P-ISSN : 2985-8046 e-ISSN : 2964-5018
Jurnal Akuntansi dan Audit JAATB
TRI BHAKTI
Vol. 3. No.2-February 2025
https://ejurnal.stietribhakti.ac.id/index.php/JAATB

The Effect of Net Profit Margin and Debt to Equity Ratio on Profit Growth

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Article Info

Keywords:
- *Net profit margin,*
- *Debt to equity ratio,*
- *Profit growth*

Article History
Received: 11 – 01 - 2024
Accepted: 17 – 06 - 2024
Published: 28 – 02 - 2025

Abstract

Purpose – This study aims to determine the effect of net profit margin and debt to equity ratio on profit growth.

Design/methodology/approach – *This research uses quantitative data, the sample in this study is profit growth sub sector banks which are listed on the Indonesia Stock Exchange in the period 2017 – 2022 as many as 12 companies. The analysis technique used to test the hypothesis is multiple regression analysis using Eviews 9 software.*

Findings – The results of this study indicate that the net profit margin variable has a positive and statistically insignificant effect on profit growth, the debt to equity ratio variable has a positive and statistically insignificant effect on profit growth.

Research limitations/implications *– This research hopes to provide information regarding profit growth and can provide benefits in decision making and can be used as reference material for further research.*

INTRODUCTION

Banking is a very important sector in the country's economy where the relationship between customers and investors, the bank itself strives to increase profit growth where profit growth itself can provide trust between the nsabah and investors and can be a consideration in decision-making. In this study, which is sourced from IDX.ic which was established in 1912 and enforced on January 25, 2021, where IDX.ic itself has 4 classification levels consisting of 12 Sectors, 35 Sub-sectors, 69 Industries, 130 Sub-industries. (Sahamu.com, n.d.). Profit Growth According to Harahap (2015:310) in the journal (Qurani & Hendratno, 2019) Profit growth is a ratio that can describe the extent of a company's ability to increase net profit compared to the previous year (Faisal et al., 2023). One of the sectors studied in this study is in the financial sector with the banking sub-sector, the banking sub-sector itself has 47 companies listed on the Indonesia Stock Exchange (IDX) with The population is taken through the www.idx.co.id website. With the banking sub-sector, this study aims to find out the profit growth of each company in the last few years whether there has been an increase or decrease per year.

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P-ISSN : 2985-8046 e-ISSN : 2964-5018
Jurnal Akuntansi dan Audit JAATB
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Gambar diatas Terdapat fenomena pertumbuhan laba pada perbankan kategori BUKU III dan BUKU IV yaitu, Laba industri perbankan per Januari 2018 mencapai Rp11,37 triliun. Nilai tersebut meningkat 7,87 persen dibandingkan periode Januari 2017 yang sebesar Rp10,54 triliun. Berdasarkan data Statistik Perbankan Indonesia yang dirilis Otoritas Jasa Keuangan, di antara keempat kelas bank, hanya bank BUKU I yang mencatat penurunan perolehan laba, yakni dari Rp143 miliar pada Januari 2017 menjadi Rp69 miliar pada Januari 2018.

