures the level of profit that a company can achieve in relation to its sales. (Munawir, 2014). The size of the profit margin on each sales transaction is determined by 2 factors, namely net sales and operating profit. The size of the operating profit or net operating income depends on the income and the amount of operating expenses. With a certain amount of operating expenses, the profit margin can be increased by suppressing or reducing sales, or by suppressing or reducing operating expenses. (Riyanto, 2008).

Net profit margin is a ratio that calculates the extent to which a company is able to generate net profit at a certain level of sales. To measure this ratio is by comparing net profit after tax with net sales. This ratio can also be interpreted as the company's ability to reduce costs in the company in a certain period. (Hanafi and Halim, 2016).

Net profit margin actually dropped drastically. This means the possibility of increasing indirect costs that are relatively high compared to sales, or perhaps also because of the high tax burden for the period. (Kasmir, 2018). The formula for calculating Net Profit margin is as follows: $NPM = (\text{Net} / \text{Sales}) \times \text{Earning After Tax (EAT)}$ (Fahmi, 2020). Profit margin, also called net profit margin, can be calculated by dividing net income by sales. The Net Profit Margin formula is $NPM = (\text{Net Income} / \text{Sales}) \times 100\%$ (Brigham and Houston, 2013)

Debt to Equity Ratio

This ratio shows the percentage of funding provided by shareholders to lenders. The higher the ratio value, the lower the company's funding provided by shareholders. Debt to Equity Ratio is a ratio used to show the comparison between debt and equity of a company. (Murhadi, 2015). Debt to equity ratio is the ratio between total debt and total equity. He defines that this ratio shows how much of each rupiah of equity is used as collateral for debt. For companies, the greater this ratio, the more profitable it will be. (Munawir, 2014)

Debt to Equity Ratio is a ratio used to assess debt to equity. This ratio is useful to find out the amount of funds provided by creditors to the company's owners or to find out the amount of rupiah of own capital used as collateral. If the average industry standard is 80% for banks, the higher the ratio, the less profitable it will be because the greater the risk borne for failure that may occur in the company. However, for companies, the higher the ratio, the better. Conversely, with a low ratio, the higher the level of funding provided by the owner and the greater the safety margin for borrowers if there is a loss of depreciation of the asset value. This ratio also provides general guidance on the feasibility and risk of the company. (Kasmir, 2018). Debt to Equity Ratio is a ratio used to assess debt with equity. This ratio is useful for knowing the magnitude of the comparison between

the amount of funds provided by creditors with the amount of funds originating from the company's owners. The higher the ratio, the less capital you have than the debts that must be paid off. (Hery, 2018).

Debt to Equity Ratio (DER) reflects the company's ability to meet its obligations as indicated by some portion of its own capital or equity used to pay debts. Debt to Equity Ratio is not only used to see the company's capital structure but can also be used to see the level of solvency (use of debt) against total shareholder's equity. (Ang, 1997). High DER indicates that more business capital is financed by debt compared to the use of equity. Mathematically, Debt to Equity Ratio is the comparison between total debts and total shareholder's equity. The formula for finding the debt to equity ratio can be used as a comparison between total debt and total equity. (Kasmir, 2018)

Total Asset Turn Over

Total Asset Turnover (TATO) shows how effectively the company uses all assets to increase sales value and increase profits. Total Asset Turnover or total asset turnover is a ratio used to measure how much sales will be generated from each rupiah of funds invested in total assets. (Hery, 2018). TATO ratio measures the effectiveness of total asset usage. A high ratio usually indicates good management, while a low ratio should prompt management to evaluate its strategy, marketing and capital expenditures. (Hanafi and Halim, 2016)

Total Asset Turn Overshows how effectively the company uses all assets to increase sales value and increase profits. (Sartono, 2016). TATO shows the relative efficiency of using the company's total assets to generate sales. The higher the total asset turnover ratio means the more efficient the use of overall assets in generating sales. (Horne, 2014). Total asset turnover is a ratio used to measure the turnover of all assets owned by the company and measure how much sales are obtained from each rupiah of assets. If the average industry standard is 2 times when TATO is increased, it means that there is an increase in the company's net sales, an increase in the company's net sales will drive an increase in profit so that it affects the company's profitability. (Kasmir, 2018).

