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Determinants of Profitability in Pharmaceutical and Health Sector Companies in Indonesia Stock Exchange

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Abstract

The company's management plays an important role in maintaining the sustainability of the company's operations and also in the company's overall assessment. Having reliable management is important, but a company leader also requires an analysis of financial ratios. The capital market is now increasingly in demand by the public. Not only as a source of funding for companies, is the capital market now a means for investors to invest. The average profitability as an instrument for investors to invest in fluctuating pharmaceutical companies tends to decline. This allows investors to experience risk. For that investors need to know what the factors that can affect profitability are. This study aims to analyze the effect of financial ratios on the profitability of pharmaceutical companies listed on the Indonesia Stock Exchange. The financial ratios used are the company's profitability ratios, returns on assets, Debt to Equity Ratio. Data collected by documentation study through www.idx.co.idthen analyzed by multiple linear regression with the help of software SPSS V.21, The results show that there is a positive and insignificant relationship between total asset turnover and Return on Assets, there is a positive and significant relationship between the current ratio and the Return on Assets in pharmaceutical and health companies, and there is a negative and insignificant relationship between the debt to equity ratio. Based on the results of the study, suggestions that can be given to the pharmaceutical sub-sector companies are to increase the use of the company's current assets such as maintaining cash flow, managing inventory and controlling accounts receivable. And can increase the use of corporate debt to increase the company's assets which are expected to increase company profits.

Keywords: Total Asset Turnover, Current Ratio Debt to Equity Ratio Profitability

Introduction

At this time, the industry has grown rapidly as well as competition between companies, especially companies that produce similar products, will increasingly struggle to win in that competition. This is a challenge for the company, because the ultimate goal the company wants to achieve is to get the maximum profit or profit. Thus the management of the company must be able to manage all the resources owned by the company to the maximum and it is also expected that the management can make decisions that support the achievement of company goals later so that the company is able to show good financial performance to maintain the survival of the company.

The company's management plays an important role in maintaining the sustainability of the company's operations and also in the company's overall assessment. Therefore, company management must be able to carry out their duties properly. Included in the financial sector so that the company's operational activities can be carried out effectively and efficiently, so that the company can develop and increase company value.

Having reliable management is important, but a company also requires an analysis of the company's financial ratios. It aims to find out how the situation and the company's ability to overcome problems and make the right decisions to overcome these problems. By analyzing financial ratios, the company's management will know how the company's financial position is. In addition to management and the company, financial ratio analysis is also needed by interested parties such as investors to assess the company's financial condition and how the company is developing (Munawir, 2017).

Financial ratio analysis consists of liquidity analysis, solvency analysis, profitability analysis, leverage analysis, activity analysis, growth analysis, market valuation analysis, and productivity analysis (Harahap, 2010). In this study, the authors only use profitability ratios, activity ratios, liquidity ratios, and solvency ratios because these ratios are more commonly used. One way to know the company's financial performance is to look at the company's ability to earn profits or profits through profitability ratios. If the profitability ratio shows good results, this illustrates the company's high ability to earn profits.

In this study, the company's profitability ratio is measured using Return on Assets (ROA). According to Sartono (2008), return on assets is a ratio that describes the ability of a company to generate profits from the assets used. ROA describes the amount of net profit that can be obtained by the company from its total assets. The level of profitability that shows positive results will have a good impact on the company's operational activities.

Total Asset Turnover is one type of activity ratio that is used to find out how many times the asset rotates in a certain period through sales. By calculating the total asset turnover rate, it will be known how far the level of efficiency that can be achieved by the company in managing its assets (Artini, 2018). The higher the total asset turnover rate, the better because it indicates the higher the efficiency of the company in using assets to generate revenue.

One indicator of the liquidity ratio is the Current Ratio. The current ratio is a measuring tool that can be used to see the company's ability to meet its short-term financial obligations (Sartono, 2010). This ratio describes how far the current assets owned by the company are able to meet the company's current liabilities. The greater the comparison between current assets and current liabilities, the higher the company's ability to meet its short-term obligations.