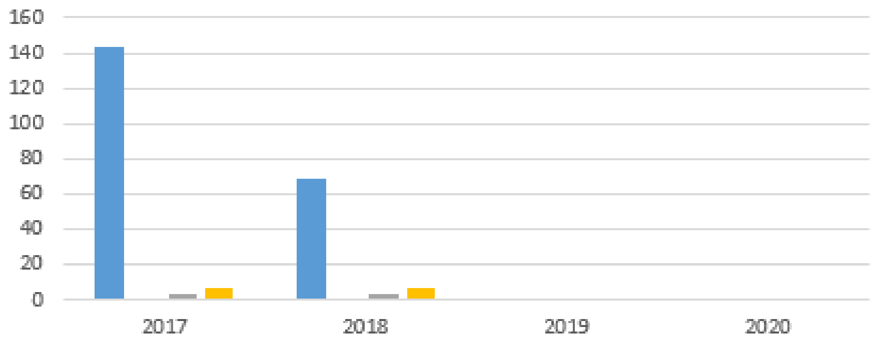

Figure 1. Statistical data of net profit for 2017-2018

Meanwhile, other BUKU banks are still recording an increase. As of January 2017, BUKU II's net profit was recorded at Rp1.03 trillion, increasing to Rp1.09 trillion in January 2018. Likewise with BUKU III bank, net profit increased to Rp3.28 trillion as of January 2018 compared to January 2017 which amounted to Rp3.1 trillion. At BUKU IV bank, profit increased to Rp6.89 trillion in January 2018 from January 2017 which amounted to Rp6.1 trillion. No different, the performance of commercial banks in terms of credit disbursement, as of January 2018 reached Rp4,632.3 trillion, or an increase of 7.4 percent compared to January 2017 which reached Rp4,312.99 trillion. Furthermore, in terms of third-party funds (DPK), as of January 2018 it was recorded at Rp5,228.78 trillion. This value increased by 8.36 percent compared to January 2017 which amounted to Rp4,825.33 trillion. Previously, until the end of 2017, commercial banks' profits were recorded at Rp131.16 trillion. This value jumped 23.1 percent compared to the end of 2016 which reached Rp106.54 trillion.

In this period, BUKU I and BUKU II banks recorded a decrease in net profit. Meanwhile, BUKU III and IV banks showed profit growth. It was recorded that BUKU I bank posted a decrease in profit from Rp861 billion at the end of 2016 to Rp716 billion at the end of 2017. Likewise, BUKU II recorded a decrease in profit to Rp9.52 trillion at the end of 2017, from Rp10.32 trillion at the end of 2016. Meanwhile, for BUKU III, profit shot up to Rp33.34 trillion at the end of 2017. At the end of 2016, profit was recorded at Rp24.93 trillion. Bank BUKU IV also recorded a fantastic increase in profit to Rp86.58 trillion from Rp69.46 trillion at the end of 2016. (Bareska.com, 2018)

The banking industry grew significantly to reach IDR 78.17 trillion until July 2021, an increase of 9.68% compared to the same month in 2020 which was only IDR 71.27 trillion. The increase in banks is caused by the decline in the profitability of large banks. Bank profits are caused by the decline in profitability of large banks. Based on Indonesian banking statistics as of July 2021 published by the Financial Services Authority (OJK), the

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total value of bank deposits comes from net interest income (NII) which increased by 12.89% year-over-year (yoy). to Rp 245.43 trillion. In addition, operating profit excluding depreciation decreased by 9.19 percent (yoy) to IDR 277.82 trillion. of 28.08 percent (yoy) or IDR 12.55 trillion. operating deficit excluding banking industry bonds was around IDR 423.94 trillion or 11.33% (yoy). Banking net profit changed compared to growth as in 2021. (investor.id, n.d.). Berikut merupakan perkembangan laba sub sektor perbankan di indonesia.