Current Ratio

Current ratio is a ratio to measure the company's ability to meet its short-term obligations that are due soon by using available current assets. (Hery, 2018). According to the current ratio, it is a ratio that measures the extent to which a company's current assets are used to meet its current liabilities. (Husnan and Pedjiastuti, 2006).

Current ratio is a liquidity ratio that describes the company's ability to meet its short-term obligations that have matured or debts that are due immediately when billed in their entirety. The current ratio shows the extent to which the company's current assets are able to cover current liabilities or debts that must be paid when due. (Kasmir, 2018). Companies in practice often use the current ratio with a standard of 200% (2:1) which is sometimes considered a good or satisfactory measure for a company. The calculation of the current ratio is done by comparing the total current assets with the total current liabilities. (Husnan and Pedjiastuti, 2006). Current ratio that is too high is considered not good because of the large amount of idle funds. A high current ratio may indicate excessive cash compared to the level of need, or the presence of low liquidity current asset elements such as excessive inventory. (Jumingan, 2014)

Company Size

Company size shows the size of a company measured by using the total wealth or total assets owned by the company. The definition of total assets is the assets or wealth owned by the company in a certain period. (Kasmir, 2018). Company size is a contextual variable that measures the demand for an organization's services or products. (Scott, 2015).

Company size (Size) describes the size of a company. Asset size is used to measure the size of a company, the asset size is measured as the natural logarithm of total assets is done to transform diverse total asset data. (Hartono, 2015). By using natural logs, the number of assets with a value of hundreds of billions or even trillions will be simplified, without changing the proportion of the actual number of assets. (Murhadi, 2015).

Asset size is used to measure the size of the company, the size of the assets is measured as the logarithm of total assets. The value of total assets is usually very large compared to other financial variables. For that, the asset variable is refined into Log asset or Ln Total Asset (Hartono, 2015), then the formula used to measure the size of the company is:

Relationship Between Variables and Hypotheses Development

The influence Net Profit Margin (NPM) on Profit Growth

Net Profit Margin is a ratio that compares profit margin and sales, and is measured in percentage. A high profit ratio indicates a company's high ability to generate net profit on certain sales. (Kasmir, 2018). If the profit margin

ratio increases, then future income is expected to increase, this is because net income is greater than operating income so that the ability to generate net income increases which will ultimately increase income.

This Net Profit Margin (NPM) ratio shows the effectiveness of profit margin owned by the company and sales (Hery, 2018). NPM shows the company's ability to generate net income against its total net sales. A larger NPM shows that the company's net profit from sales activities is greater. (Adisetiawan, 2012). *Net Profit Margin* shows the company's ability to generate net income against its total net sales (Horne, 2014). A larger Net Profit Margin indicates that the company is getting a larger net profit from sales activities. With a large net profit, the company has more opportunities to increase its business capital without going through new debts, so that the income obtained increases. (Harahap, 2015)

H1 : Net Profit Margin (NPM) have a positive effect on Profit Growth.

The influence of Debt to Equity Ratio (DER) on Profit Growth

Debt to Equity Ratio (DER), is one of the components of the Solvency Ratio, which functions to assess debt with equity. This ratio is useful for knowing the amount of funds provided by borrowers with company owners or functions to find out every rupiah of own capital that is used as collateral for debt. The higher the Debt to Equity, the more it can have an impact on increasing changes in profit and showing the effect of profit for the company (Kasmir, 2018).

The percentage of DER comparison is very small, which is 100%. In the analysis, if the long-term debt has a large or large number, then the industry has problems with liquidity and will affect the industry's profits, because loan interest payments affect profits. DER shows that the debt arrangement is getting bigger compared to equity and results in a large weight, this can reduce industry profits (Sirait, 2017).

