

PROFIT GROWTH OF BANKING COMPANIES LISTED ON IDX: TOTAL ASSET TURNOVER, RISK PROFILE AND GROSS PROFIT MARGIN

Gita Panji Sasmita¹, Nurma Gupita Dewi², Tio Anta Wibawa³

Universitas YPPI Rembang^{1,2}, Bank Rakyat Indonesia³

¹Corresponding author: panjiscout0@gmail.com

ARTICLE INFORMATION ABSTRAK

Article history:

Dikirim tanggal: 25/10/2023

Revisi pertama tanggal: 22/11/2023

Diterima tanggal: 19/12/2023

Tersedia online tanggal: 28/12/2023

Tujuan penelitian ini untuk menguji dampak dari total aset turnover (TATO), risk profile, dan gross profit margin (GPM) terhadap profit growth, yang didasari oleh temuan yang kontradiktif dari penelitian sebelumnya dan fluktuasi kinerja perbankan dari tahun 2020-2022. Penelitian ini menguji 51 sampel bank yang dipilih secara purposive sampling dengan data laporan tahunan bank yang dipublikasikan di BEI. Data dianalisis menggunakan analisis regresi linier berganda. Hasil penelitian menunjukkan bahwa TATO memiliki pengaruh signifikan negatif signifikan terhadap pertumbuhan laba, sedangkan GPM memiliki pengaruh positif signifikan terhadap *profit growth*. Sebaliknya *risk profile* memiliki pengaruh negatif dan tidak signifikan terhadap *profit growth*. Semakin besar *risk profile* perusahaan perbankan akan mengindikasikan penurunan pertumbuhan laba yang diakibatkan peningkatan kredit bermasalah. Implikasi dari penelitian yakni pertumbuhan laba bank tidak hanya disebabkan oleh peran intermediasi perbankan saja, namun jika bank dapat menjaga kualitas kredit dan meningkatkan efisiensi operasional.

Kata Kunci: *Total assets turnover, risk profile, Gross profit margin, profit growth, perbankan*

ABSTRACT

This research examines the impact of total asset turnover (TATO), risk profile, and gross profit margin (GPM) on profit growth based on contradictory findings from previous research and fluctuations in banking performance from 2020-2022. This research tested 51 bank samples selected using purposive sampling using bank annual report data published on the IDX. Data were analyzed using multiple linear regression analysis. The research results show that TATO has a significant negative effect on profit growth, while GPM has a significant positive effect on profit growth. On the other hand, the risk profile has a negative and insignificant influence on profit growth. The greater the risk profile of a banking company will indicate a decrease in profit growth due to an increase in non-performing loans. The research implies that bank profit growth is caused by the role of banking intermediation and banks' ability to maintain credit quality and increase operational efficiency.

Keywords: *Total assets turnover, risk profile, gross profit margin, profit growth, banking*

1. Introduction

The rapid growth of the business world in Indonesia requires changes in all fields, including the economic sector (Amrullah & Widyawati, 2021). Every company competes with each other to get the maximum profit to achieve the desired goals (Kusoy & Priyadi, 2020). The profits generated can be used to develop business, increase financing, and maintain the company's life cycle (Rahayu & Sitohang, 2019). A promising company must be able to generate profits for the future (Safitri & Mukaram, 2018). Companies with a high rate of profit will be the target of many investors to invest. Investors can make This investment decision after conducting several technical and fundamental analyses (Aiki, 2018).

Profit is the increase in economic benefits in income, increase in assets, and decrease in liabilities during an accounting period, resulting in a capital increase that is not obtained from investment (Sulbahri, 2020). One way to increase profits and achieve profitability is to analyze and plan company strategy (Amrullah & Widyawati, 2021). According to Kusoy and Priyadi (2020), profit growth is the percentage change in the increase or decrease in profit generated by a company during a specific period. If profit growth increases, the company's financial condition is good. Income growth certainly affects the decision of prospective investors to invest in a company, as well as the decision of creditors to provide loans (Safitri & Mukaram, 2018).