Debt to Equity Ratio is one indicator of the solvency ratio or leverage ratio. Debt Equity Ratio is the ratio used to measure the level of use of debt to the total equity owned by the company. DER shows the ability of a company to fulfill all of its financial obligations as indicated by some parts of the company's own capital used to pay debts (Sartono, 2012). The greater the DER value of a company indicates the company uses more debt in its capital which will ultimately increase the company's risk in obtaining profits.

In this study, the selected scope is companies belonging to the pharmaceutical and health sectors. In the Pharmaceutical Industry Analysis Book issued by the Indonesian Ministry of Industry, during the Covid-19 pandemic, it actually created production opportunities for the pharmaceutical and health industries in the country. However, because it still depends on imported raw materials, this pandemic has actually reduced the production of the pharmaceutical industry in Indonesia. However, the relaxation of regulations issued by the government during this pandemic has greatly helped the pharmaceutical industry in Indonesia. During the COVID-19 pandemic that occurred in early 2020, the need for vitamins, supplements, and medicines in general increased so that in general the pharmaceutical industry experienced considerable growth, marked by the pharmaceutical industry's GDP which grew the highest among the 15 non-oil and gas processing industry groups in 2020, which was 10.75%. This is inseparable from the increasing demand for pharmaceutical commodities and medical devices from the public and the government to anticipate and suppress the COVID-19 outbreak. But back again to the economic situation in Indonesia, over time, the economic situation is always changing which can result in the level of company profitability also being volatile.

The following is a list of pharmaceutical and health sector companies listed on the Indonesia Stock Exchange in 2018-2020 along with Return on Assets data:

Table 1 List of Pharmaceutical and Healthcare Companies Profitability

No	Code	Company name	ROA (%)			
			2017	2018	2019	2020
1	DVLA	Darya-Varia Laboratoria Tbk.	9.9	11.9	12.1	8.2
2	INAF	Indofarma Tbk.	-0.02	-2.27	0.58	0.002

3	KAEF	Kimia Farma Tbk.	4.49	4.34	-0.07	0.1
4	KLBF	Kalbe Farma Tbk.	12.47	13.54	12.37	12.11
5	BRAND	Merck Tbk	17.07	92	9	7.73
6	MICA	Mitra Keluarga Karya Sehat Tbk.	14.4	12.1	13.1	13.2
7	PRDA	Prodia Widyahusada Tbk.	8.16	9.09	10.46	12.04
8	PYFA	Pyridam Farma Tbk.	4.47	4.52	4.9	9.67
9	SCPI	Organon Pharma Indonesia Tbk.	4.47	7.77	7.95	13.66
10	SIDO	Sido Herbal and Pharmaceutical Industry	10.93	19.9	22.8	24.3
11	SRAJ	Sejahteraraya Anugrahjaya Tbk.	0.29	-3.49	-2.44	-0.33
12	TSPC	Tempo Scan Pacific Tbk.	7.31	6.51	6.62	8.65

