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ROLE OF FINANCIAL PERFORMANCE DETERMINES THE SUSTAINABILITY OF OPERATING PROFIT GROWTH

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Abstract

During the COVID-19 pandemic that has hit the entire world, businesses are facing challenges in starting their business development due to financial factors. The movement of company profits shows business development, which is an indicator of business progress. The entity calculates and considers business conditions based on existing performance. The aim of this research is to observe and analyze how financial performance and business operational results influence the movement of company profits in various industrial companies on the Indonesia Stock Exchange from 2016 to 2021. This research uses a quantitative exploratory basis. The number of various industrial companies listed on the Indonesian Stock Exchange reached 126 companies. The purposive sampling process uses secondary data from the Indonesian Stock Exchange database. In this research, multiple regression is used to analyze. The research results show that the increase in profits is not significantly influenced by financial performance, which is measured by activity ratios, liquidity, profitability and solvency using the measurement proxies used in this research.

Keywords: Ratio Activity; Ratio Liquidity; Ratio Profitability; Ratio Solvency; Profit Growth

Abstrak

Selama pandemi COVID-19 yang melanda seluruh dunia, bisnis menghadapi tantangan dalam memulai roda pengembangan usahanya karena faktor keuangan. Pergerakan laba perusahaan menunjukkan perkembangan usaha, yang merupakan salah satu indikator kemajuan bisnis. Entitas menghitung dan mempertimbangkan kondisi bisnis berdasarkan kinerja yang ada. Tujuan penelitian ini adalah untuk mengamati dan menganalisis bagaimana kinerja keuangan dan hasil operasional bisnis mempengaruhi pergerakan laba perusahaan pada berbagai perusahaan aneka industri yang ada di Bursa Efek Indonesia dari tahun 2016 hingga 2021. Penelitian ini menggunakan dasar eksploratif kuantitatif. Jumlah perusahaan aneka industri yang terdaftar di Bursa Efek Indonesia mencapai 126 perusahaan. Proses pengambilan sampel purposive menggunakan data sekunder dari database Bursa Efek Indonesia. Dalam penelitian ini, regresi berganda digunakan untuk menganalisis. Hasil penelitian menunjukkan bahwa peningkatan laba tidak signifikan dipengaruhi oleh kinerja keuangan, yang diukur dengan rasio aktivitas, likuiditas, profitabilitas, dan solvabilitas menggunakan proksi pengukuran yang digunakan dalam penelitian ini.

Kata Kunci: *Rasio Aktivitas; Rasio Likuiditas; Rasio Probabilitas; Rasio Solvabilitas; Pertumbungan Laba;*

INTRODUCTION

The Covid-19 pandemic that has occurred in parts of the world has made a new phenomenon appear, especially in the development of economic businesses in various countries in the world, including Indonesia. Although COVID-19 is not the first epidemic the world has seen, the one we are currently facing permanently alters our way of life and has repercussions in all aspects of our lives. From a societal standpoint, the ensuing adjustments are apparent, and their influence is initially felt at the macroeconomic level before being fully understood and quantified (Ahelegbey, Cerchiello, & Scaramozzino, 2022). According to market economics, as information is disseminated and absorbed by the general public, emotional changes in economic development drive upward trends in international markets. Information travels quickly in the social network era, and it has the power to either intensify or reduce the dynamics of financial markets. In addition to the way that financial data affects economic trends, people's attitudes and actions are now having a growing impact on prices. It involved a variety of mechanisms, ranging from sociological and psychological to strictly economic. Because of this, behavioral analysis of public opinion was created and extensively used in the early 2000s, encompassing a variety of industries such as marketing, politics, culture, the environment, psychology, and finance (Ahelegbey et al., 2022).

The development of the business in Indonesia during the pandemic was very bad in terms of the implications for the movement of the economy. If it is known that developments in the economic aspect are progressing that is directly related to the industries in Indonesia (Amrullah & Widyawati, 2021). However, the efforts and policies that were inaugurated by the authorities in Indonesia in terms of taking action against Covid-19 resulted in the activities of residents being different from their general habits so most of the business zones faced obstacles in carrying out their business continuity activities Maulidia, 2021). These policies also cause disruptions in the demand-supply, reduce the level of activity in the production of goods and services, reduce te level of people's purchasing power, increase the unemployment rate, and reduce economic development (Schneeweiss, 2020).

