Conference Paper

Growth of Profit During and Post-pandemic (Covid 19): A Proposed Study

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Abstract.
The Covid-19 pandemic has caused significant changes for all manufacturing businesses listed on the Indonesia Stock Exchange. Therefore, the research aims to find out, analyze, and explore how return on assets, debt to equity, and net profit margin experienced differences before pandemic and during the Covid-19 pandemic. From a variety of empirical findings, there are still a limited number of studies that examine this during and after the Covid-19 pandemic. This research is expected to contribute to further research and facilitate the management of Indonesian manufacturing companies. In contrast, investors can provide information about the company's financial performance. The importance of this research can be helpful for companies in providing solutions on how to increase profit growth after the Covid-19 pandemic.

Keywords: return on asset, debt to equity, net profit margin, grow profit

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1. Introduction

The spread of the Corona virus, which initially started from Wuhan, China, moved quickly, starting from humans to other humans, from one country to another, so that it spread throughout the world, including Indonesia. The government is trying to prevent the spread of the Covid-19 virus, prevention is being done by practicing physical distancing, using masks, keeping your distance and always washing hands, schools are enforced online, working from home, and so on. The rapid spread of the Covid-19 virus has had an impact on the Indonesian economy. Indonesia has imposed restrictions on leaving the house, so that various sectors of the economic sector have been negatively affected by the Covid-19.

The impact of the spread of the corona virus in Indonesia has put pressure on all areas of the economy, especially in the activities of manufacturing companies in Indonesia. In 2020 the JCI for the manufacturing sector dropped o position 45.3 from the previous level of 51.9. At the same time, factory closures have also dragged production down. This activity was also accompanied by a decrease in demand, which prompted companies to reduce their capital goods purchasing activities. The manufacturing sector experienced negative growth in 2020 with a record decline of 3.1 percent. Manufacturing companies are a leading industry with a GDP contribution of 20.8 percent in 2020 and are able to absorb 14 percent of the national workforce and have a large multiplier effect. The other sector, namely the construction sector, contributed 10.1 percent of GDP, but was badly affected due to low capacity utilization and decreased demand for property during the Covid-19 pandemic.

Financial statements are the main source that can show a company in a liquid state or vice versa so that investors can decide to make decisions in investing their capital.. A good company is a company that has good financial reports, one of which can show profits in the company because companies that have maximum profits are a picture of companies in good condition profit growth is a ratio that shows the company's ability to increase net income compared to last year.

One of the ways to predict company profits is to use financial ratios. Financial ratios are the most frequently used analytical method because they are the most appropriate method to determine a company's financial performance By knowing its performance, companies can make appropriate business decisions. The financial ratios used are profitability ratios, namely Return On Assets (ROA), and Net Profit margin (NPM) and the financial ratios used are Leverage ratios, namely Debt To Equity Ratios. Profitability analysis is needed to assess the size of a company's business productivity and leverage analysis. necessary for the development of corporate debt. Assessment of company performance can reflect the company's financial condition which can later predict the company's profit growth.

ROA is a ratio to see the extent to which the investment that has been planted will be able to provide returns as expected and the investment is actually the same as the company's assets invested or placed. DER is the Debt To Equity Ratio, which is the ratio used to measure how much debt the company must bear in order to fulfill capital [1]. NPM is the ratio used to measure the percentage of net profit on net sales (Hery,

Profit is an increase in economic benefits during an accounting period in the form of income or additions to assets or decreases in liabilities resulting in an increase in equity that is not derived from investment contributions

Profit growth can be predicted by looking at the difference in a company's profit growth from year to year. Profit growth is influenced by the components in the financial statements. The financial ratios used in this study include Return On assets, Debt To Equity, Net Profit Margin.

Based on the background of the problems mentioned above, the authors are interested in conducting further research regarding ”Return On assets, Debt To Equity, Net Profit Margin Analysis of Profit Growth in manufacturing companies listed on the Indonesia Stock Exchange for the 2019-2021 period.

Based on the description above, the problem is formulated as follows:

1.