Source:*www.idx.co.id*

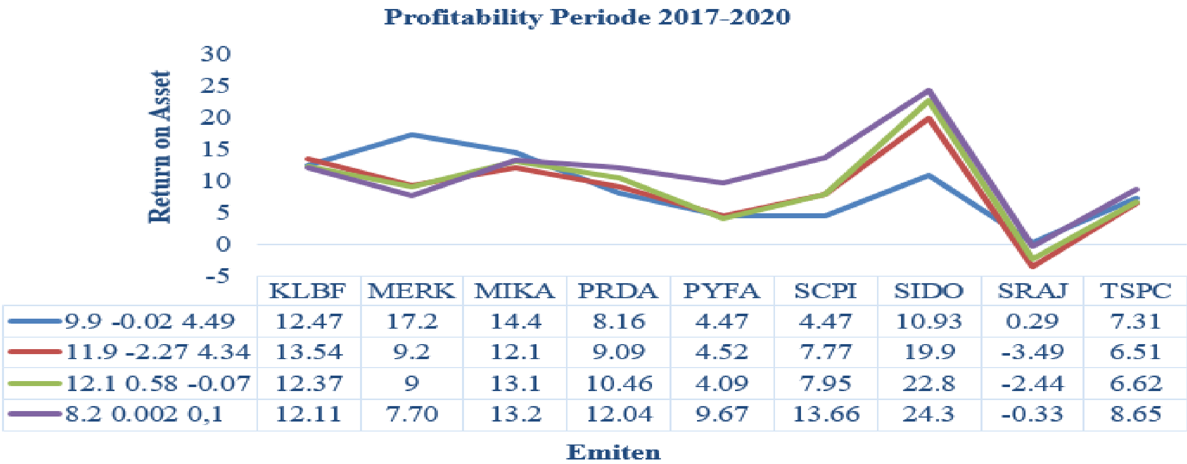

Figure 1. Issuer Profitability Chart

Based on the table above, it can be seen that the profitability of pharmaceutical and health sector companies has fluctuated. With a decrease in the level of profitability of the company, this indicates that the company's performance is not good so that it can affect the company's operations and investment decisions of investors. Thus, it is very important for company management to know the company's performance. This can be done by analyzing the company's financial ratios to find out how the current state of the company is and make decisions that can increase the value of the company.

Research on various characteristics of financial ratios as a measure of the company's financial performance such as total asset turnover, current ratio and debt to equity ratio to ROA as a proxy for profitability has been widely carried out, with mixed results. Most studies have found a positive and significant relationship between TATO and ROA such as Utami and Manda (2021) who conducted a study on the cigarette sector industry for the 2014-2019 period. Furthermore, N Saidah (2018) also shows the results that total asset turnover has a positive effect on profitability, then a similar study was also conducted by Fanny Ayu Aprillia (2018) showing that total asset turnover has a positive effect on profitability. However, different results were found by Siregar and Mardiana (2022) who found that total asset turnover had no effect on company profitability. That total asset turnover (TATO) is a ratio to determine how efficient it is to invest in various assets. This ratio knows the actual performance of management in managing the company's activities. From the results obtained it can be said that the company has not been effective in managing its assets, statistically obtained a positive relationship between TATO and ROA, but in this study TATO has no effect on ROA. This ratio knows the actual performance of management in managing the company's activities. From the results obtained it can be said that the company has not been effective in managing its assets, statistically obtained a positive relationship between TATO and ROA, but in this study TATO has no effect on ROA.

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Research on the current ratio has been carried out by Zainal Arifin & Mariyanti (2019) showing the results that the current ratio has a positive and significant effect on profitability, then a similar study was also conducted by Budi Satrio (2020) showing the results that the current ratio has a negative and insignificant effect on profitability. . Different results were found by Utami and Manda (2021) who found evidence that the current ratio had no effect on profitability in the cigarette sector industry for the 2014-2019 period. Furthermore, research on the debt to equity ratio has been carried out by Dede Solihin (2019) showing the results that the debt to equity ratio has a negative and significant effect on profitability, then similar research was also conducted by Zainal Arifin & Mariyanti (2019) shows the results that the debt to equity ratio has a positive and significant effect on profitability. However, the results of the study from Suratinojo et.al. (2021) found different results that the debt to equity ratio had no effect on profits at PT. Jakarta International Hotels and Development Tbk. 2016-2019 period.

The role and use of total asset turnover in the company to show how many times total assets rotate in a period to earn income, the higher the total asset turnover, the more efficient the company's management in managing its assets to earn income. The role and usefulness of the current ratio in the company is to find out how the company's ability to meet short-term financial obligations with current assets owned by the company, the higher the CR of a company indicates the more capable the company is in fulfilling its short-term obligations. The role and use of the debt to equity ratio in the company to find out how much the level of use of debt in the company's capital structure,

Based on the description above and the results in previous research, inconsistent results were found, namely the existence of gaps in research results and subsequently became a gap in this study, motivating researchers to again conduct a study of the effect of the characteristics of financial ratios as a measure of financial performance on company profitability in the pharmaceutical sector for the 2017-2020 period. What distinguishes this research from previous research is that this research uses studies on the pharmaceutical sector as an industrial sector affected by the COVID-19 pandemic.