The industry requires a very long time and hard effort in developing products and services, industry confidence experienced by customers, efficient business operations, leadership vision and small investment share investment which can be attractive for long-term business continuity (Eberl, 2005). Based on research and observations from practitioners who have worked in the area for the past ten years, a company's sustainability which is defined as its positive reputation is a valuable legacy owned by the industry that can be replicated because it is harder to attain and takes time to obtain. A good industry reputation can provide many very important benefits for the industry, such as attracting clients, investors, and applicants, reducing company financing, enabling the industry to exceed entry-level prices, increasing profitability, outperforming other industries, and continuing to be as large as possible managers. the need to enter into contracts with similar or other industries (Kanto, 2017). Current research shows that corporate stakeholders are becoming more interested in investments and funds, not just for financial gain but also because they may improve social and environmental aspects of society and make the world a better place (Ferrell, Liang, & Renneboog, 2016), (Starks, Venkat,

& Zhu, 2017), (Dyck, Lins, Roth, & Wagner, 2019), (Hartzmark & Sussman, 2019). One of the most important issues facing the business community today is sustainability, and the data shows that stakeholders, investors, and firms are becoming more conscious of the effects that their business plans have on the environment and society (Agoraki, Giaka, Konstantios, & Patsika, 2023).

Enterprises operating across diverse sectors in Indonesia have exerted a noteworthy influence on developments resulting from the Covid-19 Pandemic. While each companies face unique challenges, the paramount factor is their financial gains. Profits serve as a measure of the ability or success of an industry so that profits experience a decrease or increase which will have an impact on evaluating the performance of the industry. When the industry faces good profit growth from this period to the next period, the industry can survive competition from various other competitors, whether similar companies or not. Therefore, the industry is required to prove the development of increasing profits from period to period. to be able to recognize the estimated profit development in the next period, the industry can carry out an analysis of the financial information contained in the resulting financial reports (Wibisono, 2016). As a result, in this instance, analysis is required as a measuring instrument to show how Indonesian companies' profit rates have developed. Another method that can be used in this measurement is the analysis of financial performance to be able to predict profit growth for the current period or future periods that will be obtained by the company's management in its business activities. Analysis that can be used to describe business actors and government parties to assess the company's financial condition in the past, present, and estimate future profits is called financial performance analysis. Financial performance analysis can be classified into multiple ratios, such as market, liquidity, solvency, profitability, and activity ratios (Jumingan, 2019).

This research article focuses on how the financial performance produced by various industrial companies in Indonesia during the Covid-19 pandemic can represent the profit growth generated to provide information on whether the company's survival during the pandemic continues or whether it experiences losses or even goes bankrupt. because of unstable finances and poor financial foundations, this will be a problem because it does not match the theory presented in stakeholder theory and the legitimacy that profits will basically provide signals that contain useful information for investors making investment decisions and the role of society in supporting the company's success in increasing profits business growth, so that company sustainability by maximizing profits under any conditions must remain maximized and maintained. Apart from that, we also want to investigate in depth which parts of the company's financial performance and which parts of the financial reports are the biggest problems in overcoming its finances to survive the Covid-19 pandemic so that we can find out on a certain industrial scale the impact of this. financial pandemic, markets and business competition. business carried out by company management both in similar industries and other types of business.

LITERATURE REVIEW

Agency theory argues in favor of the notion that everyone acts in the group's best interests. The agency relationship is shown in the Jensen and Mackling agency theory as a contract wherein one or more individuals (principals) engage with another individual (an agent) to do specific duties on their behalf. In this instance, the agent works for the principal in exchange for a certain amount of decision-making authority. on the main's behalf (Sobotnicka, Sobotnicki, Horoba, & Porwik, 2016). Businesses whose management represents the principals and shareholders act as their agents. In this capacity, shareholders provide management directives to operate in the best interests and preferences of shareholders (Ferrell et al., 2016).