Profit growth can be calculated by subtracting current earnings from the previous period's earnings, divided by last year's earnings (Amrullah & Widyawati, 2021). The profit growth obtained each year cannot be ascertained because the company may experience an increase or decrease, and many factors can affect it (Sihombing, 2018). High-profit growth indicates that the company is making much money, so the dividend payout rate is also high. As a result, profit growth will affect investors' investment decisions as they expect a high rate of return on their investment (Ester et al., 2022). Some of the factors that affect profit growth in the research conducted are total assets turnover (Syafiril & Djawoto, 2020; Siregar & Bahar, 2019 and Irawan & Sitohang, 2018), risk profile (Efendy & Suyanto, 2022; Merry, 2022) and gross profit margin (Irawan & Sitohang, 2018; Siregar & Bahar, 2019).

Total assets turnover (TATO) is the first factor predicted to influence profit growth. Total assets turnover is a ratio that describes how effectively a business uses its total assets to achieve a specific sales volume (Siregar & Bahar, 2019). The more efficiently a company uses its assets to generate revenue, the higher its TATO values. Conversely, a low total assets turnover value indicates that the business must manage its assets effectively enough to drive sales. A company with a high TATO level will generate higher profit growth because it can manage its assets to generate income through sales. The company's asset management efficiency can positively signal investors to invest their capital. Syafiril and Djawoto (2020) state that TATO significantly negatively impacts profit growth. However, according to Siregar & Bahar (2019), TATO has an insignificant positive impact on profit growth; on the other hand, according to Irawan & Sitohang (2018) and Laela & Septiatul (2020), TATO has a significant positive impact on profit growth. The more efficient a company utilizes its assets to earn profits, the higher the

profit level. If the company is less efficient in utilizing its assets, it will add the burden of unprofitable investments that will reduce the profit generated (Dutta & Saha, 2021).

The second factor predicted to influence profit growth is the risk profile. The risk profile is measured by the Non-Performing Loan (NPL) proxy. According to Merry (2022), the NPL ratio assesses the company's management ability to manage non-performing loans or bad debts, so the higher the Non-Performing Loan ratio, the higher the net profit earned. The decrease in profits due to a high NPL ratio is due to the company increasing the cost of provisioning for productive assets to reduce company profits. According to Efendy & Suyanto (2022), the risk profile has a significant negative impact on profit growth; conversely, according to Merry (2022), the risk profile has an insignificant positive impact on profit growth. (NSOBILLA, 2016) Define NPLs as monetary assets for which the bank will not receive interest payments or when loan payments are not made according to the original loan schedule. For each delayed loan, the bank has to set up a reserve, or what is known professionally as a "provision," which reduces most profits and thus directly affects financial results (Klein, 2013).

Another factor that is predicted to influence profit growth is gross profit margin (GPM). According to Novia & Effendy (2022), GPM is a profitability ratio used to determine the portion of gross profit to revenue after deducting the cost of goods sold. Since the cost of goods sold is generally lower than sales, a higher gross profit margin translates into better operating conditions. Conversely, a declining gross profit margin ratio indicates poor management performance (Siregar & Bahar, 2019). GPM serves as the initial metric for assessing a company's profitability. According to Shi et al. (2021), it is crucial to utilize this metric to examine the market competitiveness of a company's products across the industry and its operations' stability and developmental trajectory. If the gross profit margin, calculated based on current revenue, fails to accurately portray the actual profitability of the company's core business, it could lead stakeholders astray in their decision-making and diminish the value of accounting information. Companies that effectively manage costs to support sales activities can generate higher profits. For shareholders, a high gross profit margin is a positive signal to invest in a company. According to Irawan and Sitohang (2018), GPM has a positive and insignificant impact on profit growth, while Aiki (2018) shows that GPM has a significant positive effect on profit growth.

The objects used for the study are banking companies listed on the IDX. Banks play an essential part in a nation's economy. The Republic of Indonesia Law No. 10 of 1998, which defines banking as "everything that concerns banks, including institutions, business activities, as well as methods and processes for carrying out business activities," states that banking is the foundation of every nation's financial system (Efendy & Suyanto, 2022). In the banking industry, profit growth is a barometer for success and indicates a sound bank. A bank in good health can effectively perform its functions and turn a profit (Merry, 2022). Therefore, companies with good financial conditions and growth prospects can generate higher profits and increase business. Every company that has gone public must be able to carry out business processes and provide a positive signal to investors.