2. Is there a difference in Return On Assets before and during the Covid-19 Pandemic in manufacturing companies?

3. Is there a difference in Debt to Equity before and during the Covid-19 Pandemic in manufacturing companies?

4. Is there a difference in Net Profit Margin before and during the Covid-19 Pandemic in manufacturing companies?

5. Is there a difference in profit growth before and during the Covid-19 Pandemic in manufacturing companies?

Model used to test the hypothesis related to the analysis of Return On Assets, Debt To Equity m, Net Profit Margin on Earnings Growth is as follows:

$$Earnings\ Growth = a + b1\ \ Return\ On\ Asset\ \ + b2\ Debt\ To\ Equity$$

$$+b3\ Net\ Profit\ Margin\ \ + e$$

Notes:

a = Constant

b1-b3 = Regression coefficient of each variable

e = Error

Thus, we can assess whether the company has been efficient in using its activities in operations to generate profits. Calculation of Return On Asset with the formula [1]:

$$Return\ on\ asset = \frac{net\ profit\ after\ tax}{total\ asset}$$

1.1. Debt to equity

According to Kasmir [1], Debt to Equity ratio is a ratio used to assess debt with equity. This ratio is sought by comparing all debt, including current debt with all equity. This ratio is used to meet the amount of funds provided by borrowers (creditors) for each rupiah of own capital that is used as debt collateral.

Debt to equity ratio can be calculated with the formula [1]:

$$Debt\ to\ equity\ ratio = \frac{total\ debt}{equity}$$

1.2. Net profit margin

According to Kasmir [1], states that Net Profit Margin (NPM) is obtained by comparing operating profit with sales. The higher the value of this ratio, it shows that the company's profitability is getting better so that investors are interested in investing their capital.

Net Profit Margin can be calculated with the formula:

$$net\ profit\ margin = \frac{net\ profit}{sales}$$

1.3. Framework for thinking

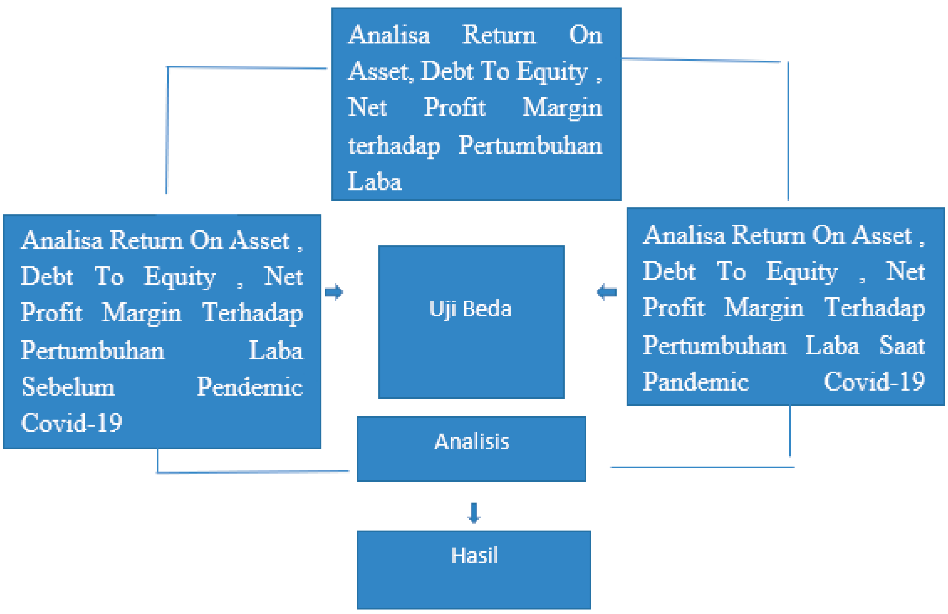

Figure 1: Framework for thinking.

1.4. Hypothesis

According to Sugiono [2] the hypothesis is a temporary answer to the formulation of research problems, where the formulation of research problems has been stated in the form of a question sentence. Hypothesis is a temporary answer based on theory.