The agency theory is very interesting when it comes to the financial performance of Indonesian companies that go public, especially when it comes to the contractual arrangement between shareholders (principal) and company management (agent) in several share classes. The viewpoints of bondholders, who are creditors, differ from ours regarding the proper management of the company and its need to adapt to changing market conditions and shareholder preferences. The majority of the time, owners' expectations are pushed on managers, which has an impact on the business's financial performance (Vu, Phan, & Le, 2018). To overcome the agency problem, the interests of shareholders and managers must be aligned with the goals of the company. For better company performance (Kao, et.al., 2019), (Buallay A., Hamdan A., 2017).

Companies can develop one which requires support from its stakeholders. In order to make decisions, stakeholders require access to a wide range of information about business operations. In order to draw in and solicit support from its stakeholders, the corporation will therefore make an effort to present a variety of information. Every business will try to gain the support of its constituents, and one way to do this is by disclosing information. Information disclosure is separated into two categories: required and voluntary (Freeman, et.al., 2021). In order to better inform stakeholders who assess the company's sustainability, it can disclose more comprehensive and accurate information on its operations and their effects on the state of society and the environment in which it operates (López, et.al., 2021). This approach is expected to help align the interests of managers.

Many studies have looked at the relationship between corporate governance and corporate financial performance (Al Muhaissen & Alobidyeen, 2022). Risk in the Covid-19 pandemic is a factor that is inherent in the continuity of a company's business. Internal and external risks are two categories into which the company's hazards can be divided. Internal risk pertains to elements within the organization, such as the financing structure, while external risk is associated with macroeconomic and external factors, such as fluctuations in commodity prices, changes in the volume of goods produced that impact the company's revenue, shifts in interest rates, and domestic and international policy (Georgieva, T., & Kirechev, 2017), (Featherstone, 2017). Although businesses are unable to directly control external risk, they can transfer risk by using suitable risk management techniques including hedging, options, and futures (Pokharel, Archer, & Featherstone, 2020). During the Covid-19 epidemic, the company's constant operating expenses were mostly related to selling, administrative, and research and development costs. When a business generates operating money, it incurs selling expenses. These charges include commissions from sales, advertising, and the purchase and usage of materials. General administrative costs related to business operations, such as employee salaries, insurance, and phone bills, are referred to as administrative expenses. So that the risks and costs incurred by the company must continue during the pandemic even though the level of sales that is being carried out is a trend that continues to decline due to extraordinary and external conditions in terms of the economy which are currently unstable, impacting the profits earned.

Profit is the most anticipated form of information by investors in the context of the money market. The operating profit determined for a certain period is the main goal in making a profit and loss statement (Subramanyam, 2014). The profit and loss report are an important reference for carrying out the function of providing accounting information in the form of preparing financial statements regarding financial accounting standards (SAK) and encouraging the establishment of government regulations related to the financial system that guarantees the implementation of good corporate governance (IAI, 2009). On the other hand, management can apply certain accounting methods that are most profitable (Husain, 2017), For example, with earnings management estimation techniques which are part of an approach to identify profit growth in order to provide information to external parties. Income statements can also use financial ratio analysis measurements to see the extent to which a company has good and correct financial performance by using these rules (Yanti, 2020). Investor confidence will rise in a company with bigger profits since they indicate superior managerial performance. Profit growth can be used as a metric to evaluate a company's profitability consistently. Gain or loss in profit for a corporation on an annual basis is known as profit growth. Better performance is associated with a company's larger profit margin (Kusoy, 2020). Profit growth will therefore be positive if the company's financial ratios are favorable. A company's ability to manage and use its resources to create profits and demonstrate its financial performance is reflected in positive profit growth, and vice versa (Rachmawati, 2014).

Financial ratios are a mechanism for analyzing financial statements compare the numbers in the financial statements by dividing by one numbers with other numbers (Divianto, 2017), There are several ratios used in this research as calculations and comparisons to see how the picture in financial performance obtained by the company during the Covid-19 pandemic has been on the profit growth generated by the company to show its business development during the Covid-19 pandemic.

