Effect of Profit Margin, Turn Over Total Assets, Price Earnings Ratio And Capital Structure to Profitability (Return on Equity) on Companies Listed in Indonesia Stock Exchange in 2013-2015

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ABSTRACT
This study aimed to determine the effect of the profit margin, total asset turnover, the price earnings ratio and capital structure on profitability (return on equity) companies listed in Indonesia Stock Exchange in 2013-2015. In addition, this study also aims to determine which variables is the most dominant influence on the profitability of the companies listed in Indonesia Stock Exchange in 2013-2015. The theoretical benefits of this research contribute to the development of the theory of financial management. Practical benefits, for companies of this study may provide information to managers in making decisions in order to improve profitability company. For investors / shareholders of the benefits of this research as one material information that could be considered in investing in Indonesia Stock Exchange. Sampling technique in this research is by using purposive sampling. There are several criteria that must be met companies listed in Indonesia Stock Exchange's can be sampled in this study. This research method using multiple linear regression analysis were used to determine the effect of variable profit margin, total asset turnover, the price earnings ratio and capital structure to profitability variable (Return On Equity) simultaneously and partially.

Keywords: profit margin, total asset turnover, the price earnings ratio, capital structure and profitability (Return On Equity).

INTRODUCTION
The company can maintain long-term viability should be able to generate profits. High corporate profits will increase the likelihood of higher welfare for the owners (shareholders), because the amount of any dividend or return on investment for the owner is very dependent on the profits achieved by the company. On the other hand, a high corporate profit will also increase the possibility of the company's business growth, due to increased or the amount of retained earnings as a source of capital also depends on the profits achieved by the company. It makes information about the company's ability to generate profits to be very important for many stakeholders, including shareholders and management. In the analysis of financial ratios, profitability is a financial ratio used to measure a company's ability to generate profits.
Profitability is the ratio, so it better is used to analyze the ability to generate profits than just using direct profit figures. According to (Prastowo & Juliaty 2008), financial ratios reveal the mathematical relationship between a number with another number or ratio between
Profitability ratios are ratios for assessing the company's ability to profit. This ratio also provides a measure of the effectiveness of the management of a company. This is demonstrated by the profit generated from sales and investment income. The point is the use of this ratio indicates the efficiency of the company. (Cashmere, 2010, p. 196)
Profitability ratios of use can be done using a comparison between the various components in the financial statements, especially the financial statements balance sheet and income statement. Measurements can be made for some period of operation. The goal is to make it look the development of the company within a certain timeframe, decrease or increase, as well as finding the cause of the company. Thus, to be aware of the company is to attempt to maximize profits, but the most important is the effort to keep the company obtained profit has increased every year.

High levels of profitability in the company will increase the competitiveness between companies. High profit levels signify the future growth of the company.

One way to measure the profit or the profit of the company is through the Return on Equity (ROE). ROE has a positive correlation with the change in profit. Return on Equity (ROE) was used to measure effectivity companies in generating profits by exploiting its own capital. Return on Equity (ROE) is the ratio between profit after tax or Earning After Tax (EAT) with total equity capital. ROE means also measure to assess how much the rate of return (return) of equity capital invested in the business in question are expressed in percentages. Investors expect a high ROE. The larger the ROE results, the better its performance. Increasing the ratio indicates that the increased management performance in managing resources effectively operational financing funds to generate net income (increased profitability). ROE has significance for assessing the company's financial performance in meeting the expectations of shareholders.

Return on equity companies change increases and decreases, it is influenced by many factors, both internal and external. So it becomes important to study the factors affecting the profitability (return on equity) of a company. In this research will be to identify the factors that affect the return on equity in the companies listed in Indonesia Stock Exchange in 2013-2015.

The factors that could affect the alleged Return On Equity (ROE) of a company in this study include profit margin, total asset turnover, Price Earning Ratio and capital structure.

Profit margin is the ratio to determine the efficiency of the company by looking at the size of the operating profit in relation to sales (sales).

Total Asset Turnover ratio is used to measure the effectiveness of using assets to generate revenue from the sale. The more efficient a company to use its assets to generate revenue, it will show improvements in the profit to be received, and vice versa, corporate inefficiencies in the use of assets will only add to the burden on companies in the form of investments that are not profitable.