Debt to equity ratio is a comparison used to measure the size of the ratio of loans to capital (Hery, 2018). The increase in debt to equity ratio shows the amount of funds needed by the company to carry out various company activities. The higher the DER value, the better it will be for profit growth, conversely, the lower the DER, the higher the level of funding provided by the owner and the greater the safety margin for borrowers in the event of a loss or depreciation of the asset value and will affect profit growth. A high DER value will burden the company with high interest costs. The high interest costs that must be paid by the company will have an impact on decreasing the company's profits.

H2 : *Debt to equity ratio* (DER) has a negative effect on Profit Growth.

The influence of Total Asset Turnover (TATO) Impact on Profit Growth

Turn Asset Turnover is one of the components of the activity ratio which is a comparison between net sales and total assets. The effect of the Total Asset ratio on the company's net profit is that the faster the asset turnover rate, the net profit generated will increase, because the company can use these assets to increase sales which affect revenue. Increased revenue can increase the company's net profit (Hanafi and Halim, 2016).

Total Asset Turnover is a comparison of activities that proves the industry's expertise in using all assets to generate marketing or income. (Sirait, 2017). Total Asset Turnover is to find out how far all the company's assets are turning over effectively. The greater the asset turnover, the more effective the company's asset management is. (Fahmi, 2020).

H3 : *Total Asset Turnover* (TATO) has a positive effect on Profit Growth.

The influence of Current Ratio (CR) influence on Profit Growth

Current Ratio (CR) is a ratio that functions to estimate the extent to which a company's capability to meet all short-term loans or debts that must be settled at the time of collection. The high value of the Current Ratio is able to project a guarantee to creditors in a good long term. (Kasmir, 2018). *Current Ratio* (CR) is one of the components of the liquidity ratio that functions to measure or describe the comparison between current assets and debts on the company's balance sheet. A high current ratio indicates high profit growth. (Kuswadi, 2005).

H4 : *Current Ratio* (CR) has a positive effect on Profit Growth.

The Influence of Company Size on Profit Growth

Industry dimension is something elastic condition that measures the urgency of services or products of the body. The dimension of an industry has an impact on creating profits. The greater the dimension of the industry, the greater the profits obtained. The large industry dimension must have found experience and even the latest ideas in improving the industry, so that it helps the industry in creating large profits. (Torang, 2012).

Company size is the total amount of debt and equity of the company which will be the same as the total assets. Companies that have large total assets indicate that the company has reached a stage of maturity and is considered to have good prospects in the long term, besides that it also reflects the company is relatively stable and is considered more capable of generating profits compared to the total assets of small companies. (The Sudarsono, 2010).

H5 : Company size has a positive effect on Profit Growth.

The research framework in research is as follows:

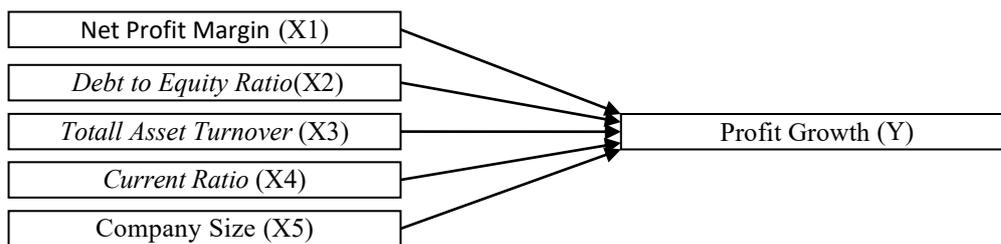


Figure 1. Research Framework

RESEARCH METHODS

Research Methods

Population and Samples

This research was conducted on health sector companies listed on the IDX downloaded from the official website www.idx.co.id which have complete data of public companies. Collection of financial report data for the period 2018-2021. The research was conducted from September 2022 to January 2023.

