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Financial Performance Analysis in Predicting Profit Growth at PT. Kalbe Farma Tbk

Sri wahdini[1], Alwi[2], Aris Munandar[3]
Bima College of Economics
E-mail: dinip0103@gmail.com

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Abstract

Financial performance is a key indicator of a company's health and an essential tool for predicting future profit growth, which aids in investment decisions. This study aims to analyze the influence of the financial ratios Debt to Equity Ratio (DER) and Net Profit Margin (NPM) on profit growth at PT. Kalbe Farma Tbk. Utilizing a quantitative approach, the study employs various analytical tools such as normality test, autocorrelation test, multicollinearity test, heteroscedasticity test, multiple linear regression analysis, correlation and determination analysis, T test, and F test. The data analyzed includes financial reports from PT. Kalbe Farma Tbk for the years 2013-2022. The findings reveal that DER has no significant effect on profit growth, while NPM has a significant positive effect. This implies that while the amount of debt relative to equity does not influence profit growth, the company's ability to manage its expenses relative to sales significantly enhances its profit growth prospects. The results underscore the importance of profitability ratios in financial performance assessments and investment decisions. This study contributes to the understanding of financial health indicators in the pharmaceutical industry, particularly in the context of an established company like PT. Kalbe Farma Tbk, and provides insights for investors and financial analysts in evaluating investment opportunities based on financial performance metrics.

1. Introduction

The pharmaceutical industry is one of the companies that is able to survive amidst current economic conditions. One side is indeed profitable during the pandemic, but the costs borne by this industry are quite large, because the material standards used in Indonesia remain the same using imported materials. The large demand for raw materials has caused raw material prices to rise than usual. According to Honest (2020), there is little increase in the company's side income, so there is no increase in the balance of standard medicinal ingredients. What the pharmaceutical industry can do to remain able to survive in business competition is to show good financial performance, which is shown through changes in profits so that investors will be interested in investing their capital in the company (Rima et al, 2016).

The increasing need for medicines will have an impact on pharmaceutical companies thereby increasing the production of medicines and vitamins that the public needs. The growth of pharmaceutical companies is positive even though in general the Indonesian economy experienced a contraction in the second quarter of 2020. Positive growth can be seen from the performance of several pharmaceutical companies which were able to record an increase in profits in the first semester of 2020. In the second quarter of 2020, Indonesia's economic growth experienced negative growth of 5.32. % in total each year. So that throughout the first semester of 2020 economic growth experienced a contraction of 1.62% compared to the same period last year (Henny et al, 2023).

Along with the increasingly advanced, progressive and modern era, this is very good and supportive. To achieve the main goal in a company, namely gaining profit. profit or profit itself is the result of profits from the business carried out by the company within a certain period of time. The profits obtained by the company will be used for additional financing and company activities in running its business, and also as a tool for the company's survival.

Therefore, companies, especially domestic companies, are required to be able to work in a better way and increase their competitiveness to face other companies. A company can be said to achieve success and superiority over its competitors, if it is able to generate maximum profits. Something that a company must do effectively and efficiently so that the company's expected goals can be achieved (Wella et al., 2018).

Financial performance can be seen from the analysis of something that is done. To see the extent to which the company has carried out its finances by using financial implementation rules in a good and correct manner (Irwan et al, 2021). Assessments carried out on the performance of finance companies require various ratios in preparing financial reports. Existing financial reports prepared by the company can be used to determine the company's financial condition at any given time. When you want to analyze the financial performance of a company, you need a financial performance evaluation tool (Mus, 2021). Financial performance can be calculated using financial ratios such as profitability, solvency, liquidity and activity ratios. However, the ratios used by researchers in this research are the solvency ratio using the Debt to Equity Ratio (DER) and the profitability ratio using the Net Profit Margin (NPM).

