The Effect of Financial Ratio on Profit Growth in Infrastructure Sector Companies Listed on the Indonesia Stock Exchange

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Abstract. *Profit growth is the rate of increase in profit obtained by a company. Profit growth is an important factor in assessing a company's financial performance. This study aims to examine the effect of financial ratios on profit growth in infrastructure sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2019-2022. The research sample used was 20 companies with 80 observation samples. The financial ratios used are liquidity, solvency, profitability, and activity ratios. These financial ratios are proxied by the Current Ratio (CR), Debt to Equity Ratio (DER), Return on Assets (ROA), and Total Asset Turnover (TAT), respectively. Testing was carried out using multiple linear regression analysis. Based on the results of the hypothesis test, it is known that the profitability ratio proxied by Return on Assets (ROA) has a positive effect on profit growth and the activity ratio proxied by Total Asset Turnover (TAT) has a negative effect on profit growth. Other results, namely the liquidity ratio proxied by the Current Ratio (CR) and the solvency ratio proxied by the Debt to Equity Ratio (DER) have no effect on profit growth. These results mean that the profitability ratio and activity ratio can be determinants of profit growth predictors and can be a reference for investors to make investment decisions.*

Keywords: Liquidity, Solvency, Profitability, Activity, Profit Growth

1. INTRODUCTION

The capital market is a place where transactions for buying and selling various long-term financial instruments such as debt (bonds), equity (stocks), derivative instruments and other instruments occur (Darmadji and Fakhruddin, 2011:11). The more developed the capital market in a country, the faster the economic growth in that country will be. In addition to being an indicator of economic development, the capital market can also be used as an alternative or place to invest (Aryasa, 2017). In making investment decisions, investors are certainly based on rational considerations, namely by considering the risk and expected return. Investors must of course have adequate information, both from the company directly and information from outside the company that is able to describe the risk and expected return. With sufficient information, it can be a consideration for investors in making decisions (Wahyudhi and Agung, 2019).

Some aspects that need to be analyzed by investors when making decisions are paying attention to the company's fundamentals related to the company's actual performance and shown through its financial performance. The company's financial performance is generally reflected through financial reports issued by the company periodically as a form of management accountability to investors and the public. To be able to assess the performance of a company, it can be done by analyzing the company's financial statements (Wiagustini,

2014:42). In general, the performance of a company will affect the company's stock price. The better the performance of a company, the higher the operating profit that will be obtained and shareholders will also enjoy the benefits (Komang Yulan Surmadewi et al., 2019).

Financial performance is the most fundamental aspect of assessing the condition of a company (Wiagustini, 2014:42). Measuring financial performance includes the results of calculating financial ratios based on financial reports published by the company. Financial ratios are made to help investors, creditors, and the public assess and evaluate the company's performance based on its financial reports. One important component of financial reports is profit information. Profit is the net profit obtained by the company from the business operations that have been carried out and is one of the components for assessing the company's performance. The company's ability to generate profits is one of the attractions for investors and creditors to invest or provide loans (Dewi et al., 2020).

Profit growth is an increase or decrease in profits on an annual basis (Indriyani, 2015). Profit growth is considered very important for companies because it can be used to predict future business strategies (Anggun et al., 2023). Good profit growth will give a positive signal to the company's prospects which are reflected through its performance in the company's financial statements and profits. Good profit growth means that the company is good enough at managing and utilizing company resources to make a profit and show good financial performance to the public (Rachmawati et al., 2014). Company performance is shown through the achievement of profits obtained as the difference between income and costs incurred. Positive profit growth will certainly attract investors to invest in the company. The indicator that is often seen by the public, especially investors, is how the company is able to obtain a profit from its company's operations. In addition, choosing the right company to invest in is also often associated with the type of company such as manufacturing, extractive, agricultural, industrial and infrastructure companies.