Financial performance is one of the easiest things and can provide a quick picture of the company's condition to users of financial information. Based on the table above, conclusions can be drawn for the development of hypotheses in this research, namely:

H1: The ratio of activity to the proxy of inventory turnover has a positive influence on profit growth.

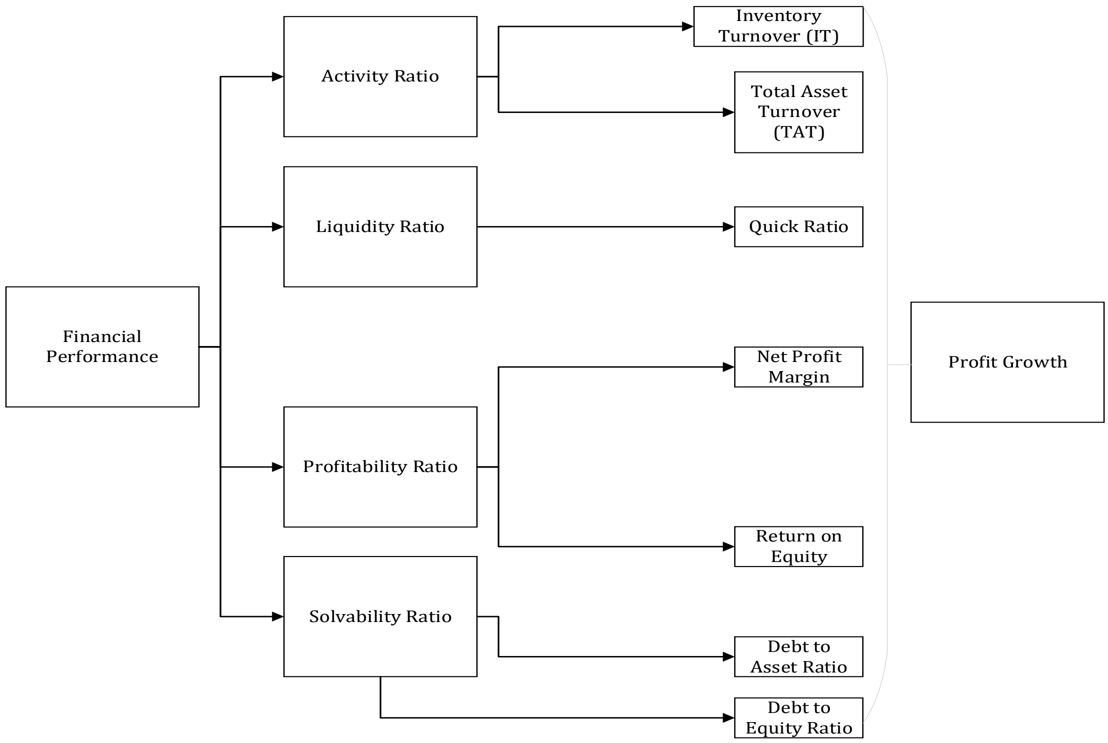
H2: The activity ratio as a proxy for total asset turnover has a positive effect on profit growth.

H3: The liquidity ratio with the proxy ratio quickly gives a positive influence on profit growth.

H4: Profitability ratio by proxy net profit margin ratio has a positive influence on profit growth.

H5: Profitability ratio with a proxy ratio of return on equity has a positive influence on profit growth.
H6: The solvency ratio as a proxy for the debt asset ratio has a positive effect on profit growth.
H7: The solvency ratio as a proxy for the debt equity ratio has a positive effect on profit growth.

Picture 1. Research Framework



RESEARCH METHODOLOGY

This type of research is by study and observation using secondary data. Where the data obtained uses financial data obtained from the financial statements of various industrial companies listed on the Indonesia Stock Exchange (IDX). This research is quantitative in nature, by assessing the calculation results of the financial data obtained and then processed using the IBM SPSS Statistics software.