Financial ratios are used to identify the financial strengths and weaknesses of a company and enable investors to assess its financial condition from the company's current and past operating results, as well as as a guide for investors regarding the company's past and future financial performance which can be utilized in decision making. from profit growth (Indriyani, 2015). Profit is the company's main goal in carrying out all its activities (Kasmir, 2017). Profits will also influence the investment decisions of investors who will invest their capital in the company, this is because investors expect that the funds invested in the company will obtain a high rate of return (Pangkong et al, 2017). As the company's main goal, of course, company management always determines what profit targets the company must achieve in each period.

The growth in profits obtained by the company is not only influenced by the number of investors investing and economic conditions, but can be seen from the value of financial ratios as well. By looking at financial ratios, the possible influence on profit growth, the company must be able to evaluate the results of the company's performance both from within and outside by managing liabilities, using and utilizing its assets appropriately and efficiently in generating profits. Profit growth will have its own influence on financial ratios which include profitability ratios and solvency ratios. Ratios will have their respective measurement functions that are used as material for assessing the financial condition of a company.

Debt to Equity Ratio (DER) is a ratio used to evaluate debt versus equity. This ratio is used to determine the amount of funds provided by the borrower (creditor) to the owner company. In other words, this ratio functions to find out every rupiah of own capital is used to guarantee debt (Kashmir, 2017). Debt to Equity Ratio (DER) describes the company's performance in meeting debt to equity. Increasing DER will have an impact on decreasing company profit growth, which means that the higher the level of debt over a long period of time will result in decreasing company profit growth, where the higher the level of debt over a period of time borne by the company, the more it will be paid with the profits earned by the company (Rantika, 2016)

Net Profit Margin (NPM) is sales profit after taking into account all income, costs and taxes. This margin shows the comparison of net profit after tax with sales (Harjito, 2018). The meaning of Net Profit Margin (NPM) is the ratio used to measure net profit after tax and then compared with sales volume (Sujarweni, 2017). PT. Kalbe Farma Tbk was founded in 1966, and has been a company listed on the stock exchange since 1991. The development and performance of PT Kalbe Farma started from a simple workshop to become a leading pharmaceutical company in Indonesia. Kalbe Farma has built strong research and development activities in generic drug

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formulation and ongoing consumer development. PT Kalbe Farma provides a complete range of products for all segments, ranging from unbranded generic drugs, branded generic drugs to licensed drugs. This product is distributed to hospitals, pharmacies and drug stores throughout the archipelago through an integrated distribution network.

2. Research methods

This study employs an associative approach, as defined by Sugiyono (2017), to explore the relationships between multiple variables and their influence on each other. The research instrument consists of a data table detailing Net Profit, Total Equity, Sales, and Total Liabilities, sourced from PT Kalbe Farma Tbk's financial reports. The population encompasses the financial reports of PT Kalbe Farma Tbk spanning 34 years, from 1991 to 2023, while the sample includes reports from ten years, specifically from 2013 to 2022. Purposive sampling is used, focusing on data availability, audited reports, and relevance for accurate research insights. The study is conducted at the KALBE Building, Jakarta, utilizing secondary data available on www.idx.co.id.

Data collection techniques include literature review and documentation. The literature review involves searching past sources to build a theoretical foundation (Arikunto, 2016), while documentation involves gathering data from various records and archives (Sugiyono, 2016). Data analysis involves several steps: classic assumption tests such as normality, autocorrelation, multicollinearity, and heteroscedasticity tests (Ghozali, 2018); multiple linear regression analysis to predict the impact of multiple independent variables (Sugiyono, 2019); correlation and coefficient determination analyses to measure the relationship strength and contribution of variables (Ghozali, 2018); significance tests (t-tests) for assessing individual variable impacts; and simultaneous tests (F-tests) to evaluate the combined effect of all independent variables on the dependent variable (Ghozali, 2018).