2.0 Literature review

2.1 Signaling Theory

Signaling Theory stated that investors perceive changes in company dividends as a signal from the forecasted earnings of management. This theory explains how important the information issued by the company is on the investment decisions of outsiders. This information contains notes or information regarding the past, present, and future conditions of a company that are relevant and useful for investors as one of the considerations in making investment decisions. Signaling theory explains how a company provides signals to users of financial statements. This impulse occurs because there is information asymmetry between the company and outside the company. Information asymmetry is a condition where one party has more information than the other party. By reducing information asymmetry, companies can increase the value of their companies, one way that can be done is by giving signals to outside parties in the form of reliable financial information that will reduce uncertainty about the company's prospects in the future. In general, signal theory states how the company provides signals to parties outside the company through the use of financial statements. This theory also helps the company and parties outside the company in reducing information asymmetry by presenting accurate and relevant financial information to convince interested parties (Brigham and Houston, 2014). By reducing information asymmetry, companies can increase the value of their companies, one way that can be done is by giving signals to outside parties in the form of reliable financial information that will reduce uncertainty about the company's prospects in the future. In general, signal theory states how the company provides signals to parties outside the company through the use of financial statements. This theory also helps the company and parties outside the company in reducing information asymmetry by presenting accurate and relevant financial information to convince interested parties (Brigham and Houston, 2014). By reducing information asymmetry, companies can increase the value of their companies, one way that can be done is by giving signals to outside parties in the form of reliable financial information that will reduce uncertainty about the company's prospects in the future. In general, signal theory states how the company provides signals to parties outside the company through the use of financial statements. This theory also helps the company and parties outside the company in reducing information asymmetry by presenting accurate and relevant financial information to convince interested parties (Brigham and Houston, 2014). One way that can be done is by giving signals to outside parties in the form of reliable financial information that will reduce uncertainty about the company's prospects in the future. In general, signal theory states how the company provides signals to parties outside the company through the use of financial statements. This theory also helps the company and parties outside the company in reducing information asymmetry by presenting accurate and relevant financial information to convince interested parties (Brigham and Houston, 2014). One way that can be done is by giving signals to outside parties in the form of reliable financial information that will reduce uncertainty about the company's prospects in the future. In general, signal theory states how the company provides signals to parties outside the company through the use of financial statements. This theory also helps the company and parties outside the company in reducing information asymmetry by presenting accurate and relevant financial information to convince interested parties (Brigham and Houston, 2014). In general, signal theory states how the company provides signals to parties outside the company through the use of financial statements. This theory also helps the company and parties outside the company in reducing information asymmetry by presenting accurate and relevant financial information to convince interested parties (Brigham and Houston, 2014). In general, signal theory states how the company provides signals to parties outside the company through the use of financial statements. This theory also helps the company and parties outside the company in reducing information asymmetry by presenting accurate and relevant financial information to convince interested parties (Brigham and Houston, 2014).

2.2 Profitability

Every company certainly wants to get the maximum profit or profit and increase the company's profitability. The profitability of a company can be measured by comparing the profits or profits obtained by the company from its operational activities with the total wealth or total assets owned by the company to obtain these benefits. Putra (2012), said that profitability is the ability of a company to earn a profit or profit, which relates to sales, total assets, and own capital. Wiagustini (2010) said that profitability shows the ability of a company to earn a profit or a measure of the effectiveness of the management of a company. The ability to earn this profit can be measured from its own capital or from all funds invested in the company. According to Kasmir (2014: 114), Profitability is the ability of a company to obtain profits or profits in a period. This ratio provides an overview of the level of management effectiveness of a company. There are several ratios used to measure the level of profitability of a company, including gross profit margin, net profit margin, return on investment (ROI) or return on assets (ROA) and return on equity (ROE).

2.3 Total Asset Turnover and Profitability

Assets consist of current assets and fixed assets, current assets consist of cash, receivables and inventories, fixed assets can be in the form of land, buildings, factories, and equipment used for the company's operational activities. Assets must be managed and utilized optimally to generate Revenue and achieve the targeted profit. According to Kasmir (2015: 140-141), total asset turnover is the ratio between sales and the average number of assets. Asset turnover is a description of the ability of assets to generate income so that it can be seen how many times the assets owned by the company rotate in a certain period. According to Bambang Riyanto (2011: 95), Total Asset Turnover is the ratio between sales and the average total assets. Asset Turnover reflects the effectiveness of asset management of a company. It can be concluded that the comparison between the number of sales and the average number of assets illustrates how the assets of a company are managed effectively. This asset turnover is the ability of assets owned by a company to generate income so that it can be seen how many times the asset rotates in a period. If the asset turnover rate of a company is high, the better. This is because the higher the asset turnover in generating income. If the asset turnover rate of a company is high, the better. This is because the higher the asset turnover in generating income. If the asset turnover rate of a company is high, the better. This is because the higher the asset turnover in generating income.