This research will be carried out by various industrial companies that are registered and listed on the Indonesian Stock Exchange (IDX) for a period of six years, namely 2016-2021. The sampling method used is purposive sampling where there are criteria for selecting the sample, including companies that must be consistently registered and listed on the Indonesia Stock Exchange for the 2016-2021 period, companies must attach and submit consistent financial data for 2016-2021, companies use the rupiah currency in financial reports, and the presence of data - the data needed in the calculation of the ratio - the ratio in the measurement of research variables. According to the criteria above, the number of sample companies used in this study was 21 companies per year in the period 2016 to 2021 so that a total sample of 21 x 6 years = 126 samples was obtained.

This study uses a descriptive quantitative data analysis method, namely where the data used in this study wants to prove whether there is an influence between financial performance on profit growth. The research method used in this research is multiple linear regression analysis. In this study, statistical demographic and data quality tests were carried out using SPSS 25 software, whereas in the classical assumption test, multiple linear regression analysis and hypothesis testing were carried out using SPSS 25 software. The variables studied in this study consisted of four main variables which were then developed from each of the main variables classified into dependent (dependent) and independent (independent) variables. In this research, profit growth is the dependent variable, denoted by (Y), while the activity ratio, denoted by (X), is the independent variable. The activity ratio is calculated by calculating the turnover of inventory and total assets. The liquidity ratio is quickly calculated, the profitability ratios are calculated by calculating the net profit margin and return on equity, and the solvency ratio is developed by calculating the debt asset ratio and debt equity ratio.

Table 1. Financial Performance Variable Ratio

No	Ratio	Explanation	Measurement
1	Activity Rasio (Matdio Siahaan et al., 2023)	Is the ratio used to measure the level of efficiency over utilization of the company's resources.	$\text{Inventory turnover} = \frac{\text{Credit Sales}}{\text{Receivables}}$ $\text{Total Aset turnover} = \frac{\text{Net Sales}}{\text{Total Asset}}$
2	Liquidity Rasio (Matdio Siahaan et al., 2023)	Demonstrate your ability to make timely payments for short-term debts.	$\text{Quick Ratio} = \frac{\text{Current Asset} - \text{Inventory}}{\text{Short Term Liability}}$
3	Profitability Rasio (Matdio Siahaan et al., 2023)	is the capacity of an organization to generate revenue and demonstrates the effectiveness of the management team in generating these revenues from all	$\text{Net Profit Margin} = \frac{\text{Net Income}}{\text{Net Sales}}$ $\text{Return on Equity} = \frac{\text{Net Profit after tax}}{\text{Total Equity}}$

No	Ratio	Explanation	Measurement
		operations carried out.	
4	Solvency Rasio (Matdio Siahaan et al., 2023)	Determines the amount of debt used to finance the business.	$\text{Debt to Asset Ratio} = \frac{\text{Total Liability}}{\text{Total Asset}}$ $\text{Debt to Equity Ratio} == \frac{\text{Total Liabilitas}}{\text{Total Equity}}$
5	Profit Growth (Pangesti, Sugiarti, & Siddiq, 2023)	Demonstrates the ability of the business to grow net profit over the previous year.	$\text{Profit Growth} = \frac{\text{PG t} - \text{PG t} - 1}{\text{PG t} - 1}$

RESULT AND DISCUSSIONS

The descriptive research results in this study show an overview of the data as contained in the following table.

Table 2. Descriptive Statistics

Variabel	N	Minimum	Maximum	Mean	Std. Deviation
PG	21	-11.071,00	6.677,00	-191,6667	3.638,95268
QR	21	30,00	2.272,00	749,0000	688,16066
NPM	21	-471,00	144,00	0,9048	114,76668
ROE	21	-39,00	233,00	51,2857	62,96042
GPM	21	106,00	4.303,00	671,2857	887,37704
DAR	21	-1.886,00	2.528,00	931,0000	1.111,51095
DER	21	-97,00	268,00	111,0952	69,92704
IT	21	-12,00	327,00	105,4762	64,75772
TAT	21	-11.071,00	6.677,00	-191,6667	3.638,95268
Valid N (listwise)	21				

Source: the data is processed by the author (2023)