Price Earnings Ratio (PER) is used by investors to predict the company's ability to generate profits in the future. Investors may consider this ratio to sort out which stocks are later able to provide great benefits in the future. PER shows the relationship between the market price of the common stock by its earnings per share. High profit levels signify the future growth of the company. Companies with high levels of growth opportunities usually have a high PER, and vice versa companies with low growth has a small or low PER.

PER is a part of a market where the ratio standpoint this ratio more from the standpoint of the investor as well as a measure to determine how to value or market price on the stock of a company. Currently the business world is highly dependent on funding issues. The business world suffered a setback caused by a number of financial institutions experiencing financial difficulties as a result of the credit crunch in the business world. In anticipation of this, the company's financial managers must be careful in determining the capital structure so that the company is expected to increase the company's value and is superior in the face of business competition. The capital structure is the proportion of expenditure in determining fulfillment company with long-term funding source comes from internal funds and external funds. Increasingly high number of loan used to purchase the assets will be contributed to greater interest on the loan will be borne by the company, so it will be a problem in getting the low amount of profit that is able to be obtained. Given the high profitability of the company is very important of which will enhance the competitiveness of inter-company researcher is interested in examining the various factors affecting the profitability of the company.
with the title: The Effect of Profit Margin, Total Assets Turn Over, Price Earnings Ratio And Capital Structure To Profitability At A Company Registered in Indonesia Stock Exchange Year 2013-2015.

LITERATURE REVIEW

Understanding Financial Performance
Understanding performance by Indra Bastian (2006: 274) is a picture of the achievement of performance / program / policy in realizing the goals, objectives, mission and vision of an organization. The concept of financial performance according to Indriyo Gitosudarmo and Basri (2002: 275) is a series of financial activity in a given periods that are reported in the financial statements including income statements and balance sheets.

Objective Analysis of Financial Statements
Objective analysis of the principal financial report is to analyze the company's performance in order to provide optimum results in business continuity. There are four objectives of financial statement analysis as a means of initial screening in choosing an alternative investment or merger. Second, as a means of forecasting on the condition of the financial performance in the future. Third as the initial identification process of the operation management issues or other problems. Fourth as an evaluation tool to management.

Financial Ratio Analysis
By analyzing financial ratios, management can be assessed the performance of the financial manager if they can plan and implement into action that is consistent with the objective of optimizing shareholder returns. Then, this analysis can also be used by parties other than the shareholders, such as banks to assess if your company is eligible to be given additional funding or new loans.

Types of Financial Ratio Analysis
According to Wild, Subramanyam, and Halsey (2005) there are four types of ratio analysis which can be used in the assessment of financial performance, include: the liquidity ratio, leverage ratio, activity ratio, and profitability ratio to meet the needs of the parties concerned before making a decision on the a company. Types of financial ratio analysis are:

Liquidity ratio
The liquidity ratio is the ratio that indicates the company's ability to meet short-term financial obligations on time. The company's liquidity is indicated by the size of current assets are assets that are easily converted into cash, including cash, marketable securities, accounts receivable and inventory. Ratios of the ratio used in the two liquidity ratios are the current ratio and acid test ratio. The benefit of the current ratio is a measure the company's ability to meet its short-term debt using current assets. While the acid test ratio calculation to measure the company's ability to meet its obligations without being too dependent on supply.

Leverage ratio
Leverage Ratio is the ratio that indicates the company's capacity to meet the obligations of both short term and long term. -Type type leverage ratio, among others: Total Debt to Total Assets Ratio (Debt to Total Assets Ratio) and Debt to Equity Ratio.

Activity Ratio / Activity Ratio
Activity ratio is the ratio that indicates the extent to which the company's efficiency in using assets to obtain sales. From the ratio of this activity can be assessed Integration asset management.

Profitability Ratio
Profitability ratio is the ratio that measures the ability of the company makes a profit in relation to sales, total assets and own capital. Benefits profitability ratios is to show how well the company has been in operation during the period of the current year, and assist investors in the calculation of profit and to know how much is paid out as dividends.

Importance of ratio analysis for companies
Ratio analysis is one important source of information for users of financial statements in making economic decisions. The interpretation of the financial statements it is necessary to give an idea of the good and bad circumstances and financial position of a company in order to be used as a reference for the owners, management, creditors and other parties in need.

**Research Accomplished**

Research will be conducted based on the research - the previous study, namely:

First, a study done by Akhmad Syafrudin Noor (2011) who studied the factors which will affect the financial performance of the telecommunications company that went public in Indonesia Stock Exchange.