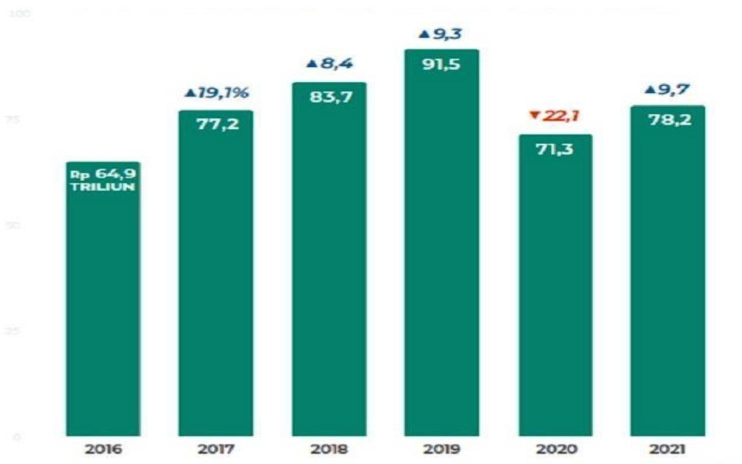

Figure 2. Profit development chart in Indonesia
Source : OJK

The figure shows that profit growth in the banking sub-sector for the period 2016-2021 experienced fluctuations up and down where seen from 2017 it increased by 19.1% from the previous year 2016, in 2018 it increased by 8.4%, then in 2019 by 9.3% and in 2020 it decreased by 22.1% and profit growth recovered by 9.7% in 2021. There are factors that affect profit growth, including profitability (D. N. Agustina & Mulyadi, 2019; Amalina & Efriadi, 2022; Fajar Irawan & Sitohang, 2018; Fina Islamiati Susyana Nugi Mohamamd Nugraha, n.d.; Handayani et al., 2021; Muhammad & Oktaviani, 2022; Ningsih & Utiyati, 2020; Nurkomalasyari & Purnama, 2022; Prastya & Agustin, 2018; Qurani & Hendratno, 2019; Rike Jolanda Panjaitan, 2018; D. I. and S. M. Sari, 2021; D. R. Sari & Retnaningdiah, 2022), Liquidity (D. N. Agustina & Mulyadi, 2019; Amalina & Efriadi, 2022; Fajar Irawan & Sitohang, 2018; Fina Islamiati Susyana Nugi Mohamamd Nugraha, n.d.; Hendarwati & Syarifudin, 2021; Ningsih & Utiyati, 2020; Olfiani and Handayani, 2019; Prastya & Agustin, 2018; Qurani & Hendratno, 2019; Rike Jolanda Panjaitan, 2018; D. R. Sari & Retnaningdiah, 2022; Sihombing, 2018; Widya Resti Ari Putri, 2021; Yudhistira & Faddila, 2023), Activities (D. N. Agustina & Mulyadi, 2019; Fajar Irawan & Sitohang, 2018; Hendarwati & Syarifudin, 2021; Nurkomalasyari & Purnama, 2022; Olfiani and Handayani, 2019; Prastya & Agustin, 2018; D. I. and S. M. Sari, 2021; D. R. Sari & Retnaningdiah, 2022; Widya Resti Ari Putri, 2021), Solvency (D. N. Agustina & Mulyadi, 2019; Amalina & Efriadi, 2022; Hart et al., 2017; Hendarwati & Syarifudin, 2021; Stuart & Scott, 2022; Ningsih & Utiyati, 2020; Olfiani and Handayani, 2019; Qurani & Hendratno, 2019; Rike Jolanda Panjaitan, 2018; D. I. and S. M. Sari, 2021; D. R. Sari & Retnaningdiah, 2022; Sihombing, 2018; Widya Resti Ari Putri, 2021; Yudhistira & Faddila, 2023), BOPO (Hati et al., 2017), Office growth (Hati et al., 2017), net

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sales becomes profit after interest and taxes, the higher this ratio, the more profitable the company is because the company's net profit is larger (Widodo, 2011)

Debt To Equity Ratio

According to (Hartono, S.E., S.Pd., 2018) Debt To Equity Ratio is a ratio that shows the extent to which the capital itself guarantees all debts, this ratio can also be read as a comparison between external funds and the company's voter funds. According to (Widodo, 2011) "Debt to Equity Ratio is a comparison of total debt with total owner capital (Equity), the ratio is used to find out how much of each rupiah of owner's capital is used to borrow debt, the larger this ratio is the less favorable it is for creditors, because the owner's capital guarantee against debt is smaller.

Pertumbuhan Laba

Menurut (Dr.Payamta, n.d.) Rasio pertumbuhan laba bersih merupakan Rasio yang mengukur persentase pertumbuhan laba bersih dari tahun sebelumnya ke tahun berjalan. Menurut (Dr. Kasmir , S.E., 2009) Rasio Pertumbuhan *(Growth Ratio)* merupakan rasio yang menggambarkan kemampuan perusahaan mempertahankan posisi ekonominya di tengah pertumbuhan perekonomian dan sektor usahanya.