The table above illustrates that 21 companies make up the total sampling each year, and 21 companies are analyzed for each measurement ratio. The overall value of each ratio is then tested for the minimum lower limit value of -11071 found in the profit variable growth, inventory turnover, and total asset turnover, and the minimum upper limit value of 106 found in the Return on Equity variable. for the maximum lower limit value of 176.00 in the net profit margin variable and the upper limit value of 6.677,00 is in the profit growth variable, inventory turnover, total asset turnover. For the average value of all variables, the lowest or lowest limit is -191,6667 for profit growth, inventory turnover, total asset turnover and the largest upper limit is for gross profit margin with a value of 931,000. For the standard deviation in all variables, the lower limit is 48.84 in the net profit margin variable and the upper limit value is 3.638,952 in the profit growth, inventory turnover, total asset turnover variables.

Table 3. Normality Test

N		21
Normal Parameters	Mean	0,0000000
	Std. Deviation	3.383,34459301
Most Extreme Differences	Absolute	0,149
	Positive	0,112
	Negative	-0,149
Test Statistic		0,149
Asymp. Sig. (2-tailed)		**0,200**

Source: the data is processed by the author (2023)

The Kolmogorv-Smirnov test, which is used to test the classic assumption of normalcy, yields results that indicate a significance value of 0,200. This indicates that the study data are normally distributed and do not pass the classic assumption test for normalcy because the value is greater than 0,05, as stated by (Ghozali, 2018).

Table 4. Multicolinearity Test

Model		**Collinearity Statistics**	
		Tolerance	**VIF**
1	QR	0,302	3,307
	NPM	0,313	3,198
	ROE	0,331	3,019
	DAR	0,356	2,810
	DER	0,249	4,018
	IT	0,240	4,173
	TAT	0,209	4,774

Source: the data is processed by the author (2023)

It is stated that the model created is free from multicollinearity symptoms based on the multicollinearity test results, which are shown in the table above. Each tolerance value for each independent variable tested has exceeded the designated limit, namely a value of more than 0,01 and a VIF value of less than 10 (Ghozali, 2018).

Table 5. Autocorelation Test

	Unstandardized Residual
Test Value[a]	-10,25075
Cases < Test Value	10
Cases >= Test Value	11
Total Cases	21
Number of Runs	9
Z	-0,887
Asymp. Sig. (2-tailed)	0,375

Source: the data is processed by the author (2023)

The regression model that was created in this instance is free from autocorrelation symptoms because the significance value exceeds the predetermined limit, which in this case is 0.05, according to the results of the autocorrelation test using the Run-test. The values in the table show a significance of 0,375 (Ghozali, 2018).

Table 6. Heteroscedasticity Test

Model		t	Sig.
1	(Constant)	0,559	0,586
	QR	0,307	0,763
	NPM	0,292	0,775
	ROE	0,508	0,620
	DAR	0,039	0,969
	DER	1,254	0,232
	IT	-1,050	0,313
	TAT	0,391	0,702

Source: the data is processed by the author (2023)

The quick ratio, net profit margin, return on equity, debt asset to ratio, debt equity ratio, inventory turnover, and total asset turnover are among the variables whose values demonstrate the significance of each, according to the results of the heteroscedasticity test conducted using the Glejeser test. Given that the significance value is greater than the predetermined cutoff point (>0.05), the resulting regression model in this instance is devoid of heteroscedasticity symptoms (Ghozali, 2018).

Table 7. Hypothesis Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.730,301	4.254,791		0,407	0,691
	QR	0,957	2,480	0,181	0,386	0,706
	NPM	12,413	14,623	0,391	0,849	0,411
	ROE	17,001	25,897	0,294	0,656	0,523
	DAR	0,061	1,773	0,015	0,035	0,973
	DER	0,318	1,692	0,097	0,188	0,854
	IT	-20,550	27,412	-0,395	-0,750	0,467
	TAT	-14,939	31,660	-0,266	-0,472	0,645

Source: the data is processed by the author (2023)