Infrastructure companies are one of the business entities that play a role in the development and procurement of infrastructure (kompas.com, 2022). Infrastructure companies are one of the leading companies to drive Indonesia's economic growth (Ministry of PUPR, 2012). According to information from the Ministry of Transportation, infrastructure development must be carried out for the prosperity and welfare of the people throughout Indonesia. In addition, infrastructure is needed to open up accessibility to an area to be easily accessible, so that it can reduce spikes in prices of goods or logistics and increase regional productivity (dephub.go.id, 2020). With infrastructure development, it will certainly have a positive impact on increasing Indonesia's economic growth. Until now, there are 67

infrastructure companies listed on the Indonesia Stock Exchange (snips.stockbit.com, 2022). It is hoped that the increasing number of infrastructure companies in Indonesia will have a positive impact on Indonesia's economic growth.
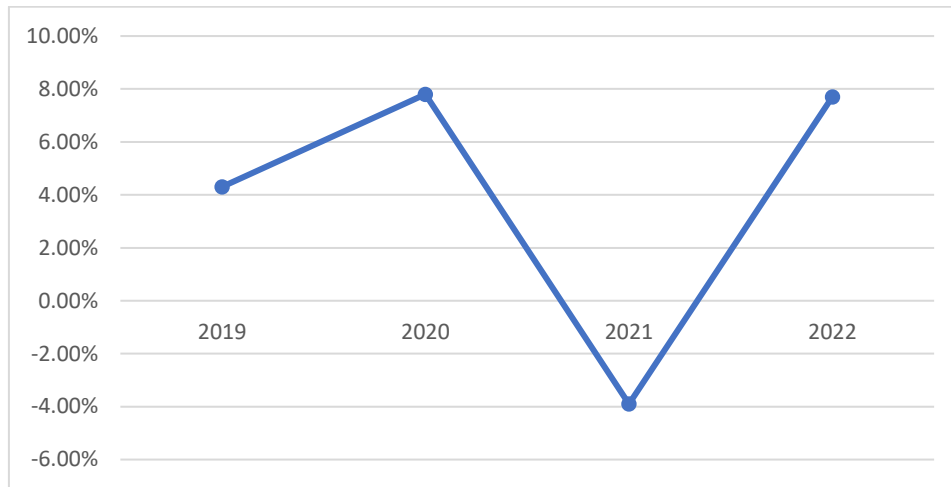

Figure 1. Profit Growth in Infrastructure Companies 2019 – 2022

Source: www.idx.co.id Company Financial Report, Data processed 2024

Figure 1 shows the profit growth of infrastructure companies listed on the Indonesia Stock Exchange. The average profit growth from 2019 - 2020 experienced positive growth. However, in 2020-2021, the company's profit decreased drastically due to the decline in shares of infrastructure companies such as Waskita Karya (WSKT), down -3.97%, Wijaya Karya (WIKA) down by -1.77%, Adhi Karya (ADHI) which fell by -1.69%. The decline in shares in infrastructure companies was caused by two main factors, namely the sentiment of increasing global benchmark interest rates and the increase in Covid-19 cases. This will certainly make investors anxious about investing in infrastructure companies and have an impact on the decline in company profits. Meanwhile, in 2022, the company's profit increased again to reach 7.7%.

Growth in the period from 2019 to 2022 fluctuated or was unstable, so further research is needed to determine the financial condition of a company, this condition can be reflected in the financial ratio. Financial ratio analysis is part of the financial analysis carried out by connecting various estimated components in the financial statements in the form of financial ratios. Financial ratios can help investors and the public to assess the company's financial performance both in the past, present, and future. Financial ratio analysis is an analysis technique that connects one component to another, both in profit and loss or balance sheet or a combination of both. The purpose of financial ratio analysis is to provide information on the results of the interpretation of the performance achieved by the company as reflected in its financial statements (Wiagustini, 2014:84). The company's financial condition can be seen in

several aspects, namely, 1) liquidity aspect, 2) solvency aspect, 3) profitability aspect, 4) activity aspect, 5) market valuation aspect. However, this study only focuses on the aspects of liquidity, solvency, profitability, and activity without using the market valuation aspect because the market value ratio is a financial metric that measures and analyzes stock prices and compares market prices with competitors against other facts and figures.