In this study, the independent factors used in previous studies, such as TATO, risk profile, and GPM, are analyzed in the context of the banking sector. The inconsistency of

previous research results is the reason for conducting this research to provide new empirical evidence to support previous studies' results. This research aims to provide empirical evidence regarding the factors that influence the profit growth of banking companies listed on the IDX. Practically, this research provides managerial implications for companies so that they can be considered for company decisions that impact profit growth. In addition, the results of this study can also be a guide for investors who consider the quality of the company's health or future through profit growth as one of the factors in making investment decisions.

2. Theoretical Framework and Hypothesis Development

Spence first developed signal theory to explain the actions of signal senders that influence the behavior of signal receivers. According to Ghazali (2021), signals are generally defined as signs management gives to investors. Signals from a company can take various forms, ranging from those that can be observed directly to those that require deeper study to find out the information. Furthermore, according to Fadella et al. (2020), signals are actions that companies take to tell investors how management feels about the company's prospects. Corporate signals may also include details about actions taken by management to fulfill owners' wishes. Company data is considered significant because it influences the investment decisions of third parties. One of the records that the business has made available to the public is the annual report. Accounting data about the profit and loss report is one example of information found in annual reports that are pertinent and deemed necessary for both internal and external business users to know. Positive or negative signals may be indicated by the company's income statement's reported profit level (Kusoy & Priyadi, 2020). External parties will receive a positive signal from management's reports of growing profits, indicating that the company is doing well.

According to Siregar and Bahar (2019), profit growth is a ratio that describes a company's ability to maintain profits amidst economic and business sector growth. Profit is the main goal for every company, and it is achieved by planning how to obtain the maximum possible profit (Rahayu & Sitohang, 2019). Positive profit growth will show that managers can manage and utilize company resources to generate profits and demonstrate sound financial performance conditions (Syafri & Djawoto, 2020). Profit growth is reflected in the increase in profit earned by the company over the previous year (Irawan & Sitohang, 2018). Profit growth is also usually used as a basis for making investment decisions and can be used as a measure of a company's success. The relationship between profit growth and signal theory is that the higher the profit growth, the company will send a positive signal for investors to invest. This is because the higher the profit growth value, the better the company's financial performance quality and the greater the return investors earn.

Total asset turnover is a ratio that illustrates how effectively a business uses its total assets to reach a particular sales volume (Siregar and Bahar (2019). A comparison of a company's sales and total assets is called total assets turnover. TATO defines the rate at which all assets are turned over in a given time to generate profits. The higher the total asset turnover value, the more profit growth the company will experience due to good asset turnover. Efficient use of assets can increase the company's profit growth. Profitable

companies will indirectly provide a positive signal to investors to be more confident in investing. Total asset turnover and signal theory are related in that a higher total asset turnover value indicates to investors that the company is an excellent place to invest. A high total asset turnover value suggests that increasing profits may be impacted by using assets more profitably when generating sales. Assets in banks can be in the form of cash, investments, loans, and other assets. The results of Irawan & Sitohang's (2018) study, which show that total asset turnover significantly boosts profit growth, are consistent. Total Asset Turnover is vital in banking because it illustrates the efficiency of using assets to generate income. Previous research (Irawan & Sitohang, 2018) shows that TATO positively and significantly affects profit growth in the banking sector. Result This shows that efficient use of assets can increase bank profitability. Therefore, TATO is an essential indicator that banks need to pay attention to in improving the efficiency of asset use and profitability. Research conducted by Irawan and Sitohang (2018) and Laela and Septiatul (2020) shows that TATO significantly impacts profit growth. Based on the description above, the first hypothesis is:

H₁: It is predicted that TATO has a significant positive effect on profit growth.