The population of this study is all health sector companies listed on the IDX for the 2018-2021 period, totaling 25 companies. The sampling technique used in this study is method *Purposive Sampling*. The purposive sampling method is a method of determining samples from existing populations using certain considerations or criteria. The sample determination criteria used are:

Table 1 Sample Selection Criteria

No	Criteria	Amount
1	Health sector companies listed on the IDX in 2021	25
2	Companies that IPO after 2017	(10)
	Number of samples that meet the criteria	15

(Source: Processed data, 2023)

Operational Definition and Measurement of Variables

To clarify the variables used, the independent variables and dependent variables in this study are explained as follows:

1. Profit Growth is the result of dividing the difference between the profit for the current year period and the profit for the previous period divided by the profit for the previous period. (Harahap, 2015)

$$\Delta PL = \frac{\text{Net Profit current year} - \text{Net Profit for previous year}}{\text{Net Profit for previous year}} \times 100\%$$

2. *Net Profit Margin* (NPM) is a tool to measure a company's ability to generate profits from sales (Brigham and Houston, 2013)

$$NPM = \frac{\text{Net Income}}{\text{Sales}}$$

3. *Debt to Equity Ratio* (DER) measures how far a company is financed by creditors. (Kasmir, 2018)

$$DER = \frac{\text{Total Debt}}{\text{Total Equity}} \times 100\%$$

4. *Total Asset Turn Over* (TATO) shows how effectively the company uses all assets to increase sales value and increase profits (Cashmere, 2018)

$$TATO = \frac{\text{Sales}}{\text{Total Assets}}$$

Effect of Net Profit Margin (NPM), Debt to Equity Ratio (DER), Total Asset Turnover (TATO), Current Ratio (CR), and Company Size on Profit Growth in Health Sector Companies Listed on the Indonesia Stock Exchange for the 2018–2021 Period (Keren Hapukh, Helly Aroza Siregar, Irawati, Zulhelmi, and Melia Frastuti)

5. *Current Ratio* (CR) is a ratio that measures the extent to which a company's current assets are used to meet its current liabilities.(Munawir, 2014)

$$CR = \frac{\text{Current Assets}}{\text{Current Liabilities}} \times 100\%$$

6. *Company Size* describes the size of a company as indicated by total assets and total net sales(Hery, 2018)
- $$\text{Firm Size} = \ln(\text{Total Assets})$$

Data Types and Sources

The data used in this study is secondary data, namely annual reports of company data that meet the research sample criteria from the official website.

Technique Data Analysis

Descriptive Analysis

Descriptive analysis describes and interprets the meaning of the collected data by paying attention to and recording as many aspects of the situation being studied at that time as possible in order to obtain a general and comprehensive picture of the actual situation.

Classical Assumption Test

Multicollinearity Test

The multicollinearity test aims to test whether the regression model has a correlation between independent variables. Multicollinearity testing is seen from the magnitude of VIF (Variance Inflation Factor) and tolerance. The cut off value commonly used to indicate multicollinearity is a VIF value <10(Ghozali, 2018).

Heteroscedasticity Test

The heteroscedasticity test is used to detect whether in the regression model there is inequality of variance from the residuals of one observation to another observation. A good regression model is one that is homoscedastic or does not have heteroscedasticity.(Ghozali, 2018)

Hypothesis Testing

Multiple Linear Regression

The multiple regression equation model of this study is: $Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5$

Information :	Y	: Profit Growth
	$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$: Variable coefficient
	X1	: <i>Net Profit Margin (NPM)</i>
	X2	: <i>Debt to Equity Ratio (DER)</i>
	X3	: <i>Total Asset Turnover (TATO)</i>
	X4	: <i>Current Ratio (CR)</i>
	X5	: <i>Company Size</i>
	a	: Constanta

Coefficient of Determination Test (R²)

The coefficient of determination (R²) is used to measure how far the model's ability to explain the variation of the dependent variable. The value of the coefficient of determination is between zero and one. A small R² value means that the ability of the independent variable to explain the variation of the dependent variable is very limited.(Ghozali, 2018).