Secondly, the research conducted by IM. Bachelor, K.Budi Susrusa and Dwi Putra Darmawan (2013) on analysis of financial performance of the Business Multipurpose Cooperative in Buleleng.


The fourth study conducted by Marsel Pongoh (2013) on the analysis of financial statements to assess the financial performance of PT Bumi Resources TBK.

**RESEARCH METHODS**

This is a descriptive quantitative research, which describes the relationship between variables to analyze numerical data (numbers) using statistical methods through hypothesis testing. This research is a case study on a publicly traded company listed in the index Compass 100 2011-2013.

**Data Source, Population, Sample, Data Collection Methods**

The necessary data from this study consists of the Annual Financial Statements (Annual Report) issued by the company which is the object of research, which in this case companies belonging to the Compass 100 index.

The population in this study is a company registered in the index group Compass 100 in 2011-2013.

Sampling technique in this research is by using purposive sampling. Criteria listed companies in the Compass 100 for can be sampled in this study are:

Companies manufacturing companies listed in the Compass 100 in 2011-2013 financial conditions in the liquid state and solvable.

The company suffered a loss or in other words in a position to profit during the study period.

Methods of data collection in this research is the method documentation using secondary data from the Jakarta Stock Exchange.

**Variable Operational Research and Definitions**

The dependent variable in this research is the company's financial performance as measured by Return on Assets

\[
ROA = \frac{\text{Earning After Tax}}{\text{Total Assets}}
\]

The independent variables in this study are:

Current liquidity ratio measured Ratio. Ratio liquidity is the ratio that indicates the company's ability to meet short-term financial obligations on time. (Wild, Subramanyam, and Halsey, 2005)

\[
CR = \frac{\text{Current Assets}}{\text{Current Liabilities}}
\]

The solvency ratio, or leverage ratio measured by Debt to Total Assets Ratio.
Asset management as measured by the Operating Assets Turnover

\[
\text{Operating Assets Turnover} = \frac{\text{Net Sales}}{\text{Total Operating Assets}}
\]

Data Analysis Techniques

Regression

Multiple regression analysis is used to determine the effect of independent variables (liquidity, solvency, and asset management) to the dependent variable (financial performance) together and partially. In this study, multiple regression equation is:

\[
Y = a + b_1x_1 + b_2x_2 + b_3x_3 + e
\]

**t-test**

The t-test was used to test the effect of each independent variable (liquidity, solvency, and asset management) to the dependent variable (financial performance).

**Test-F**

F statistical test aims to test the effect of all independent variables or free (liquidity, solvency, and asset management) together or bonded to the dependent variable (financial performance).

Coefficient determination (\(R^2\))

This test is performed to determine how much influence the independent variable on the dependent variable.

**DISCUSSION**

Regression Analysis

T-statisical test is intended to determine the partial regression coefficient variance. Based on the multiple regression calculation between liquidity (CR), solvency (DAR), the management of assets (OAT) and financial performance (ROA) by using SPSS 17, the results are as follows (Table 1)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Value β</th>
<th>t</th>
<th>sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.787</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>CR</td>
<td>0.183</td>
<td>2.764</td>
<td>0.006</td>
</tr>
<tr>
<td>DAR</td>
<td>-0.056</td>
<td>-0.827</td>
<td>0.409</td>
</tr>
<tr>
<td>OAT</td>
<td>0.571</td>
<td>8.501</td>
<td>0.000</td>
</tr>
<tr>
<td>F count</td>
<td>27.921</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig F</td>
<td>0.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>0.341</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From the calculation above table can be presented in the form of the regression equation as follows:

\[
\text{ROA} = 0.0787 + 0.183\text{CR} - 0.056\text{DAR} + 0.571\text{OAT} + e
\]

The result of the multiple regression equation gives the following definitions:

Variable CR liquidity as measured by the positive effect on the company's financial performance (ROA) with a coefficient of 0.183. It states that if the CR is higher, which means that companies are increasingly liquid, then the company's financial performance (ROA) also high.

Variable solvencies as measured by DAR negatively affect the company's financial performance (ROA) with coefficient 0.056. This suggests that the higher the DAR (which means lower solvency), the company's...
financial performance (ROA) lower. Asset management variable as measured by OAT positive effect on financial performance (ROA) with coefficient 0.571. This suggests that the higher OAT asset management means getting better, then the company's financial performance (ROA) the better.