Risk profile, or what is usually called bank business risk, is the level of uncertainty in a result that is estimated or expected to be received (Efendy & Suyanto (2022)). The research study measured it using the Non-Performing Loan (NPL) proxy. According to Merry (2022), the NPL ratio is the company management's ability to manage problems or unprofitable loans. The higher the NPL ratio, the lower the profit growth. The decline in company profit growth is due to the high level of NPL because the company will increase the cost of providing reserves for productive assets. Companies with declining profit growth will be in the spotlight for investors to refrain from investing their capital because there is a risk of not making a profit. Enzirim (2005) stated that decision-making related to the provision of credit by banks has a significant risk, which requires a high level of prudence and accuracy because the main risk in the banking business lies in the credit function, with a high probability of default. The relationship between risk profile and signal theory is that the higher the risk profile value, the more negative the investment signal for investors because the amount of reserves issued by the company is getting bigger. The company's high reserve costs lead to a decrease in profits and affect the company's profit growth. This result is supported by a study by Efendy & Suyanto (2022) that shows that the risk profile significantly negatively impacts profit growth. The risk profile is significant in banking as it helps the bank identify, measure, and manage the associated risks. By understanding the risk profile, the bank can take appropriate measures to mitigate risks and ensure business continuity. In addition, the risk profile also helps the bank meet regulations and compliance standards imposed by supervisory authorities. Thus, a risk profile helps the bank to maintain its reputation, customer confidence, and financial stability. The results of P. Athanasoglou (2008) also show that poor credit quality reduces interest income, thus confirming that NPL has a negative effect on bank profitability. Reduced interest income can also reduce profit growth. Based on the description above, the second hypothesis is:

H₂: It is predicted that the profile significantly negatively impacts profit growth.

Gross profit margin is the ratio of gross profit to sales. Because the companies have demonstrated that the cost of goods sold is comparatively lower than sales, higher gross profit margins indicate better operating conditions. Production efficiency and sales capability equal gross profit margin (Siregar & Bahar, 2019). The higher the gross profit margin value, the greater the company's gross profit, compared to sales so that it will affect profit growth. Companies with optimal conditions in gaining profits through production and sales efficiency will provide positive signals to investors. The relationship between gross profit margin and signal theory is that a more excellent gross profit margin value provides a positive signal for investors because it shows the company's efficiency level in production and sales. The greater the gross profit margin that can be generated, the higher the company's gross profit value. An organization's ability to generate revenue through high company efficiency affects investor interest. According to Aiki's (2018) research, a noteworthy positive correlation exists between profit growth and gross profit margin. Gross Profit Margin is very important in the banking business as it provides an overview of the bank's operational efficiency in generating revenue. According to Irawan and Sitohang (2018), GPM is an important indicator because it can inform management and investors about the profit level of a company's business activity without considering indirect costs. Banks can identify potential efficiency improvements by monitoring Gross Profit Margin, managing operational costs, and evaluating overall business performance. In addition, the Gross Profit Margin also provides investors and other stakeholders with important information on the bank's financial health. Thus, good management of Gross Profit Margin can help banks improve their profitability and competitiveness in the market. According to Pascarina et al. (2016), Aiki (2018), and Lestari and Ruliaty (2019), GPM has a significant positive impact on profit growth. Based on the description above, the third hypothesis is: H₃: It is predicted that GPM has a significant positive impact on profit growth.

3. Research Method

Documentation is the method used in research to collect data. According to Sugiyono (2020), documentation data is a technique for obtaining data and information in the form of written numbers, books, archives, documents, images, reports, and information supporting research. This research used financial information from the annual reports of banking companies listed on the IDX from 2020 to 2022. This information was obtained from the website www.idx.co.id. The type of data used in research is documentary data. Documentary data is data or records of events that have passed (Sugiyono, 2020). The documentary data in the research will be carried out in the form of annual report data from banking companies listed on the Indonesia Stock Exchange from 2020 to 2022. The data source used for the study is secondary data. Secondary data is data that does not directly provide data to the data collector, such as other people or documents (Fenti, 2018). Audited and published annual reports of banking companies listed on the IDX from 2020 to 2022 were used as the research data source. The data source for this study was the website www.idx.co.id.