TATO is a ratio that describes asset turnover measured by sales volume during a certain period. This ratio is the activity ratio. So the bigger this ratio, the better which means that assets can be turned around more quickly and make a profit and show the more efficient use of overall assets in generating sales. In other words, the same number of assets can also increase sales volume if the TU assets are increased or enlarged. (Syamsuddin, 2019). Turnover is a ratio that shows the level of efficiency of the use of the company's overall assets in generating a certain sales volume. TATO is influenced by the number of sales and total assets, both current assets and fixed assets, Therefore, TATO can be enlarged by increasing assets on the one hand and on the other hand it is attempted so that sales can increase relatively larger than the increase in assets or by reducing sales accompanied by a relative reduction in assets. Rizky's (2015) research results state that Total Assets Turnover has a significant effect on ROE. From the theory and the results of previous research, it can be concluded that "Total Assets Turnover (TATO) has an effect on Return on Equity (ROE) because high total assets turnover can increase company profits. The higher the turnover of a company's assets, the more effective the company will be in managing its assets and the better the level of efficiency in using assets to support sales.

H1. *Total Assets Turnover* positive effect on the profitability of pharmaceutical companies in Indonesia

2.4 Current Ratio and Profitability

Current ratio or the current ratio is one of the ratios used to measure the level of liquidity of a company or the ability of a company to meet its financial obligations in the short term with current funds owned by the company. The company's short-term financial obligations can be in the form of operating costs, salary costs, short-term debt, and other obligations that require immediate payment. The current ratio describes how far the current assets owned by the company are able to meet the company's current liabilities. The greater the comparison between current assets and current liabilities, the higher the company's ability to meet its short-term obligations. The current ratio provides several benefits for parties who have an interest in the company, For example, it is used by company owners or company management to assess the company's capabilities. Kasmir (2013), the ratio of liquidity ratios for companies is useful for 1) Knowing the ability of a company to pay obligations that are due immediately and require immediate payment, 2) Knowing the ability of a company to pay short-term obligations (with maturities below or equal to a year) with current assets owned by the company as a whole, 3) Knowing the ability of a company to pay short-term obligations with current assets without taking into account inventory or receivables, 4) Comparing the amount of existing inventory with the company's working capital, 5) Knowing how much money cash available in the company to pay debts,

Companies that have a high level of current ratio, the company will be declared liquidity, but it can also be said to show the use of cash and short-term assets inefficient. In addition, the more current assets available to cover short-term obligations that are due, the better for the company and it can also be said that it is not inefficient for the company. According to Kasmir (2012, p. 134) Current Ratio is a ratio to measure the company's ability to pay short-term obligations or debts that are due immediately when billed in their entirety. Meanwhile, according to research results Hantono (2015) states that the Current Ratio has a significant effect on profitability. From the theory and the results of previous research, the authors conclude that "Current Ratio has an effect on profitability because a high current ratio can increase company profits. The available current assets are used by the company to increase profitability. Total Asset Turnover.

H.2 Current Ratio to current debt has a positive effect on the profitability of pharmaceutical companies in Indonesia

2.5 Debt to Equity Ratio and Profitability

*Debt to Equity Ratio*is the ratio used to compare the debt owned by the company with its equity and shows the ability of the company's own capital to meet all its financial obligations. According to Sartono (2012), the Debt Equity Ratio is the ratio used to measure the level of leverage or the use of debt to the company's total shareholder equity. DER shows the ability of a company to fulfill all of its financial obligations as indicated by some part of the company's own capital used to pay debts. DER shows the comparison of the level of leverage or the use of debt with the company's own capital. DER also provides an overview of how much the company's debt is guaranteed by the company's own capital used as a source of business funding. The greater the DER value of a company indicates the company uses more debt in its capital. The larger the DER reflects the company's relatively high risk which can affect the net income obtained. On the other hand, the relatively small DER value of a company indicates that the financial condition of a company is getting better because the amount of debt charged to the company is getting smaller.