**Significant Individual test parameter (t test statistics)**

Test the hypothesis of liquidity as measured by CR on financial performance as measured by ROA. From the calculation results obtained for the variable t significance of liquidity (CR) 0.006 < \(\alpha\) (0.05). This means significant liquidity and significant positive effect on financial performance.

Hypothesis test of solvency as measured by the DAR on financial performance (ROA). From the calculation results obtained significance for the variable t solvency as measured by the DAR (X2) of 0.409 > \(\alpha\) (0.05). This means solvability no significant effect on the company's financial performance (ROA).

Hypothesis test asset management as measured by OAT on financial performance (ROA). From the calculation results obtained significance t for asset management variables measured by OAT 0.000 < \(\alpha\) (0.05). This means that the management of assets (OAT) positive and significant impact on financial performance (ROA).

**F test**

From the results of statistical calculations using SPSS 17 listed in the table above, the value of F count equal to 27.921 with a significance level of 0.000. The significance of the resulting value is smaller than \(\alpha = 0.05\). This means that the variable liquidity (CR), solvency (DAR), and asset management (OAT) simultaneously significant effect on the company's financial performance variables (ROA).

**The coefficient of determination (R2)**

From the results of calculations with the SPSS program can be seen that the coefficient of determination that can be seen from the Adjusted R Square, acquired by 0.341. This means that 34.1% of financial performance (ROA) can be explained by liquidity (CR), solvency (DAR) and asset management (OAT). While the remaining 65.9% is explained by other variables not examined in this study.

**DISCUSSION**

The results showed a variable liquidity (CR) positive and significant impact on the financial performance variables (ROA) company publicly traded company listed on Compass 100 in Indonesia. These results conflict with Akhmad research Syafrudin Noor (2011) and IM.Sarjana, K, Budi Susrusa and Dwi Putra Darmawan (2013).

Akhmad research results Syafrudin Noor (2011) which states that the variable current ratio of no significant impact on the return on investment that went public telecommunications company listed on the Indonesia Stock Exchange. IM. Sajama research results, K, and Dwi Putra Susrusa Budi Darmawan (2013) declared a partial no current ratio variable influence on economic rentability at KSU in Buleleng.

The results of this study indicate solvency variables (DAR) and no significant negative effect of impact financial performance variables (ROA) publicly traded company listed on Compass 100 in Indonesia.

The results are consistent with research Akhmad Syafrudin Noor (2011) which states Debt Ratio partially no effect on Return On Investment Telecommunications Company that went public listed on the Indonesia Stock Exchange.

The results of this study contradict the results of research is conducted IM. Sarjana, K, and Dwi Putra Susrusa Budi Darmawan (2013) which stated there is a partial effect of variable debt to asset ratio of the economic profitability at KSU in the District Buleleng. Result this study show variable asset management (OAT) significantly affects financial performance (ROA) company publicly traded company listed on Compass 100 in Indonesia. These results contradict research Akhmad Syafrudin Noor (2011) which states that the total assets turn over in partial no effect on the return on investment that went public telecommunications company listed on the Indonesia Stock Exchange.
CONCLUSION AND SUGGESTION

Conclusion
Based on the results of data analysis and discussion conducted in the previous section, this research has resulted in several conclusions as follows:

- Liquidity, solvency and asset management simultaneously significant effect on the financial performance of publicly traded companies listed in the Compass 100 in Indonesia.
- Solvency and no significant negative effect on the financial performance of publicly traded companies listed in the Compass 100 in Indonesia.
- Asset management positive and significant impact on the financial performance of the company went public listed in the Compass 100 in Indonesia

Suggestion
The investors mostly assess the financial performance of the value of liquidity of the company. Yet companies should not only focus attention on liquidity companies (Current Ratio) only. Too the value of the company's liquidity negatively impact the profitability of the company that caused many funds is idle. Similarly too the magnitude of the company's solvency also poses risks to the financial performance / profitability.

Companies must always pay attention to the management of its assets. Asset management, as reflected in the level of assets return (Total Assets Turn Over) will effect significantly to financial performance (ROA) of the Company. Companies should manage the assets of the company effectively and efficiently so that revenues increased. Optimizing the management of the assets reflected in Total Assets Turn Over will improve the company's financial performance (Return On Assets)

Return On Assets can be improved by making efficiency operational costs so that profits which the company increases. Subsequent impact with an increase in profits which the company is the ability of investment for business expansion activity increased as well

REFERENCE