Population is a generalized area of items or subjects with particular attributes and characteristics that researchers use to investigate and make inferences (Sugiyono, 2020). All banking companies listed on the IDX between 2020 and 2022 comprise this study's

population. The sample is a component of the population; without the population, the sample would not exist (Fenti, 2018). Purposive sampling was the technique employed for the sample. According to Sugiyono (2020), purposive sampling is a method for selecting samples while considering specific factors. There are 54 banking companies listed on the IDX between 2020 and 2022, based on the sample selection criteria. For 2020–2022, four banking institutions consistently failed to publish comprehensive annual reports. Sixteen companies did not have completed data according to the researchers' needs during the 2020-2022 period, and there were 17 data outliers, so the final sample was 17 companies. This study tests the dependent variable profit growth and the independent variables consisting of total assets turnover, risk profile, and gross profit margin. The sample selection procedure of this research can be shown as follows:

Table 1. Sample Selection

Criteria	Amount
Banking companies registered on the IDX for the 2020-2022 period	54
Banking companies that do not consistently publish complete annual reports for the 2020-2022 period	(4)
Companies that do not have complete data according to researchers' needs during the 2020-2022 period	(16)
Data excluded due to outlier data	(17)
The total sample of companies	17
Year of observation	3
Number of observations during the 2020-2022 observation period	51

Table 2. Variables Measurement

NO	Variables	Measurement	Sources
1.	Profit Growth	$\text{Profit Growth} = \frac{\text{Net Profit } t - \text{Net Profit } t_{-1}}{\text{Net Profit } t_{-1}}$	Siregar and Bahar (2020)
2.	TATO	$\text{Total Assets Turnover} = \frac{\text{Income}}{\text{Total Assets}}$	Siregar and Bahar (2020)
3.	Risk Profile	$\text{NPL} = \frac{\text{Problem Credit}}{\text{Total Credit}} \times 100\%$	Mery (2022)
4.	GPM	$\text{Gross Profit Margin} = \frac{\text{Gross Profit}}{\text{Income}}$	Siregar and Bahar (2020)

The testing method in this research uses linear regression analysis. Multiple linear regression is a statistical method used to analyze the relationship between more than one independent variable and its impact on a dependent variable (Ghozali, 2021). The model for multiple linear regression can be expressed as follows:

$$Y = \alpha + \beta^1 X^1 + \beta^2 X^2 + \beta^3 X^3 + e$$

Information:

Y = Profit Growth as the dependent variable

α = Constant

X¹ = Total Asset Turnover variable as an independent variable

- X^2 = Risk Profile variable as an independent variable
- X^3 = Gross Profit Margin variable as an independent variable
- β^1 - β^3 = Regression coefficient
- e = Standard error

4. Results and Discussion

Presenting the descriptive results, response characteristics, and study variables employed sets the stage for the debate. Moreover, the results and discussion seek to achieve the study's goals by evaluating the model's viability, the coefficient of determination, and the research hypothesis. The variables total assets turnover, risk profile, and gross profit margin for 2020–2022 can all have their maximum, minimum, average (mean), and standard deviation established based on the outcomes of descriptive statistical testing. There were fifty-one observations used. The tested independent variables and the dependent variable make up the variable column. Table 3. below shows these variables' descriptive statistics:

Table 3. Descriptive Statistics Results

Variable	N	Min.	Max.	Mean	Std. Dev.
Profit Growth	51	0,006	0,100	0,072	0,016
Total Assets Turnover	51	0,002	0,034	0,011	0,008
Risk Profile	51	0,680	48,350	19,474	11,905
Gross Profit Margin	51	-1,470	1,220	0,145	0,490

Table 3. displays the profit increase values for the research period, which ranged from 0.006% to 0.100%, with an average of 0.072% and a standard deviation of 0.016%. With a 0.056% discrepancy between the standard deviation and average, profit growth is associated with little data fluctuations. According to Table 3, the total assets turnover over the research period had a minimum value of 0.002, a maximum value of 0.034, an average value of 0.011%, and a standard deviation of 0.008% based on 51 observations. With a 0.003 difference between the standard deviation and average, the total assets turnover data shows slight variations. Table 3 indicates that the risk profile during the research period had the following values: minimum = 0.680%, maximum = 48.350%, average = 19.474%, and standard deviation = 11.905%. Because the standard deviation value is 7.569% lower than the average, only slight variations in the data affect the risk profile. Table 2 explains that during the research period, the Gross Profit Margin had a minimum value of -1.470, a maximum value of 1.220, an average (mean) value of 0.145%, and a standard deviation value of 0.490 based on 51 observations. GPM has significant data variations because the standard deviation value is higher than the average, with a difference of 0.345.