Significance Test (t-Test)

Hypothesis testing is done through a t-test by comparing the calculated t with the t-table of each independent variable. Individual parameter significance test (t-test) This individual parameter significance test is used to determine whether the independent variable individually affects the t variable with the assumption that other independent variables are constant. The criteria for hypothesis testing are if the value > 0.05 or the significance value is more than $\alpha = 0.05$, it means that the independent variable individually does not affect the dependent variable(Ghozali, 2018).

RESULT AND DISCUSSION

Descriptive Statistical Analysis

Descriptive statistics aims to see the distribution of data from variables; which are used in this study.

Table 2. Descriptive Statistics

	Average	Minimum	Maximum	Standard Deviation
DER	83,663	11,670	382,480	79,680
CR	286,302	38,410	873,780	195,331
TATTOO	0.860	0.240	1,810	0.359
SIZE	14,969	12,140	17,060	1,099
P PROFIT	-9,504	-1361,690	1319,280	321,893
NPM	10,975	-22,970	190,100	25,663

Source: Processed Data (2022)

Description profit growth data in health sector companies from the 2018-2021 period had the lowest average profit growth value of -128.76 in 2019 and the highest average value of 47.18 in 2018. Description NPM had the lowest mean value of 5.90 in 2019 and the highest value of 19.97 in 2018. Description DER had the lowest mean value of 73.53 in 2019 and the highest mean value of 94.63 in 2021. Description TATTOO has the lowest mean value of 0.84 in 2020 and the highest value of 0.91 in 2021. Description *Current Ratio* has the lowest mean value of 253.33 in 2020 and the highest value of 313.06 in 2019. Description company size own the lowest mean value was 14.84 in 2016 and the highest mean value was 15.16 in 2021.

Classical Assumption Test

Multicollinearity Test

The results of the multicollinearity test show a VIF value <10 and a tolerance value >0.1, which can be stated that the data is free from multicollinearity symptoms. Based on the table, the VIF value of the Profit Growth (Y) variable against Net Profit Margin (NPM) (X1), Debt to Equity Ratio (DER) (X2), Total Asset Turnover (TATO) (X3), Current Ratio (CR) (X4), Company Size (X5), is less than 10.00.

Heteroscedasticity Test

The heteroscedasticity test used in this study is the Breusch-Pagan-Godfrey Test. Based on the significance value in the table above, it shows that the Probability is less than 0.05, so there is an indication of heteroscedasticity problems. A good regression model is a model that does not experience heteroscedasticity.

Autocorrelation Test

Autocorrelation test using Durbin-Watson. If the DW number is between -2 and +2, it means that there is no autocorrelation. The autocorrelation test is conducted to identify whether there is autocorrelation between errors that occur between periods tested in the regression model. Based on results autocorrelation test in the table shows that the value *Durbin-Watson* between -2 to +2, then it means nothing happened symptom autocorrelation.

Model Feasibility Test

Coefficient of Determination Test (R²)

The coefficient of determination measures how far the model's ability to explain the variation in the dependent variable. Based on the test results showing an adjusted R-square value of 0.036 or 3.6% which means it is included in the weak category. A small R² value means that the ability of the independent variable to explain the variation in the dependent variable is very limited. This means that NPM, DER, TATO, CR, and SIZE have an influence of 3.6% on profit growth, the remaining 96.4% is influenced by other variables that were not studied.