Debt to Equity Ratio will affect profitability as proxied by Return on Assets (ROA). Companies that have a high level of profit tend to have relatively small debt. This is because the company has a large profit by having a large amount of funds and retained earnings. These companies tend to use large retained earnings compared to adding debt to reduce the level of risk. According to Kasmir (2012, p. 157) the Debt to Equity Ratio is used to determine the amount of funds provided by the borrower (creditor) with the owner of the company. The greater the Debt to Equity Ratio, the more profitable the company will be. On the other hand, with a low ratio, the higher the level of funding provided by the owner and the greater the security limit for the borrower in the event of a loss or depreciation of the asset value. Hartono's (2015) research results state that the Debt to Equity Ratio has an effect on profitability. From the theory and the results of previous research, the authors conclude that "Debt to Equity Ratio has an effect on profitability because a large Debt to Equity Ratio will be profitable for the company.

H.3 Current Ratio to current debt has a positive effect on the profitability of pharmaceutical companies in Indonesia

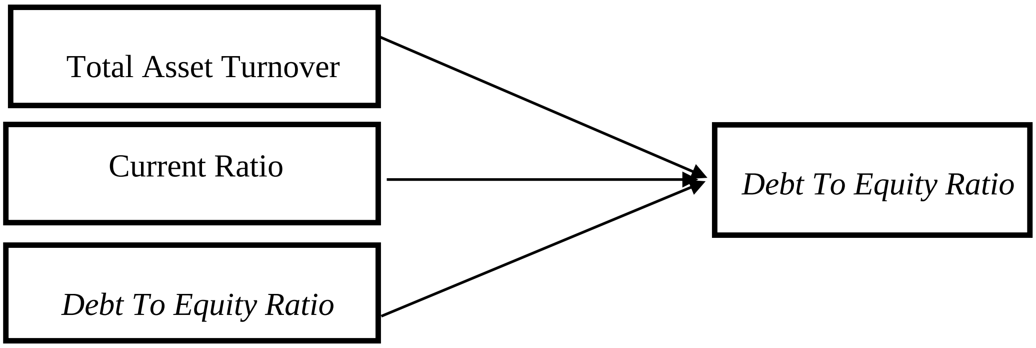

Figure 2. Research Concept Framework

3.0 Method

3.1 Research Type

This study uses a quantitative method approach in answering the main research problem, namely the effect of financial ratios on the profitability of pharmaceutical companies in Indonesia. Quantitative research uses numbers to represent research data, processed and analyzed using statistics using multiple linear regression methods with the help of SPSS.V.21 software.

3.2 Population and Sampling Method

Participants in this study were all companies engaged in the pharmaceutical sector listed on the Indonesia Stock Exchange (IDX). There are fourteen companies engaged in the pharmaceutical industry on the IDX. The non-probability sampling method, in this case purposive sampling, was used to obtain a sample of data for this study. Based on this sampling technique, twelve companies will be the object of research. As the sample criteria, companies in pharmaceutical companies listed on the Indonesia Stock Exchange were selected that had financial reports from 2017 to 2020. All of their financial statements were declared audited.

3.3 Data Analysis Techniques

Return on Assets is calculated by dividing net income after tax by total assets. The level of the company's ability to generate profits from a number of assets that have been realized is determined, namely ROA = + 1TATO + 2CR+ 3DER+e, where = constant, 1, 2, 3 = Regression coefficient for each independent variable, TATO (Total Assets Turnover) , CR (Current Ratio) and DER (Debt to Equity Ratio) e = Standard error

4.0 Results And Discussion

4.1 Research Results

Research Results In this section will be explained about the results of research and discussion which includes multiple regression analysis as well as hypotheses and discussion. This technique is a type of selection that fits certain criteria. The sample companies in this study were 48 companies engaged in the pharmaceutical sector listed on the Indonesia Stock Exchange. The data obtained in the form of financial ratios used as variables in this study, namely:

Table 2 Descriptive Statistics

Variable	Minimum	Maximum	Average	Standard Deviation
TATTOO	0.29	11.16	1.1025	1.52034
CR	53.98	847.15	334.2873	228.97176
DER	0.10	35.59	2.2569	5.55529
ROA	-2.27	92.10	11.7013	17.99052

Based on Table 2, it can be explained that the total asset turnover variable has a sample of 48, with the lowest value 0.29, the highest value 11.16, with an average value of 1.10 and a standard deviation of 1.52, the current ratio variable has a sample a total of 48, with the lowest value of 53.98, the highest value of 847.15, with an average value of 334.28 and a standard deviation of 228.97, the debt to equity ratio variable has a sample of 48, with the lowest value of 0.10, the the highest value is 35.59, with an average value of 2.25 and a standard deviation of 5.55, and the return on assets variable has a sample of 48, with the lowest value of -2.27, the highest value of 92.10, with an average value of 11.70 and the standard deviation value is 17.99.

The results of the classical assumption test show that the model proposed in the study has met the assumptions needed in multiple linear regression analysis, namely the morality test has an Asymp.sig (2-tailed) value of 0.200 greater than 0.05, so it can be concluded that the data is already distributed. normal. The multicollinearity test showed that the tolerance value for the three independent variables was greater than 0.10 and the VIF value was less than 10. The autocorrelation test showed that the value of DW = 2.236 with du = 1.671 and 4-d = 2.329 was in the criteria du < d <4 – du, so it can be said that there is no autocorrelation symptom. Heteroscedasticity test, through the scatterplot, it can be seen that there is no heteroscedasticity in the regression model. Because there is no clear pattern and the dots spread above and below the number 0 on the Y axis, so that it can be said that the heteroscedasticity test is fulfilled. Based on the feasibility test of the model through the F test, the F significance value is 0.034, indicating that the significance value is smaller than = 0.05 (0.000 < 0.05). These results indicate that the equation model used in the study is feasible to predict the dependent variable.

4.2 Hypothesis Test

Based on the results of research data processing with the help of SPSS 25 software, the results of hypothesis testing can be formulated as follows:

Table 3 Hypothesis Test Results

Variable	Unstandardized		Standardized	t	Probability Value	Information
	B	Standard Error	Beta			
Constant	1.574	0.222		7.105	0	
TATTOO	0.022	0.061	0.056	0.37	0.714	H1. Not Supported
CR	0.001	0	0.479	3.101	0.004**	H2. Suported
DER	-0.014	0.017	-0.13	-0.841	0.406	H3. Not Supported

**P < 0.01)

4.3 Total Effect Asset Turnover on Profitability of Pharmaceutical Companies in Indonesia

Based on the results of hypothesis testing in table 3 regarding the effect of Total Asset Turnover on Return on Return On Assets as a proxy for the level of company profitability, it shows a positive and insignificant

relationship, so it can be said that there is no significant effect between Total Asset Turnover on the profitability of pharmaceutical companies listed on the Indonesia Stock Exchange (Hypothesis 1 is rejected). This positive and significant relationship implies that although the company is trying with all policies to increase its Total Asset Turnover, this increase does not necessarily increase profitability. This increase in Total Asset Turnover has not been optimally managed by the company and is considered by investors. Total Asset Turnover is not yet optimal in influencing profitability, it can be explained that the company has not been efficient in the use of assets and the low return of funds in the form of cash. This indicates that the company's management has not been able to utilize all of its assets to generate income for the company and this in turn is considered unable to increase company profits.
The results of this study are not in line with Utami and Manda (2021), N Saidah (2018), and Aprilia (2018) and most studies have found a positive and significant relationship between TATO and ROA. On the other hand, the findings of this study support the results of Siregar's study. And Mardiana (2022) who found that total asset turnover had a positive and insignificant effect on company profitability. That total asset turnover (TATO) is a ratio to determine how efficient it is to invest in various assets. This ratio knows the actual performance of management in managing the company's activities. From the results obtained it can be said that the company has not been effective in managing its assets, statistically obtained a positive relationship between TATO and ROA,