Statistically, during the research period, the level of Non-Performing Loans (NPL) of banking companies has met the standards set by Bank Indonesia (Bank Indonesia Regulation No. 20/8/PBI/2018), which is 5% where the average NPL value is 19.474. Meanwhile, the TATO and GPM variables do not have provisions relating to the ideal value for a good company. However, the higher the TATO and GPM values in a company indicates that the company's condition is improving. That is because the company can

manage the turnover of assets owned to obtain profits for the TATO value. In contrast, the higher the GPM value, the better the condition of the company because the high-efficiency value of the company has an impact on increasing company revenue, so investors will be interested in investing in the company.

Table 4. Summary of Classical Assumption

Test	Indicators	Result	Conclusions
Normality Test	Kolmogorov Smirnov	Asymp. sig. 0,200	normally distributed
Autocorrelation Test	Run Test	Asymp. sig. (2-tailed). 0,481.	no autocorrelation
Heteroskedasticity Test	The Park Test	TATO 0,992 Risk Profile 0,895 GPM 0,106 TATO 1,275	no heteroscedasticity
Multicollinearity Test	VIF	Risk Profile 1,443 GPM 1,790	no multicollinearity

The Ordinary Least Square method is used in this research to solve problems requiring fulfilling some requirements, including normality, multicollinearity, heteroscedasticity, and autocorrelation. The purpose of the normality test in a regression model is to determine whether the residual or confounding variables follow a normal distribution. One standard statistical test used to assess residual normality is the non-parametric Kolmogorov-Smirnov (K-S) test. If the asymptotic sig. is more significant than 0.05, it indicates that the residuals are normally distributed. Conversely, if the asymptotic sig. is less than or equal to 0.05, it suggests that the data is not normally distributed (Ghozali, 2021). In this case, the results of the normality test show an asymp. Value of 0.200, which is greater than 0.05. Therefore, the data in the regression model follows a normal distribution.

Confounding errors in the current period and confounding errors in the previous period are examined for correlation in the linear regression model through the autocorrelation test, according to Ghozali (2021). In this research, a run test was employed to ascertain the existence or absence of autocorrelation. The asymp. Sig (2-tailed) value can be used to determine whether residual data is random or systematic; if it is > 0.05 , autocorrelation is absent, and autocorrelation issues are present if it is ≤ 0.05 . According to the findings of the autocorrelation test, the Asymp. Sig. (2-tailed) value is 0.481, more significant than 0.05, indicating the absence of autocorrelation.

The heteroscedasticity test aims to determine whether there is variance inequality between the residuals of various observations in the regression model. This study uses the Park test, which indicates the absence of heteroscedasticity if the significance level is set at 0.05 (Ghozali, 2021). From Table 4, it is evident that all independent variables exhibit a significance value of > 0.05 . Therefore, it can be inferred that heteroscedasticity is not present.

The purpose of conducting a multicollinearity test is to determine if there is any correlation among the independent variables in the regression model (Ghozali, 2021). An ideal regression model should exhibit no correlation among its independent variables. The

threshold value commonly employed to signify the existence of multicollinearity is tolerance ≤ 0.10 , equivalent to a VIF value ≥ 10 . If the tolerance value is more significant than 0.10 or equal to a VIF value less than 10, multicollinearity does not happen. Table 4. T-test results demonstrate that none of the independent variables in this study exhibit multicollinearity. The VIF value is less than 10, and all tolerance values for the variables related to gross profit margin, risk profile, and gross profit margin are more significant than 0.10.