Liquidity is a financial aspect that shows the company's ability to meet or pay off short-term obligations that have matured with available current assets. One of the liquidity ratios is the Current Ratio (CR) which is a comparison between current assets and current liabilities. The higher the Current Ratio (CR), the better (liquid), meaning that the company is able to pay debts that are due with its current assets, even there is a remainder after the obligation is paid. The remainder of the obligations that have been paid by the company can be used as capital for the company both for operational activities and investment activities to boost the company's profit. Companies that are able to pay debts with current assets do not need to sacrifice their profits to pay liabilities. If the company's debt is higher than its current assets, the company will definitely use profits as a source of funds to pay liabilities which will later affect profit growth.

A low ratio indicates that the company lacks working capital to meet obligations that are due soon, while a high ratio indicates that the investment made does not generate optimal returns (Sari and Dwirandra, 2019). Current Ratio (CR) is one of the financial ratios that can be used to assess whether or not there is profit growth in a company. The results of research by Nurhayati et al., (2020) and Fakhruddin et al., (2021) found a positive effect of Current Ratio (CR) on profit growth in mining and manufacturing companies. The results of this study mean that with the availability of sufficient current assets, companies can use their current assets to increase production capacity so that they can encourage profit growth.

Endri et al., (2020) found a negative effect of Current Ratio (CR) on profit growth in food and beverage companies. Shahnia et al.'s (2020) research also found that Current Ratio (CR) had a negative effect on profit growth in companies in the trade and service sub-sector. Marjohan's (2020) research found a negative effect of Current Ratio (CR) on profit growth in companies listed on the IDX. However, this study contradicts the research of Estininghadi (2019) which did not find an effect of Current Ratio (CR) on profit growth in Real Estate and property companies. Nguyen et al., (2020) also found no relationship between Current Ratio (CR) and profit growth on the Vietnam Stock Exchange. The results of this study mean that the amount of a company's current assets is sufficient and is not able to drive an increase in profit because the allocation of the company's current assets is not only focused on the

company's goals, but also to pay its obligations that are due.

Solvency is the ability of a company to pay off its debt obligations with the assets or wealth owned by the company. To measure this solvency aspect, one of the ratios that can be used is the debt to equity ratio or Debt to Equity Ratio (DER). Debt to Equity Ratio (DER) is used to compare total debt with equity. The higher the Debt to Equity Ratio (DER), the more debt there is than the company's capital and vice versa. Companies that have higher debt than capital are certainly very risky, because the company has greater liabilities than the capital it has. This is what will affect the level of profit growth, because before the company records a net profit, the company must first pay off its liabilities. Capital is an important issue for companies because the good or bad capital structure will have a direct effect on the company's financial position which will ultimately affect the company's value (Kadek Adi Jaya Kusuma et al., 2022).

Research conducted by Nugroho et al., (2017) found that there was a positive and significant influence of Debt to Equity Ratio (DER) on profit growth in pharmaceutical sector stocks. This research is also supported by research from Partomuan (2021) which found a positive influence of Debt to Equity Ratio (DER) on profit growth in construction sector companies. Research also conducted by Asha et al., (2022) found a positive influence of Debt to Equity Ratio (DER) on profit growth in the infrastructure sector. The results of this study mean that with a high level of Debt to Equity Ratio (DER), of course, profits will grow, because with a fairly high level of debt and capital, companies can use these funds to increase their production levels so that they can generate positive profit growth. A high Debt to Equity Ratio (DER) can also be an opportunity for companies to invest in certain assets to increase the company's potential profit from certain sources.

Manurung and Silalahi (2016) found a negative effect of Debt to Equity Ratio (DER) on profit growth in manufacturing companies. In a study conducted by Widiyanti (2019), a negative effect of Debt to Equity Ratio (DER) was found on profit growth in LQ45 companies. Research by Amalia et al., (2022) also found a negative effect of Debt to Equity Ratio (DER) on profit growth in manufacturing companies. Mardjono et al., (2020) in their study of cement industry companies did not find any effect of Debt to Equity Ratio (DER) on profit growth. Kalsum (2021) did not find any effect of Debt to Equity Ratio (DER) on profit growth in the LQ45 index. This means that high corporate debt causes the company to have to divide funds that should be used for company operations, used to pay debts, so that company operations are not optimal, which causes a decrease in income.