F Test

Test results *F* menu shows that Net Profit Margin (NPM) (X1), Debt to Equity Ratio (DER) (X2), Total Asset Turnover (TATO) (X3), Current Ratio (CR) (X4), Company Size (X5) have an insignificant influence on Profit Growth (Y)

Multiple Linear Regression Test

Multiple regression analysis is used to test the effect of two or more independent variables on the dependent variable. The multiple linear regression equation in this study is

$$Y = 3,991X_1 + 0.457X_2 + 91,360X_3 + 0.126X_4 + 18,465X_5$$

Coefficient regression variable NPM (X1) is 3,991. This means that if NPM increases by one unit, it will affect Profit Growth by an increase of one unit, namely 3,991 and vice versa. The regression coefficient of the DER variable (X2) is 0.457. This means that if DER increases by one unit, it will affect Profit Growth by an increase of one unit, namely 0.457 and vice versa. The regression coefficient of the TATO variable (X3) is 91,360. This means that if TATO increases by one unit, it will affect Profit Growth by an increase of one unit,

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namely 91,360 and vice versa. The regression coefficient of the CR variable (X4) is 0.126. This means that if CR increases by one unit, it will affect Profit Growth by an increase of one unit, namely 0.126 and vice versa. The regression coefficient of company size (X5) is 18.465. This means that if the company size increases by one unit, it will affect Profit Growth by one unit, which is 18.465 and vice versa.

Hypothesis Test Result

The results of the hypothesis test carried out through the t-test / significance test can be seen in the following table.

Table 3. Test Resultst

Variables	T value	P value	Conclusion
NPM	2,426	0.019	positive and significant
DER	0.725	0.471	positive and not significant
TATTOO	0.754	0.454	positive and not significant
CR	0.483	0.631	positive and not significant
SIZE	0.469	0.641	positive and not significant

Source: Data Processed, 2023

Based on the research results obtained, it shows that the NPM variable (X1) has a P value smaller than $\alpha = 0.05$, meaning that the NPM variable individually has an influence. positive and significant on the profit growth variable. The DER variable (X2) has a P Value greater than $\alpha = 0.05$, meaning that the DER variable individually has an effect positive and not significant on the profit growth variable. The TATO variable (X3) has a P Value greater than $\alpha = 0.05$, meaning that the TATO variable individually has an effect positive and not significant on the profit growth variable. CR variable (X4) has a P Value value smaller than $\alpha = 0.05$, meaning that the CR variable individually has a positive and insignificant effect on the profit growth variable. The company size variable (SIZE) (X5) has a P Value value smaller than $\alpha = 0.05$, meaning that the company size variable individually has a positive and insignificant effect on the profit growth variable.

Discussion

Net Profit Margin (NPM) Impact on Profit Growth

The results of the multiple linear regression coefficient test show that the Net Profit Margin (NPM) variable has a significant positive effect on profit growth in health sector companies listed on the Indonesia Stock Exchange (IDX) in 2016-2021, meaning that the company's profit margin can guarantee that the company has better profit growth so that it continues to increase.

Net profit margin is a ratio that compares profit margin and sales, and is measured in percentage. A high profit ratio indicates a company's high ability to generate net profit on certain sales. (Kasmir, 2018). If NPM increases, then future income is expected to increase, this is because net profit is greater than operational income so that the ability to generate net profit increases which will ultimately increase income.

This NPM ratio shows the effectiveness of the company's profit margin and sales. (Hery, 2018). NPM shows the company's ability to generate net income against its total net sales. A larger NPM shows that the company's net profit from sales activities is greater. (Adisetiawan, 2012). NPM menu show the company's ability to generate net income against total net sales (Horne, 2014). NPM yes is getting bigger indicates that the net profit obtained by the company from sales activities is getting bigger. With a big net profit, the opportunity for the company to increase its business capital without going through new debt increases, so that the income obtained increases. (Harahap, 2015). Results of this research is supported by (Puspasari, 2017) which states that NPM has significant influence on Profit Growth. Research (Fatimah, 2018) also found NPM influential on Profit Growth.