4.4 The Effect of Current Asset Ratio on the profitability of pharmaceutical companies in Indonesia

Based on the results of hypothesis testing in table 11 regarding the effect of the Current Asset Ratio on Return On Assets as a proxy for the company's profitability level, it shows a positive and significant relationship, so it can be said that there is a significant effect between the increasing Current Asset Ratio on the increase in the profitability of listed pharmaceutical companies on the Indonesia Stock Exchange. (Hypothesis 2 is accepted). This positive and significant relationship implies that the increasing level of current liabilities is met from the company's total assets, where this increase is immediately able to increase profitability. The higher the current ratio for a company, the smaller the risk of the company's failure to meet its short-term obligations. This shows that the company has placed a large amount of funds on the current asset side. Placement of funds that are too large on the current assets side can have positive and negative impacts on the company and also investor confidence. The positive impact is that the company is able to meet all short-term current liabilities on the policy of placing its funds on the current assets side, and the company is able to properly manage the funds placed too large on the current assets side to get additional profits and increase profitability, because the funds that should be used for investment which is profitable for the company, is reserved to meet the company's liquidity. The results of this study support and are in line with research results from N Saidah (2018), Zainal Arifin & Mariyanti (2019), Dede Solihin (2019),

4.5 The Effect of Debt to Equity Ratio on Profitability in Pharmaceutical Companies in Indonesia

Based on the results of testing the effect of debt to equity ratio on profitability in pharmaceutical and health sector companies, it shows that debt to equity ratio has a negative and insignificant effect on profitability. This means that the third hypothesis in this study cannot be supported, so it can be said that there is a negative relationship and no significant effect between the decrease in debt to equity ratio and the increase in profitability of pharmaceutical companies listed on the Indonesia Stock Exchange (H3 is rejected). This negative and insignificant relationship implies that the decreasing level of obligations fulfilled from own capital, where this decrease is not necessarily able to increase the profitability of profitability. The lower the DER for a company, shows the lower obligations that must be met from the provision of own capital and there are opportunities for companies to invest in strategic places, but this is not optimal for companies that can empower most of their own capital to be allocated to other more strategic places in order to increase their profitability. The results of this study are different from the results of research conducted by Dede Solihin (2019) and Zainal Arifin & Mariyanti (2019) which showed that the debt to equity ratio had a negative and significant effect on profitability. The results of this study are in line with Suratinojo dik (2021) who found that the debt to equity ratio has no effect on profits at PT. Jakarta International Hotels and Development Tbk. 2016-2019 period.

Conclusions, Suggestions and Limitations

Based on the results of the research and discussion that have been stated previously, it can be concluded that the phenomenon of profitability in pharmaceutical companies in Indonesia is positively and significantly influenced by the current ratio, but the total asset turnover and debt to equity ratio are not yet optimally able to increase profitability as proxied by Return on Assets in pharmaceutical and health companies on the Indonesia Stock Exchange.

There are several limitations that must be considered when evaluating the results of this study. 1). First, there are two variables that are not significant in influencing the profitability of pharmaceutical companies, namely total asset turnover and do equity ratio debate. The limited research period which is only 4 years which has an impact on the small number of samples is the limitation of this study which is suspected to be the cause of the unsupported research hypothesis. 2) Second, this study only uses financial ratio data as an internal factor causing the increase in company profitability. Based on these limitations, then the plan for the next research stage is to conduct further research by paying attention to a more integrated research model and also paying attention to the unit of analysis and the method of solving it, in this case the researcher plans to increase the number of samples and the observation period can be used longer so that more panel data can be made representative. External factors such as investor behavior and macroeconomic conditions can be used. The behavioral factors of investors as users of the company's financial statements need to be considered in the next research planning review.

The practical implication of this research for the company is that the company should be able to increase its equity in order to reduce the use of debt, both short-term and long-term debt in the company. Return on Assets is an important thing that potential investors pay attention to for investment potential investors. In addition, it must pay more attention to the use of debt which is large enough to pose a risk of a decrease in capital because the obligation to pay the debt is also getting bigger. For investors, before making an investment decision, it is better for an investor to first consider several information factors, namely the condition of the company that affects the company's progress in the future. Information regarding environmental factors, economic conditions.

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