Profitability is the company's ability to generate income from operational activities

carried out. The profitability ratio is used to determine the company's ability to generate profits (Kasmir, 2018:196). The company's ability to generate profitability can be measured by the Return on Asset (ROA) ratio. Return on Asset (ROA) is a comparison of net profit to total assets. If the Return on Asset (ROA) is higher, the company's profit will also be higher. This means that the company's assets are used effectively and efficiently to generate profits. Return on Asset (ROA) can also be used as a ratio to determine the company's profit growth. The results of research from Sari et al., (2017) found a positive and significant effect of Return on Asset (ROA) on profit growth in manufacturing companies. Ravasadewa and Fuadati (2018) found a positive and significant effect of Return on Asset (ROA) on profit growth in coal companies. Research from Widiyanti (2019) found that Return on Asset (ROA) had a positive effect on profit growth in the LQ45 index. Research by Dianitha et al., (2020) also found a positive influence of Return on Asset (ROA) on profit growth in Food and Beverages companies.

Safitri and Mukaram (2018) stated that Return on Asset (ROA) has a negative effect on profit growth in consumer companies. Mahendra and Nurdiansyah (2022) also found a negative effect of Return on Asset (ROA) on profit growth in pharmaceutical companies. Yanti's research (2017) on the other hand did not find any effect of Return on Asset (ROA) on profit growth in food and beverage companies. This shows that the company is not maximizing its assets to generate profits.

Activity ratio is a ratio to assess the company's ability to carry out business activities or in short, the company's capacity to make sales, collect sales receivables, or monitor resources in the form of assets owned. According to Kasmir (2018:175) the activity ratio is used to measure the level of effectiveness of the company in utilizing each asset owned. One ratio that can be used to measure the effectiveness of the company is Total Asset Turnover (TAT). Total Asset Turnover (TAT) is a comparison of the number of sales to the number of assets. If the Total Asset Turnover (TAT) is high, it indicates that the company's sales are high. With high sales results, the company is able to utilize the assets it owns to generate sales. Likewise, if the Total Asset Turnover (TAT) is low, it indicates that the company's sales are low, meaning that the company is unable to utilize the assets it owns to generate high sales.

Total Asset Turnover(TAT) is supported by research by Endri et al., (2020) which found a positive effect of Total Asset Turnover (TAT) on profit growth in food and beverage companies. Then another study by Dillak and Siburian (2021) also found a positive effect of Total Asset Turnover (TAT) on profit growth in Real Estate and property companies. A good Total Asset Turnover (TAT) shows that the company is able to utilize all assets it has to support

the company's operations to obtain sales.

Purnama (2021) found a negative effect of Total Asset Turnover (TAT) on profit growth in mining companies. Siregar and Batubara (2017) found a negative effect of Total Asset Turnover (TAT) on profit growth in textile and garment companies. Research by Hung and Viriany (2023) also found a negative effect of Total Asset Turnover (TAT) on profit growth. Research conducted by Nariswari and Nugraha, (2020) did not find any effect of Total Asset Turnover (TAT) on profit growth in plastic and packaging industry companies. Dini et al., (2021) did not find any effect of Total Asset Turnover (TAT) on profit growth in property and real estate companies. Research by Ester et al., (2022) also did not find any effect of Total Asset Turnover (TAT) on profit growth in automotive and component companies.

Based on the results of previous studies, there are inconsistencies found in these studies, so the author is interested in conducting further research on the effect of financial ratios on profit growth. There are several differences with the research to be conducted, including the companies used as research objects, the year of research, and the variables used. This study uses infrastructure companies as research objects, for the year of research using 2019-2022, and the research variables are financial ratios and profit growth. The author wants to conduct research on the effect of financial ratios on profit growth in infrastructure sector companies with financial ratios as research variables used, namely liquidity, solvency, profitability, and activities proxied by Current Ratio (CR), Debt to Equity Ratio (DER), Return on Assets (ROA), and Total Asset Turnover (TAT) with a period of 4 years (2019 - 2022).

2. METHOD

Research design is a plan for the research to be conducted, which aims to conduct research so that there is logic, both in presenting hypotheses and drawing conclusions. This research design uses an associative method that examines the effect of financial ratios on profit growth in infrastructure sector companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2022.