Debt to Equity Ratio (DER) Impact on Profit Growth

The results of the multiple linear regression coefficient test show that the Debt to Equity Ratio (DER) variable has a positive value, which means that DER has an insignificant effect on Profit Growth in health sector companies listed on the IDX in 2018-2021. The company's management does not take enough action or policies in managing and controlling receivables, resulting in receivables accumulating and causing significant losses. The higher the leverage value in the financial statement ratio, the greater the risk faced by investors. The use of high debt will have an impact on the sustainability of the company and can be a heavy burden in carrying out its operational activities.

Debt to Equity Ratio (DER), is one of the components of the solvency ratio, which functions to assess debt with equity. This ratio is useful for knowing the amount of funds provided by borrowers with company owners or functions to find out every rupiah of own capital that is used as collateral for debt. The higher the Debt to Equity, the more it can have an impact on increasing changes in profit and showing the effect of profit for the company (Kasmir, 2018).

The percentage of DER comparison is very small, which is 100%. In carrying out the analysis, it is known that long-term debt has a large or large number, so that the industry has problems with liquidity and will affect the industry's profits, because loan interest payments affect profits. The greater the DER, the greater the debt arrangement compared to the industry's equity and results in a large weight that can reduce profits.(Sirait, 2017).

Debt to equity ratio is a comparison used to measure the size of the ratio of loans to capital(Hery, 2018). The increase in DER shows the amount of funds needed by the company to carry out various company activities. The larger the DER, the better it will be for profit growth, conversely the lower the DER, the higher the level of funding provided by the owner and the greater the safety margin for the borrower if there is a loss or depreciation of the asset value and will affect profit growth. High DER will burden the company with high interest costs. The high interest costs that must be paid by the company will have an impact on the decline in the company's profits. The results of this study are supported by(Fatihah, 2018)yesg concluded that partial testing of DER had no significant effect on Profit Growth. The results of the study(Setiono, 2021)also found that DER has no significant effect on Profit Growth

Total Asset Turnover (TATO) Impact on Profit Growth

HasThe multiple linear regression coefficient test shows that the Total Asset Turnover (TATO) variable has a positive value, which means that TATO has a significant influence on Profit Growth in food and beverage subsector companies listed on the Indonesia Stock Exchange in 2018-2021.

Turn Asset Turnover is one of the components of the activity ratio which is a comparison between net sales and total assets. The effect of the total asset ratio on the company's net profit is that the faster the asset turnover rate, the net profit generated will increase, because the company can use these assets to increase sales which affect revenue. Increased revenue can increase the company's net profit(Hanafii and Halim, 2016).

Total Asset Turnover is a comparison of activities that proves the industry's ability to use all assets to generate marketing or income.(Sirait, 2017). Activity ratio is one type of ratio that describes the efficiency of industry in using energy related to maximizing operational activities in obtaining marketing. The greater this ratio is, the better, because it proves that industrial assets can achieve profits faster and are able to maximize assets to create marketing.

Total Asset Turnover is to find out how far all the company's assets are turning over effectively. The greater the asset turnover, the more effective the company's asset management is.(Fahmi, 2020). This means that the higher the asset turnover, the more efficient the use of the company's assets.. TATO reflects the company's ability to measure the level of efficiency of the company's resource utilization in carrying out daily activities. The results of this study are supported by(Razak, 2021)yesg states that TATO has no significant effect on Profit Growth. The results of the study((Muzayyanah, 2021)also found that TATO had a positive but insignificant effect on Profit Growth.

Current Ratio (CR) Impact on Profit Growth

The results of the multiple linear regression coefficient test show that the Current Ratio (CR) variable has a positive value, which means that CR has an insignificant effect on Profit Growth in health sector companies listed on the Indonesia Stock Exchange in 2018-2021.