2. Methods

2.1. Time and place of research

The secondary data sources used in this study specifically are data processing or information collected from the annual financial statements of manufacturing companies, including the determination of the Covid-19 emergency status to date. Data information is obtained by downloading financial reports from the official website of the Indonesia Stock Exchange (IDX) at www.idx.co.id because the company's financial report data is public, the location was chosen as the research location. The research was conducted for two months from July to August 2022. This research uses quantitative research methods. Research with a qualitative approach emphasizes its analysis on deductive and inductive inference processes and analysis of the dynamics of the relationship between the phenomena studied using scientific logic. This does not mean that the qualitative approach does not use quantitative data at all, but the emphasis is not on hypothesis testing but on efforts to answer research questions through formal ways of thinking and arguing.

2.2. Data collection techniques

According to Priyatno [3] "data is something that is used or needed in research using certain predetermined parameters". Judging from the data source, data collection can use two sources, namely primary data and secondary data. Primary data is a data source that directly provides data to data collectors while secondary data is a data source that does not directly provide data to data collectors [2].

2.3. Sampling technique

Population the sampling technique used by the author in this study was Purposive Sampling. Purposive sampling is deliberate sampling according to the required sample requirements. Purposive Sampling can also be called Judgmental Sampling, which is taking into account which companies meet the requirements to be sampled so that researchers can get samples that match the requirements or research objectives to obtain accurate data.

2.4. Research population

Population is the focus of a study. According to Sugiyono [2] population is a generalization area consisting of objects / subjects that have certain attribute characteristics that have been determined by researchers to study and then draw conclusions.

This study covers 193 manufacturing companies that are listed on the Indonesia Stock Exchange and have published financial reports for the 2019-2021 period or before and during the Covid-19 pandemic.

2.5. Object of research

The definition of a research object according to Sugiyono [2], "The object of research is an attribute or trait or value of people, objects or activities that have certain variations set by researchers to study and then draw conclusions". In this study, the authors used 22 (twenty- two) samples of manufacturing companies listed on the Indonesia Stock Exchange during the period 2019 to 2021.

2.6. Research model

The model used to test the hypothesis related to the analysis of Return On Assets, Debt To Equity m, Net Profit Margin on Earnings Growth is as follows:

$$Earnings\ Growth = a + b1\ Return\ On\ Asset + b2\ Debt\ To\ Equity$$

$$+ b3\ Net\ Profit\ Margin + e$$

Notes:

a = Constant

b1-b3 = Regression coefficient of each variable

e = Error

2.7. Operational variables

Independent variable

2.7.1. Reactivating assets

Calculation of Return on Assets:

$$Return\ on\ asset = \frac{net\ profit\ after\ tax}{total\ asset}$$

2.7.2. Debt to equity

Calculation of Debt-to-Equity Ratio:

$$Debt\ to\ equity\ ratio = \frac{total\ debt}{equity}$$

2.7.3. Net profit margin

Net Profit Margin Calculation:

$$net\ profit\ margin = \frac{net\ profit}{sales}$$

3. Data testing technique

After obtaining data for each variable, the authors tested the research data. The data used by the author is in the form of a ratio scale. Therefore, testing research data using the classic assumption test which consists of normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test.

3.1. Hypothesis testing

Hypothesis testing is a research procedure to test scientifically through appropriate statistical analysis or through negative case analysis". This test aims to determine whether the relationship that exists in the theory is really proven to be true.

3.2. Hypothesis testing (t test)

Hypothesis testing is useful for examining or testing whether the regression coefficient obtained is significant (significantly different). The meaning of this significance is the value of the regression coefficient which is statistically not equal to zero, meaning that it can be said that there is not enough evidence to state that the independent variable has an effect on the dependent variable. For this reason, the regression coefficient must be tested. There are three types of hypothesis tests on regression coefficients that can be carried out, which are called the f test and the R^2 test.

4. Conclusion

The results of this study are expected to be a consideration for public knowledge that will invest in manufacturing companies as a basis for financial information and decision-making to invest in manufacturing companies.

References

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