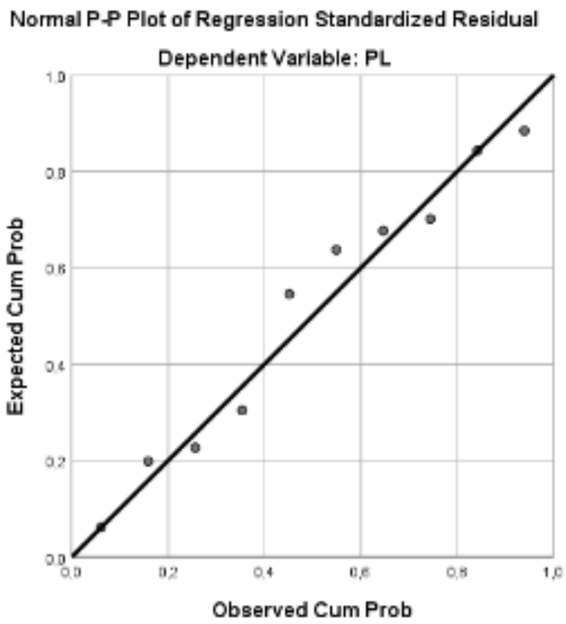
3. Results and Discussion

3.1 Analysis Data

a. Classic assumption test

1) Normality test

Figure 1. Normality test results



Data source: SPSS Output Data

The figure shows a PP plot for normality, where the points follow a diagonal line pattern. Thus, it can be concluded that the regression model meets the normality requirements.

2) Autocorrelation Test

Table 3. Autocorrelation test results

Model Summary [b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,826 [a]	,682	,591	3.34596	2,823

a. Predictors: (Constant), NPM, DER
b. Dependent Variable: PL

Source: SPSS Output Data

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Based on table 3 presented, the autocorrelation test shows that the durbin watson (dw) score is 2.823, while the durbin upper (du) is 1.6413 and the durbin upper (4-du) is 2.3587. Thus, autocorrelation symptoms occur, so the test is continued using a run test.

Table 4. Run test results

Test Runs

	Unstandardized Residuals
Test Value [a]	,77738
Cases < Test Value	5
Cases >= Test Value	5
Total Cases	10
Number of Runs	8
Z	1,006
Asymp . Sig. (2-tailed)	,314

a. Median

Source : SPSS Output Data

Before we analyze the SPSS output results above, we first understand the basis for decision making in the run test, namely:

a) If the value of Asymp. Sig. (2-tailed) is less than 0.05, then there are symptoms of autocorrelation.
b) If the value of Asymp. Sig. (2-tailed) is greater than 0.05, then there are no symptoms of autocorrelation.

Based on table 4 presented, the Asymp value is known. Sig. (2-tailed) is 0.314 > 0.05, so it can be concluded that there are no symptoms of autocorrelation.

3) Multicollinearity test

Multicollinearity test results

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	Q	Sig.	Tolerance	VIF
1	(Constant)	,498	6,319		,079	,939		
	DER	-,080	,277	-,064	-,290	,780	,923	1,084
	NPM	,856	,226	,841	3,793	,007	,923	1,084

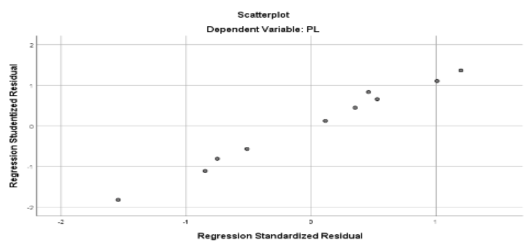
a. Dependent Variable: PL

Based on table 5 above, it can be seen that the results of the multicollinearity test are:

a) The DER variable has a tolerance score of 0.923 > 0.1 and a VIF score of 1.084 < 10.
b) The NPM variable has a tolerance score of 0.923 > 0.1 and a VIF score of 1.084 < 10.
c) So it can be concluded that no multicollinearity problems were found between the independent variables.