Current Ratio is a ratio that functions to estimate the extent of a company's capability to meet all short-term loans or debts that must be settled at the time of collection. The high value of the Current Ratio is able to project a guarantee to creditors in a good long term.(Kasmir, 2018). CR is like is a ratio to measure a company's ability to pay short-term liabilities or debts that are due immediately when collected in full. The effect of the current ratio on profit is that the higher the current ratio, the lower the company's net profit because a high current ratio indicates an excess of current assets which is not good for the company's profitability. During this pandemic, profit growth is of great concern to various companies in order to continue to survive. Companies have done various ways so that their profit growth can continue to increase every year. One of them is by analyzing the financial report ratio so that the results can be used for management decision making. Management has been able to make the right decision in preparing a strategy to increase profit growth by determining the cash flow strategy used. Companies that have current assets or wealth that have a high turnover rate and are cashed out the fastest within 1 year. The more assets that can be cashed out, the more expenses the company will incur to finance the company's operational activities. CR will signal investors that the company's performance is in good condition, or identify that the company is still in the growth stage. Companies that are still in the growth stage have high risks and have the potential to have fluctuating profitability.

The results of this study are supported by the results of research conducted by((Muzayyanah, 2021)yesg states that CR has a positive but insignificant effect on Profit Growth. The results of the study(Salmah, 2018)also found that CR had a positive but insignificant effect on Profit Growth

Company Size Impact on Profit Growth

The results of the multiple linear regression coefficient test show that the company size variable has a positive and insignificant value, which means that company size has a positive and insignificant effect on profit growth in health sector companies listed on the Indonesia Stock Exchange in 2018-2021. Company size cannot guarantee that the company has better profit growth so that it continues to increase. Company size is also not considered too much by investors in investing, where company size is measured by the amount of total assets owned because the total value of assets is generally very large compared to other financial variables.

Company size describes the size of a company that can be expressed by total sales. Company size reflects the high and low operational activities of a company. In general, the larger the company, the greater its activities. The economic scale of the company is reflected in the decrease in production costs in line with the increase in the amount of production. The larger the company, the greater the company's operational activities, but it does not mean the higher the company's ability to generate profitability. Large companies are considered not to be a picture that the company is relatively more stable, but not necessarily more capable of generating profits than small companies. The larger the assets, the more capital invested, the more money turnover and the large market capitalization will improve the company's financial performance, but it is not certain that it will be able to increase Profit Growth. Results This research is supported by the results of research conducted by (Razak, 2021) which states that company size has no significant effect on Profit Growth.

CONCLUSION AND LIMITATION

Based on the data analysis that has been carried out, it was found that Net Profit Margin (NPM) has an effect positive and significant to Profit Growth in health sector companies listed on the Indonesia Stock Exchange (IDX) in 2018-2021. Debt to Equity Ratio (DER) has an effect positive and insignificant on Profit Growth in health sector companies listed on the Indonesia Stock Exchange (IDX) in 2018-2021. Total Asset Turnover (TATO) has an effect positive and insignificant on Profit Growth in health sector companies listed on the Indonesia Stock Exchange (IDX) in 2018-2021. Current Ratio (CR) has a positive and insignificant effect on Profit Growth in health sector companies listed on the Indonesia Stock Exchange (IDX) in 2018-2021. Company Size has a positive and insignificant effect on Profit Growth in health sector companies listed on the Indonesia Stock Exchange (IDX) in 2018-2021.

Limitation in this study such as factors that affect Profit Growth in this study only use the variables Net Profit Margin (NPM), Debt to Equity Ratio (DER), Total Asset Turnover (TATO), Current Ratio (CR), and Company Size while there are still many other variables that affect Profit Growth. The number of samples taken is only 15 companies engaged in the health sector listed on the Indonesia Stock Exchange. While there are still many more companies engaged in other sectors.

Some suggestions that are expected to be useful in further research include, for further research, adding variables that can strengthen hypothesis testing, and using different proxies from this study. Similar research is needed with different time intervals and data, as well as larger samples considering the increasingly rapid development of the capital market world. For further researchers, they can make comparisons with companies in other sectors, as well as companies listed on foreign stock exchanges to find out what variables affect the Profit Growth of companies abroad other than in Indonesia.

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