The results of the multiple regression test reveal the direction (positive or negative) of the relationship between the independent and dependent variables, as well as the capability to predict the dependent variable's value when the independent variable increases or decreases. The outcomes of the multiple linear regression test are presented in Table 5. as follows:

Table.5 Summary of Multiple Regression

Variables	B	Sig.	t-test	Conclusion
(Constant)	0,680	0,039	2,123	
Total Asset Turnover	-9,342	0,041	-2,097	H1 accepted
Risk Profile	-12,931	0,176	-1,374	H2 rejected
Gross Profit Margin	0,015	0,044	2,067	H3 accepted
Sig. F test	= 0,000			
R Square	= 0,230			
Adjusted R Square	= 0,181			

The results of the hypothesis test are in Table 5. It can be explained that the first hypothesis states that, based on Table 5. the beta value of total assets turnover is -0.303, and the sig value is 0.041, where the significance level is > 0.05 . This suggests that total assets turnover significantly and negatively affects profit growth, which means H1 is rejected. The second hypothesis states that based on Table 5. the beta risk profile value is -0.211, and the sig value is 0.176, where the significance level is > 0.05 . This can be interpreted as meaning that the risk profile has a negative and insignificant impact on profit growth, so it can be concluded that H2 is rejected. The third hypothesis states that, based on Table 5, the beta value of gross profit margin is 0.352, and the sig value is 0.044, where the significance level is > 0.05 . This suggests that the GPM has a noteworthy and positive impact on profit growth, leading to the acceptance of hypothesis H3.

Simply put, the coefficient of determination (R²) indicates how the model can explain variations in the dependent variables. The coefficient of determination has a value range of 1. The independent variables can only partially explain the dependent variable's fluctuations, as indicated by the low R² value (Ghozali, 2021). The adjusted R-squared value is utilized to determine the contribution of the independent variables to the dependent variable in this study, as it employs regression analysis with multiple variables. With an adjusted R square value of 0.181, variations in three independent variables—total asset turnover, risk profile, and gross profit margin—account for 18.1% of the variation in stock prices, with other factors accounting for 81.9% of the variation not included in this research model. The results of the determination test can be seen in Table 5.

According to the results of the first hypothesis, profit growth is significantly hampered by total asset turnover. Accordingly, profit growth will be inversely correlated with total asset turnover value; if total asset turnover value falls, profit growth will rise. The study's first hypothesis is rejected because the data do not support the hypothesis, which claims that total asset turnover significantly boosts profit growth. The profit growth of the banking sector shows the bank's results within a certain period, which describes the bank's health level.

As defined by Siregar and Bahar (2019), total asset turnover indicates how effectively a company uses all its assets to achieve a given sales volume. A larger TATO ratio shows that assets are turning over more quickly towards the goal of gaining profit and efficient asset management to obtain sales. This high ratio also results in increased bank profits because of high income from sales. TATO is not a guarantee that the company can experience increased profit growth. This shows that profit growth will decrease because total assets turnover shows results with a high level of sales and is combined with high sales expenses, thus causing the company's assets to increase due to the company's inventory increasing, and this will affect profit growth from the previous year to the current year, which has decreased. This can identify negative signals for potential investors to invest capital in the company. The results of this research align with the study by Syafril and Djawoto (2020), which states that total asset turnover significantly negatively impacts profit growth.

According to the second hypothesis test results, profit growth is negatively and marginally impacted by risk profile. This implies that a company's profit growth value will decrease with a higher risk profile and vice versa; however, the impact will be minimal if a company has a low-risk profile. A higher risk profile does not ensure that the business will see faster profit growth. This can be explained by the fact that non-performing loans rise as a result of partially unpaid interest obligations from debtors. However, profit growth is still possible if credit is extended to a greater extent overall, allowing interest income from unpaid loans to be offset by an increase in loan interest from the realization of new loans (Merry, 2022). This can reveal warning signs to prospective investors about the company's suitability for funding. The study's results are consistent with those of Efendy & Suyanto (2022), who found that risk profile had a negligible and unfavorable impact on profit growth.

The findings of the third hypothesis test reveal that GPM has a notable and positive impact on profit growth. This implies that a company's profit growth level is higher when its gross profit margin is higher, and vice versa. These outcomes are consistent with the third hypothesis, which proposes that gross profit margin significantly and positively affects profit growth. Therefore, the second hypothesis of this research is accepted. A company's high gross profit margin means it is showing better operational conditions because the cost of goods sold is relatively lower than sales; conversely, if the gross profit margin ratio decreases, it indicates poor management performance (Siregar & Bahar, 2019). These results justify the signal theory that a more excellent gross profit margin value will provide a positive signal for investors because the company shows a level of efficiency in production and sales. The greater the gross profit margin that can be produced, the higher the company's gross profit value. A high company efficiency value

affects increasing the company's income so that investors will be interested in investing. Research Aiki (2018) has the same results regarding the GPM variable, which positively and significantly influences profit growth.