4) Heteroskedasticity Test

Figure 2. Heteroscedasticity test results



Source : SPSS Output Data

Based on picture on the Can known scatterplot visible. Scatter in a way regular and spread out to up and down lower or No gathered in one point, so picture This showing there is heteroscedasticity.

b. Multiple linear regression analysis

Based on table 5 can is known equality multiple linear regression in research This that is:

Y= 498 – 080 x1 + 856 x2

Explanation results from multiple linear regression the that is :

1) Constant (a) shows a number worth 0.498 which means the *Debt to Equity variable Ratio* and *Net Profit Margin* are considered constant, so profit growth is 0.498
2) The value of b_1 = -0.080 means that for every 1% increase in DER, profit growth will decrease by 0.080 assuming that other variables are constant.
3) The value of b2 = 0.856, meaning that for every 1% increase in NPM, profit growth will increase by 0.856, assuming that the other variables are constant.

c. Correlation analysis and coefficient of determination

1) Coefficient correlation

Based on table 5 mark coefficient correlation that is of 0.826. For can give interpretation dragging connection between variable independent to variable the dependent. Coefficient correlation amounting to 0.826 is in the interval 0.80-1000 with level very strong relationship. Can concluded that closeness connection DER and NPM variables against growth profit at PT. Kalbe Farma Tbk own level very strong relationship.

2) Coefficient determination

Based on table 5 above obtained mark *adjust R square* is of 0.682 which is significant DER and NPM contribution to growth profit at PT. Kalbe Farma Tbk is amounting to 68.2% , the remaining 31.8% was influenced by other variables that were not examined in study this.

d. Significance test (t-statistics test)

Calculated t value of 0.290 for a probability of 0.05 at degrees of freedom (df) = 7 is 2.365. Thus, based on the table, the results of the t test can be explained as follows:

1) *The Debt to Equity Ratio (DER)* variable has a $t_{\text{calculated}}$ value < t_{table} or 0.290 < 2.365 and is significant 0.780 > 0.05, so H1 is rejected, meaning that partially T, *Debt to Equity Ratio* (DER) has no and significant effect on profit growth in PT. Kalbe Farma Tbk.
2) The results of this research are in line with Syahida & Agustin (2021) which states that the Debt to Equity Ratio (DER) has no significant effect on profit growth. And this research contradicts *Wibisono* (2016) which states that *the Debt to Equity Ratio* (DER) has a significant effect on profit growth.
3) *The Net Profit Margin (NPM)* variable has a $t_{\text{calculated}}$ value > t_{table} or 3.793 > 2.365 and is significant 0.007 < 0.05, so H2 is accepted, meaning that partially T, *Net Profit Margin* (NPM) has a positive and significant effect on profit growth at PT . Kalbe Farma Tbk.
4) The results of this research are in line with *Widiyanti* (2019) who stated that Net Profit Margin (NPM) has a significant effect on profit growth. And it is not in line with *Safitri's* (2016) research which states that *Net Profit Margin* (NPM) has no significant effect on profit growth.

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e. Simultaneous test (F test)

Table 6. F test results

ANOVA [a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	168,180	2	84,090	7,511	.018 [b]
	Residual	78,368	7	11,195		
	Total	246,548	9			
a. Dependent Variable: PL						
b. Predictors: (Constant), NPM, DER						

Based on table 6 above, it can be seen that the significant value for the influence of *the Debt to Equity Ratio* (DER) and *Net Profit Margin* (NPM) together on Profit Growth is 0.018 < 0.05 or the calculated F value is 7.511 > 4.74, so it can be concluded that DER and NPM simultaneously influence Profit Growth.

4. Closing

4.1 Conclusion

Based on the results of the research described previously regarding der and npm on profit growth at PT Kalbe Farma Tbk, it can be summarized as follows:

1. *Debt to Equity Ratio* (DER) has no significant effect on profit growth.
2. *Net Profit Margin* (NPM) has a positive and significant effect on profit growth
3. *Debt to Equity Ratio* (DER) and Net Profit Margin (NPM) simultaneously influence profit growth.

4.2 Suggestion

1. Companies should be able to manage income well in carrying out operations in order to increase profit growth by increasing sales and reducing debt so that the expected profit can be achieved.
2. For future researchers, the author suggests using other financial ratios such as *Return On Equity* (ROE), *Return On Investment* (ROI), *Quick Ratio* (QR) and others so can provide a more significant influence on profit growth by changing or adding variables.

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