Based on the results of the hypothesis testing above, it shows the significant level of influence between each independent and dependent variable based on the opinion expressed by (Ghozali, 2018). Can be seen in the table above below are the results of hypothesis testing for each coefficient in the regression model, the variable quick ratio significant value (p-value) is 0,706. Because the p-value > 0,05, we don't have enough evidence to conclude that QR significantly affects the dependent variable. There is a net profit margin of 0,411 for the significance value (p-value). The p-value is more than 0.05, indicating insufficient evidence to draw the conclusion that NPM significantly affects the dependent variable. The p-value, or significance value, for return on equity is 0,523. We don't have enough data to draw the conclusion that ROE significantly impacts the dependent variable because the p-value > 0.05. The ratio of debt assets to significant values (p-value) is 0,973. We do not have enough data to draw the conclusion that DAR significantly affects the dependent variable because the p-value is higher than 0.05. The p-value, or significance value, for the debt-to-equity ratio is 0,854. The p-value is more than 0.05, indicating insufficient evidence to draw the conclusion that DER significantly affects the dependent variable. The significant value (p-value) of inventory turnover is 0,467. We lack sufficient evidence to conclude that IT significantly affects the dependent variable because the p-value is greater than 0,05. The significant value (p-value) for the total asset turnover is 0,645. We lack sufficient data to infer that TAT significantly influences the dependent variable because the p-value is greater than 0,05. At a significant level of 0,05, no coefficient is found to significantly affect the dependent variable, according to the aforementioned data. This indicates that the dependent variable's significant changes cannot be explained by the variables included in the model.

Based on the results of existing research from the four existing financial performance measurements did not provide any results that provide significance to profit growth. The quick ratio has no effect on profit growth because investors perceive a large or low quick ratio differently, for example for creditors a large quick ratio is considered better, but for shareholders of an industry with a large quick ratio value it is uncertain that they will be paid industrial debt that is past due, due to an unfavorable proportion or distribution of easy assets, for example a relatively large amount of inventory or the presence of a large receivable balance that can be difficult to collect. Shareholders are those who want the industry to continue to advance and grow, but they don't necessarily want a large current ratio. Likewise, conversely, a low quick ratio is indeed more risk but shows that management has operated easy assets efficiently, this is also supported and in line with the results of research conducted by (Zahara & Kardi, 2022) who did not find a significant effect between the quick ratio and earnings growth.

Because investors typically do not take the size of the NPM value into consideration and because the size of the tested NPM value does not significantly affect profit turnover, the research's findings indicate that the Net Profit Margin does not have a significant impact on profit turnover. This aligns with earlier investigations carried out by (Zahara & Kardi, 2022) that NPM does not significantly affect the turnover of earnings. NPM displays industry expertise in generating net profit, this can occur because the net profit of an industry is not entirely a sign that an industry has had good performance over a certain period. If the net profit margin continues to be large, the profit turnover earned by the industry will continue to be large. By looking at a positive NPM ratio, it can increase the confidence of investors to invest in the industry with the hope that there will be a large return, because a healthy industry has a positive NPM which indicates that the industry does not face losses and shows that the industry is efficient in its operations.

These studies' findings indicate that return on equity, which is used as a proxy for the profitability ratio, does not yield results that are particularly noteworthy. This is because the industry has not been able to manage existing capital effectively to create profits. Not only that, the character and pattern of investments attempted by the industry are not suitable so that there are assets that are idle and cannot be used effectively, so that the profits obtained are not optimal. The results of this research do not support the previous theoretical basis which reports that the Return on Equity ratio continues to increase, so it will indicate that the condition of the industry continues to improve, because industry owners do not have a big opportunity to improve their companies so that the profits they earn increase, this research is also not in line with research conducted by (Kusoy, 2020).

Based on the research results, the debt to assets ratio does not affect profit growth. This can be explained by how the industry uses debt funds to finance total assets. So that it can be said, if the industry uses the allocation of funds from debt, it has consequences for increasing the interest expense paid. This is consistent with study by so that this issue might have a negative impact on profit growth (Kusoy, 2020) and (Zahara & Kardi, 2022).