The results of the first hypothesis show that TATO has a significant impact on profit growth, with the rejection of this hypothesis indicating that companies need to pay careful attention to TATO management because high TATO values are not always followed by high-profit growth. This implication indicates that companies need to consider the efficient use of assets to achieve higher sales without significantly increasing costs. This highlights the importance of efficient asset size management for sustainable profit growth. In addition, the results of the second hypothesis show that risk profile also impacts profit growth, implying that firms with a higher risk profile tend to have lower profit growth. This indicates the need for sound risk management to minimize the negative impact on profit growth. Meanwhile, the results of the third hypothesis show that GPM significantly impacts profit growth, emphasizing the importance of efficient cost and operational management to achieve higher profit growth. Overall, these results highlight the complexity of factors affecting profit growth and emphasize the importance of holistic management in managing corporate financial performance.

This study provides a theoretical contribution by examining the relationship between TATO, risk profile, and GPM to profit growth. The results of this research can serve as a theoretical basis for further research in examining other factors that affect the company's profit growth. Practically, the results of this research provide insight for companies in managing financial performance more effectively. This research provides an overview of what influences profit growth, which can be the basis for more effective financial strategies for companies and investors. The implications of this study indicate that companies need to consider asset management, risk management, and efficient cost and operational management to achieve sustainable profit growth. The results of this research also contribute to policy by providing insights for regulators and governments in developing policies that support good risk management and efficient use of assets in achieving sustainable economic growth.

5. Conclusions, Suggestions, and Limitations

The findings of this research offer empirical evidence that TATO has a substantial and adverse impact on profit growth in banks listed on IDX. Regarding profit growth in banking firms listed on IDX, the risk profile variable exhibits a minor negative impact. Conversely, the GPM variable demonstrates a noteworthy and positive impact on profit growth in banking companies listed on IDX. The implications of these findings are significant. The negative impact of TATO on profit growth indicates that banks need to manage their asset turnover carefully to ensure sustainable and positive profit growth. The negative impact of the risk profile variable indicates the need for banks to focus on risk management strategies to improve their profit growth.

Meanwhile, the positive impact of GPM highlights the importance of maintaining healthy margins to drive profit growth. Based on this, banks should consider optimizing their asset turnover to increase profit growth, which could improve operational efficiency and asset utilization. Risk management practices should be strengthened to mitigate the

negative impact of risk profile on profit growth, and banking firms should focus on strategies to maintain or increase their GPM as this has a positive impact on profit growth.

Researchers must overcome several obstacles so that the research results can support the theory put forward because the variables of total asset turnover, risk profile, and gross profit margin are the only ones used in this study to determine how they affect profit growth. The variables used also have a reasonably small variation value of 18.1%, according to the results of the determination test that has been carried out. There are still opportunities for other variables that can be used for research on profit growth, for example, the liquidity and solvency ratio variables as researched (Syafri & Djawoto, 2020). In addition, this research is also limited to 2020-2022. In addition, the sample of banking businesses used in this study is still small. Based on the results of this study, researchers can provide the following recommendations: It is recommended to future researchers who intend to conduct additional research to add independent variables or other elements that can affect profit growth, for example, good corporate governance; this is as done by (Merry, 2022) research, which uses good corporate governance in her research. Apart from banking companies, other research objects that can be used for further research include companies listed on IDX, transportation companies, and the LQ45 industry. In addition, the duration of observation should be increased (five years, for example). Investors should consider other parameters besides total asset turnover, risk profile, and gross profit margin to analyze profit growth accurately, as these variables are currently unsuitable for measuring profit growth. In addition, there are elements external to the company, such as political, economic, and other circumstances, as well as internal considerations, such as liquidity and others. A complete annual report is one of the things that companies can do to attract investors' interest in making investments. Financial statements allow investors to evaluate the company's performance and track profit increases.

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