The location of this research is at the Indonesia Stock Exchange (BEI). The research data used can be obtained by accessing the website www.idx.co.id and the official websites of each company used as research samples.

The object of research in this study is the company's financial ratios, which consist of liquidity, solvency, profitability, and activity ratios in infrastructure sector companies listed on the Indonesia Stock Exchange during the period 2019 to 2022.

Population is a generalization area consisting of objects and subjects that have certain

characteristics and are determined by researchers to be studied so that conclusions can be drawn (Sugiyono, 2018:136). The population of this study is all infrastructure companies listed on the Indonesia Stock Exchange (IDX) totaling 67 companies. This study uses samples from infrastructure companies listed on the Indonesia Stock Exchange with the method. Nonprobability Sampling as a method for determining samples and the Purposive Sampling approach as a technique for determining research samples. Purposive Sampling is a sample selection technique based on certain considerations or using certain conditions set by researchers. The research sample used was 20 companies with 80 observation samples. The financial ratios used are liquidity, solvency, profitability, and activity ratios. These financial ratios are proxied by the Current Ratio (CR), Debt to Equity Ratio (DER), Return on Asset (ROA), and Total Asset Turnover (TAT), respectively. Testing was carried out using multiple linear regression analysis.

3.   RESULTS AND DISCUSSION

Inferential Analysis of Research Data

a.   Classical Assumption Test

   1) Normality Test

Table 1. Normality Test Results

		Unstandardized Residual
N		70
Normal Parametersa,b	Mean	0000000
	Std. Deviation	.30639903
Most Extreme Differences	Absolute	.087
	Positive	.050
	Negative	-.087
Test Statistics		.087
Asymp. Sig. (2-tailed)		.200c,d

Source: Appendix 4

Table 1 presents the results of the normality test analysis with the Kolmogorov-Smirnov test above showing that the research variable data are normally distributed. This can be proven by the Asymp. Sig. (2-tailed) value of $0.200 > 0.05$, which means that the residual data is normally distributed.

2) Multicollinearity Test

Table 2. Multicollinearity Test Results

Model	Collinearity Statistics	
	Tolerance	VIF
CR	.667	1,499
DER	.636	1,572
ROA	.778	1.285
TAT	.722	1.385

Source: attachment 4

Based on Table 2, the analysis results show that the tolerance value of the Current Ratio variable is 0.667> 0.1, the Debt to Equity Ratio variable is 0.636> 0.1, the Return on Asset variable is 0.778> 0.1, and the Total Asset Turnover variable is 0.722> 0.1 indicating that all independent research variables have no correlation with each other or mean they do not contain symptoms of multicollinearity. This is proven because all tolerance values of the research variables have tolerance values greater than 0.1. So it can be concluded that there are no symptoms of multicollinearity in the regression model.

3) Heteroscedasticity Test

Table 3. Heteroscedasticity Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.870	.506		1,720	.093
CR	.028	.177	.035	.156	.877
DER	.012	.143	.017	.083	.935
ROA	-.065	.171	-.071	-.381	.705
TAT	.120	.207	.121	.582	.563

Source: Appendix 4

The Glejser test in Table 3 shows that the Current Ratio (CR) variable has a significance value of $0.877 > 0.05$, the Debt to Equity Ratio (DER) variable is $0.935 > 0.05$, the Return on Asset (ROA) variable is $0.705 > 0.05$, and the Total Asset Turnover (TAT) variable is $0.563 < 0.05$, indicating that each independent variable has a significance value of $>$ alpha 0.05, which means that the regression model experiences symptoms of heteroscedasticity.

4) Autocorrelation Test

Table 4. Autocorrelation Test Results

	Unstandardized Residual
Test Valuea	.02936
Cases < Test Value	35
Cases >= Test Value	35
Total Cases	70
Number of Runs	32
Z	-.963
Asymp. Sig. (2-tailed)	.335

Source: Appendix 4

Autocorrelation test using Runs Test is done by looking at the Asymp. Sig. (2-tailed) value > alpha 0.05 which means that there is no autocorrelation symptom. Based on the results of the Runs Test analysis above, it is known that the Asymp. Sig. (2-tailed) value is 0.335 > alpha 0.05 which means that there is no autocorrelation in the research regression model.