Although the debt-to-equity ratio can provide important information about a company's capital structure, its effect on profit growth is not direct or causal. The following are some explanations for why the debt-to-equity ratio has no direct impact on profit growth: Interest costs the amount of interest that must be paid increases with the amount of debt that the company has. The net profit of the business will be lowered by this interest charge. But this does not imply that a high debt-to-equity ratio will inevitably impede the growth of profits. There are many other factors that affect the company's profit growth. Financial leverage refers to the use of debt to increase the potential profit or loss of a company. When economic conditions improve, the use of debt can accelerate company profit growth. However, when economic conditions worsen, the use of debt can also increase company losses. Therefore, the impact of financial leverage on profit growth is not always consistent. Nature of Industry and Risk Other factors affecting profit growth are the nature of the industry in which the company operates, and the business risks it faces. Industries that experience rapid change or have a high level of risk may not be as affected by the debt-to-equity ratio in terms of profit growth. Profit growth is more influenced by factors such as market demand, competitive advantage, product innovation, and operational efficiency.

Inventory turnover on profit growth cannot be viewed as a simple relationship. There are other factors that also affect the company's profit growth, such as marketing strategy, competitive advantage, production costs, selling prices, and overall economic conditions. So, although inventory turnover can be an important indicator to measure a company's operational efficiency, its effect on company profit growth depends on various factors and it cannot be concluded in general that this ratio has no effect. So, with this Inventory Turnover does not give confidence that it is an important component in every company in the profit growth that is obtained because each company has different characteristics and business operations, this is not in line with the research conducted (Zahara & Kardi, 2022).

Total asset turnover measures the efficiency of using assets in generating income, however, it does not directly affect the company's profit growth. There are several reasons why total asset turnover a direct relationship with profit growth that revenues and expenses does not have are not directly related to assets: There are other factors beyond the use of assets that can affect a company's income and expenses. For example, marketing strategies, pricing policies, competition in the market, and overall economic conditions can affect a company's revenues and costs. Therefore, even though the company has a high level of efficiency in the use of its assets, these external factors can still affect profit growth. Differences in business cycles because different industries have different business cycles. A strong business cycle in an industry can led to good profit growth even though the efficient use of assets may not be as optimal as possible. Conversely, in a sluggish business cycle, even though the company has a high level of efficiency, profit growth can be hampered due to broader economic factors. Changes in capital structure due to total asset turnover do not consider how the company finances its assets. If the company decides to use loans or debt to finance assets, this can affect the level of profit generated. For example, interest that must be paid on debt can reduce a company's net income. Therefore, efficiency in the use of assets alone does not directly reflect profit growth.

Based on the test results, financial performance analysis of the sustainability of profit growth during the Covid-19 pandemic has not provided the right signal to stakeholders in industrial companies from a signal theory perspective. This is because stakeholders can assess a company by considering more than just annual profit growth. They may also consider policies such as ownership structure, dividends, and financing. However, inaccurate profit growth projections usually lead to unfavorable results because the estimated profit is lower than specified. For example, a company experienced losses during the COVID-19 pandemic. To plan profit growth for the coming period correctly, managers need to make appropriate plans because events outside predictions can occur at any time.

CONCLUSION

The study concludes that for the years 2016–2021, a variety of industrial enterprises are listed on the Indonesia Stock Exchange (IDX). Drawing from the aforementioned research and discussion, it can be concluded that financial performance, as measured by quick ratios for liquidity, did not find a significant relationship with profit growth. Similarly, profitability ratios, measured by return on equity and net profit margin, did not find a significant relationship with profit growth. Finally, the solvability ratio, measured by debt to equity and debt to assets, did not significantly affect profit growth, Therefore, the financial performance generated by the average of different industrial companies listed on the Indonesia Stock Exchange does not provide significance to profit growth and can still be explained by other factors. Additionally, the activity ratio, which is proxied by inventory turnover and total asset turnover, does not have a significant effect on profit growth.

This research is expected to provide benefits for information users in terms of making investment and funding decisions to first see the condition of the company's financial performance. This research also has many limitations, namely the sample is still too small, the years of observation are not extensive and the company sector sample is single, therefore future researchers and writers can develop a broad research scope both in terms of the period and sample companies used and the types the companies studied can be more varied.

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