b.   Multiple Linear Regression Analysis

Table 5. Multiple Regression Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.149	.155		-.960	.340
CR	.060	.050	.161	1.187	.240
DER	.013	.035	.051	.371	.712
ROA	3,872	1.117	.435	3.465	.001
TAT	-.371	.168	-.288	-2.208	.031

Source: Appendix 5

The results of the multiple linear regression test presented in Table 5 can be described in the multiple linear regression equation as follows:

$$Y = B_3 X_3 + B_4 X_4 + e \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots.....(7)$$

$$Y = 3{,}872 X_3 - 0{,}371 X_4 + e \dots\dots\dots\dots.............(8)$$

Information:

Y	: Profit Growth
X_3	: Profitability Ratio
X_4	: Activity Ratio
$B_3 B_4$	: CoefficientRegression
e	: Other factors that influence the Y variable

The multiple linear regression equation above can be described as follows:

1) The regression coefficient value of the liquidity ratio variable, namely the Current Ratio (CR), has a value of 0.060, which means that there is a unidirectional relationship. This shows that if the liquidity ratio increases by 1 percent, then profit will increase by 0.060 percent, provided that the other independent variables remain constant or equal to zero.

2) The regression coefficient value of the solvency ratio variable, namely the Debt to Equity Ratio (DER), has a value of 0.013, indicating a unidirectional relationship. This shows that if the solvency ratio, namely the Debt to Equity Ratio (DER), increases by 1 percent, then profit will increase by 0.013 percent, provided that the other independent variables have a fixed value or are equal to zero..

3) The regression coefficient value of the profitability ratio variable, namely Return on Asset (ROA), has a value of 3.872 indicating a unidirectional relationship. This means that if the profitability ratio, namely Return on Asset (ROA), increases by 1 percent, then profit will increase by 3.872 percent, provided that other independent variables remain constant or equal to zero.

4) The regression coefficient value of the activity ratio variable, namely Total Asset Turnover (TAT), has a value of -0.371, which means there is an inverse relationship. This shows that if the activity ratio, namely Total Asset Turnover (TAT), increases by 1 percent, then profit will increase by 0.371 percent, provided that other independent variables remain constant or equal to zero.

c. Hypothesis Testing

1) F Test (Model Suitability Test)

Table 6. F Test Results

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	1,657	4	0.414	4.156	.005b
Residual	6,478	65	0.100		
Total	8.135	69			

Source: Appendix 5

The test results in Table 6 show that the significance value of 0.005 is smaller than the significance level of 0.05 or the sig. value of 0.005 < alpha 0.05. This means that there is a simultaneous influence between the liquidity ratio, solvency, profitability, and activity variables proxied by the Current Ratio (CR), Debt to Equity Ratio (DER), Return on Asset (ROA), and Total Asset Turnover (TAT) on profit growth, thus the model can be used to the next stage.

2) t-test (Hypothesis Test)

Table 7. t-Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Hypothesis
	B	Std. Error	Beta			
1 (Constant)	-.149	.155		-.960	.340	
CR	.060	.050	.161	1.187	.240	Rejected
DER	.013	.035	.051	.371	.712	Rejected
ROA	3,872	1.117	.435	3.465	.001	Accepted
TAT	-.371	.168	-.288	-2.208	.031	Accepted

Source: Appendix 5

Table 7 is the result of the t-test explaining the influence of each independent variable on the dependent variable of the study. The description of the t-test results in Table 4.8 is presented as follows:

a) The Effect of Liquidity Ratio on Profit Growth

The liquidity ratio variable proxied by the Current Ratio (CR) in Table 7 has a significance value of 0.240 which is greater than the significance level of 0.05 or a sig. value of 0.240> alpha 0.05 so that H1 is rejected. These results indicate that the Current Ratio (CR) does not have a positive and significant effect on profit growth.

b) The Influence of Solvency Ratio on Profit Growth

The solvency ratio variable proxied by Debt to Equity Ratio (DER) in Table 7 has a significance value of 0.712 which is greater than the significance level of 0.05 or sig. value 0.712> alpha 0.05 so that H2 is rejected. These results mean that Debt to Equity Ratio (DER) does not have a positive and significant influence on profit growth.

c) The Influence of Profitability Ratio on Profit Growth

The profitability ratio variable proxied by Return on Asset (ROA) based on Table 7 has a significance value of 0.001 which is smaller than the significance level of 0.05 or a sig. value of 0.001 < alpha 0.05 so that H3 is accepted. These results indicate that Return on Asset (ROA) has a positive and significant effect on profit growth.

d) The Influence of Activity Ratio on Profit Growth

The activity ratio variable proxied by Total Asset Turnover (TAT) based on the test results in Table 7 has a significance value of 0.031, which is smaller than the significance level of 0.05 or a sig. value of 0.031 < alpha 0.05 so that H4 is accepted. These results indicate that Total Asset Turnover (TAT) has a negative and significant effect on profit

growth.

3) Coefficient of Determination Test

Table 8. Results of the Determination Coefficient Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.451a	.204	.155	0.315686

Source: Appendix 5

Table 8 is the result of the determination coefficient test where the Adjusted R Square has a value of 0.155, which means that the financial ratio variables in this study, which are proxied by the Current Ratio (CR), Debt to Equity Ratio (DER), Return on Asset (ROA), and Total Asset Turnover (TAT), can explain the profit growth variable by 15.5 percent, while 84.5 percent is explained by other variables not included in this study.

4. DISCUSSION OF RESEARCH RESULTS

The Effect of Liquidity Ratio on Profit Growth

The results of the liquidity ratio hypothesis study proxied by the Current Ratio (CR) show that the Current Ratio (CR) does not have a positive and significant effect on profit growth, so that H1 (Hypothesis one) in this study is rejected. This result means that the company's ability to pay maturing company debts does not have an impact on profit growth.

The results of this study are not in line with signaling theory because the results of the hypothesis study were rejected where the liquidity ratio proxied by the Current Ratio (CR) cannot provide information or signals to investors because the company's ability to pay off its short-term obligations has no effect on the company's profit growth. The results of this study mean that the company's sufficient current assets are not able to drive an increase in profits because the company's current asset allocation is not only focused on the company's goals, but also to pay its obligations that are due. The results of this study are in line with research conducted by Estininghadi (2019) which did not find a positive effect of the Current Ratio (CR) on profit growth in Real Estate and property companies. Nguyen et al., (2020) also did not find any positive effect between the Current Ratio (CR) and profit growth on the Vietnam stock exchange.

Current Ratio(CR) measures the company's ability to pay or settle its short-term obligations with its current assets. The more liquid a company is, the better the company is able to pay its short-term obligations. In this study, Current Ratio (CR)) has no effect on profit growth.This shows that the company's ability to pay short-term debts that will mature within

one year does not impact the company's profit growth.

The Influence of Solvency Ratio on Profit Growth

The results of the solvency ratio hypothesis study proxied by the Debt to Equity Ratio (DER) show that the Debt to Equity Ratio (DER) does not have a positive and significant effect on profit growth, so that H2 (hypothesis two) in this study is rejected. This result means that the Debt to Equity Ratio (DER) only reflects the company's capital structure and the extent to which the company is financed by debt against its capital.

The results of this study are not in line with the signaling theory because the results of the hypothesis research are rejected where the solvency ratio proxied by the Debt to Equity Ratio (DER) cannot provide information or signals to investors because the Debt to Equity Ratio (DER) is the company's ability to pay off obligations in the form of debt with assets owned has no effect on the increase or decrease in the company's profits.

The results of this study are in line with the research of Amar & Nurfadila (2017) which did not find any positive and significant influence of Debt to Equity Ratio (DER) on profit growth in manufacturing companies. Mardjono et al., (2020) in their research in cement industry companies did not find any positive and significant influence of Debt to Equity Ratio (DER) on profit growth. Kalsum (2021) also did not find any positive and significant influence of Debt to Equity Ratio (DER) on profit growth in the LQ45 index.

Debt to Equity Ratio (DER) measures the amount of company debt to the capital owned. The higher the Debt to Equity Ratio (DER) indicates that the company's debt is higher than its own capital. A high Debt to Equity Ratio (DER) indicates that the company is mostly financed by debt. The infrastructure companies that are the samples in this study have a fairly high level of debt compared to their own capital. This shows that the company has low internal funds to fund the company's operations.

The Influence of Profitability Ratio on Profit Growth

The results of the profitability ratio hypothesis study proxied by Return on Asset (ROA) show that Return on Asset (ROA) has a positive and significant effect on profit growth, so that H3 (hypothesis three) in this study is accepted. This result means that the higher the company's Return on Asset (ROA), the company's profit will increase.

The results of this study are in line with signaling theory because the results of the hypothesis study are accepted where the profitability ratio proxied by Return on Asset (ROA) can provide good information or signals to investors because the company's ability to obtain

net profit from its business activities can affect the company's profit growth. So the higher the Return on Asset (ROA), the higher the net profit generated by the company.

The results of this study are in line with Widiyanti's (2019) research which also found that Return on Asset (ROA) has a positive effect on profit growth in the LQ45 index. Dianitha et al.'s (2020) research found a positive effect of Return on Asset (ROA) on profit growth in Food and Beverages companies. Handini et al.'s (2023) research found a positive effect of Return on Asset (ROA) on profit growth in mining companies, and Yustisia et al.'s (2024) research also found a positive effect of Return on Asset (ROA) on profit growth in public health sector companies.

Return on Asset(ROA) is used to measure a company's ability to generate profits from all assets owned. High Return on Asset (ROA) reflects that the company has good performance in creating profit growth. Increasing Return on Asset (ROA) will also be followed by increasing profit growth, because the company is able to utilize all its assets to increase profits. The higher the company's Return on Asset (ROA), the higher the company's profit growth.

The Influence of Activity Ratio on Profit Growth

The results of the activity ratio hypothesis study proxied by Total Asset Turnover (TAT) show that Total Asset Turnover (TAT) has a negative and significant effect on profit growth, so that H4 (hypothesis four) in this study is accepted. This result means that Total Asset Turnover (TAT) is still less effective in managing its assets, causing the company's net sales to be smaller than operating assets which can inhibit profit growth.

The results of this study are in line with signaling theory because the results of the study show that the activity ratio proxied by Total Asset Turnover (TAT) can provide information or signals to investors in making investment decisions. Total Asset Turnover (TAT) can affect the company's profit growth because the ratio describes the company's ability to maximize the turnover of the company's assets owned.

The results of this study are in line with the research of Purnama (2021) which found a negative effect of Total Asset Turnover (TAT) on profit growth in mining companies. This study is also supported by research conducted by Siregar and Batubara (2017) which found a negative effect of Total Asset Turnover (TAT) on profit growth in textile and garment companies. Research by Hung and Viriany (2023) also found a negative effect of Total Asset Turnover (TAT) on profit growth.

Total Asset Turnover(TAT) has a negative effect on profit growth because this ratio assesses the company's ability to maximize the use of assets owned in order to make sales that

generate income. The lower the Total Asset Turnover (TAT) means that the company's net sales are smaller than the company's operating assets in increasing profit growth, this means that the company is still less effective in managing all of its assets..This can cause the company's net sales to be smaller than operating assets, which can hamper profit growth.

5.   CONCLUSION

The results of the analysis and discussion that have been presented regarding the influence of financial ratios on profit growth in infrastructure companies on the Indonesia Stock Exchange (IDX) can be concluded as follows:

a.   The liquidity ratio proxied by the Current Ratio (CR) has no effect on profit growth. This result shows that the Current Ratio (CR) only shows the company's ability to pay maturing company debts which have no impact on profit growth.

b.   The solvency ratio proxied by the Debt to Equity Ratio (DER) has no effect on profit growth. This result is because the Debt to Equity Ratio (DER) only reflects the company's capital structure and independence and the extent to which the company is financed by debt against its capital.

c.   The profitability ratio proxied by Return on Asset (ROA) has a positive and significant effect on profit growth. These results indicate that the higher the company's Return on Asset (ROA), the company's profit will increase.

d.   The activity ratio proxied by Total Asset Turnover (TAT) has a negative and significant effect on profit growth. These results indicate that the company's ability is still less effective in managing its assets, causing the company's net sales to be smaller than operating assets, which can inhibit profit growth.

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