Hypothesis Development

The Effect of Net Profit Margin on Profit Growth

Net profit margin is an ability where the company generates net profit which is compared to operational performance, Net profit margin itself to see the stability of the company. According to Brigham and Houston (2013:107) in (Qurani & Hendratno, 2019), Net Profit Margin is a ratio that is able to describe how much a company's net profit is when compared to its sales. This is related to signaling theory, where the company gives a positive signal to the stakeholders, that the company has stable and good finances and the company can fulfill its obligations for the company's resources. In this study, Net Profit margin has a positive effect on profit growth where if the company produces efficient net profit, the growth of joint profit will increase and result in the company will be good, which with a good company the company will be seen by investors. From the explanation above, this hypothesis is in line with research (D. I. and S. M. Sari, 2021) The Net Profit Margin (NPM) variable has a positive effect and significantly affects the profit growth of property companies on the Indonesia Stock Exchange for the period 2016 – 2019, (Safitri & Mukaram, 2018) NPM has a positive and significant effect on profit growth. In this case, issuers must continue to improve their business through the achievement of operating profit in that period, (Qurani & Hendratno, 2019) Net Profit Margin has a significant influence on profit growth in food and beverage subsector companies listed on the Indonesia Stock Exchange in 2014-2017. (Handayani et al., 2021) Net Profit Margin affects profit growth in Banking subsector companies listed on the Indonesia Stock Exchange. (Nurkomalasyari & Purnama, 2022) net profit margin (NPM) has a significant effect on profit growth.(K. Agustina & Makmuri, 2015) the relationship between Net Profit Margin (NPM) and Profit Growth has a high positive relationship.

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H$_1$: Net Profit Margin has a Positive Effect on Profit Growth.

The Effect of Debt To Equity Ratio on Profit Growth

Debt To Equity Ratio is a comparison between total debt and total equity of a company where with this comparison will see whether the company's finances are good or not. According to Kasmir (2012:157) in (Sihombing, 2018) "Debt to Equity Ratio is a ratio used to assess debt with equity. This ratio is sought by comparing all debt, including current debt, with all equity". This is related to signaling theory, where by comparing total debt and total equity, the company will give a positive signal to stakeholders and investors that the company has stable and good finances and the company can fulfill its obligations for the company's resources. Another goal is to attract investors from outside where they will see whether the company's profit growth is good or not. Debt To Equity Ratio has a positive effect on profit growth where by looking at the company's ability to compare debt and equity and looking at the company's ability to pay long-term debts, if the company can fulfill its responsibility in paying long- term debt, it is concluded that the company has good and stable profit growth which results in attracting investors. From the explanation above, this hypothesis is in line with research (Yudhistira & Faddila, 2023) Partially the debt to equity ratio has an effect and is significant on profit growth in property companies listed on the Indonesia Stock Exchange for the period 2016 – 2018. (Widya Resti Ari Putri, 2021) Debt equity ratio has a positive effect on profit growth. Companies with a high debt to equity ratio are not a bad thing if the company can use its debt as effectively as possible, then sales will increase profits for the company. This illustrates that food and beverages companies are companies that dare to take risks to take company funding from external parties in the form of debt to generate higher profits. (Hendarwati & Syarifudin, 2021) The results of the study show that the debt to equity ratio has an effect on profit growth in banking companies listed on the Indonesia Stock Exchange for the period 2015- 2019. (Olfiani and Handayani, 2019) Debt to equity ratio variables affect profit growth at PT. Tempo Scan Pacific Tbk for the period 2008-2017.
H$_2$: Debt To Equity Ratio has a Positive Effect on Profit Growth.

METHODOLOGY

This study aims to determine the possibility of a relationship between the independent variables of *Net Profit Margin, Debt to Equity Ratio* and the dependent variable of profit growth, the research paradigm used in this study is positivism as a method that is systematically arranged using deductive logic from the beginning of the hypothesis formulation. The type of data used in this study is using quantitative data. Quantitative metedology generally measures consumer behavior, knowledge, opinions, or attitudes. As well as answering questions related to how much, how often, when and who.(Cooper & Schindler, 2005) while the research strategy aims to investigate and study the phenomenon or event that occurs, the *sampling* design used in this study is *probability sampling* using *cluster sampling*. The unit of analysis used is using the organization. The research background in this study did not find intervention or *non-controved*. For the implementation time of this study, *data panel* was used, using analysis, namely hypothesis testing. The secondary data measurement used is as follows:

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Table 1. Variable measuring instruments and sources of measurement

NO	VARIABEL	MEASUREMENT	SOURCES
1.	Profitability	NPM : Net Profit / Revenue x 100%	(Fajar Irawan & Sitohang, 2018; fina Islamiati Susyana Nugi Mohamamd Nugraha, n.d.; Handayani et al., 2021; Muhammad & Oktaviani, 2022; Ningsih & Utiyati, 2020; Nurkomalasyari & Purnama, 2022; Prastya & Agustin, 2018; Qurani & Hendratno, 2019; Rike Jolanda Panjaitan, 2018; D. I. and S. M. Sari, 2021)
2.	Solvency	DER : Total Debt/Total Capital	(D. N. Agustina & Mulyadi, 2019; Amalina & Efriadi, 2022; Hart et al., 2017; Hendarwati & Syarifudin, 2021; Stuart & Scott, 2022; Olfiani and Handayani, 2019; D. R. Sari & Retnaningdiah, 2022; Sihombing, 2018; Widya Resti Ari Putri, 2021; Yudhistira & Faddila, 2023)
3	Profit Growth	Profit Growth : Annual net profit – annual net profit t-1 / Annual net profit t-1 x 100%	(D. N. Agustina & Mulyadi, 2019; Amalina & Efriadi, 2022; Hart et al., 2017; Hendarwati & Syarifudin, 2021; Stuart & Scott, 2022; Olfiani and Handayani, 2019; D. R. Sari & Retnaningdiah, 2022; Sihombing, 2018; Widya Resti Ari Putri, 2021; Yudhistira & Faddila, 2023)

The population in this study is companies in the Banking sub-sector listed on the Indonesia Stock Exchange (IDX) The population in this study is 47 companies. In this study, probability sampling is used with Cluster Sampling, where Cluster Sampling is a method or technique of random sampling in the form of groups rather than individuals. Some of the criteria set in determining the sample are, as follows:

Table 2. Sample Determination Criteria

Number of banking sector companies listed on the Indonesia Stock Exchange (IDX) in 2017-2022		**47 Companies**
Criterion		
Criterion 1	Banking sector companies that are not listed in books 3 and 4	**(30 companies)**

	on the Indonesia Stock Exchange (IDX)	
Criterion 2	Banking sector companies listed in books 3 and 4 on the Indonesia Stock Exchange (IDX)	**17 companies**
	Banking sector companies that have not published financial statements for 6 consecutive years from 2017-2022	**(5 companies)**
	Banking sector companies that have issued financial statements for 6 consecutive years from 2017-2022	**12 companies**
Company Sample		**12 companies**

RESULT

Descriptive Analysis Test

Table 3. Descriptive Statistical Test Results

	PL	NPM	THE
Mean	0.440900	4.252144	5.404197
Median	0.130300	0.214200	5.223500
Maximum	13.89320	95.11520	16.07860
Minimum	-0.925500	0.001200	0.447900
Std. Dev.	1.877835	17.28259	3.109746
Skewness	5.811677	4.276637	1.154957
Kurtosis	39.96355	20.06727	5.302926
Jarque-Bera	4441.661	1078.165	31.47421
Probability	0.000000	0.000000	0.000000
Sum	31.30390	301.9022	383.6980
Sum Sq. Dev.	246.8386	20908.17	676.9363
Observations	71	71	71

Source: Output Eviews9 (2023)

The table above shows that there are 71 observations (unbalanced) for the 2017-2022 research year period. The descriptive explanation of the statistics in the data above means: First, Profit Growth has a value range between the lowest of -0.925 to 13.89 with an average value of 0.440. The banking company with the highest profit growth is PT Bank Rakyat Indonesia Tbk (BBRI) in 2023. Second, the Net Profit Margin has a value range between the lowest of 0.0012 to 95.11 with an average value of 4.252. The banking company with the highest net profit margin is PT Bank BTPN tbk (BTPN) in 2022 Third, the Debt To Equity Ratio has a value range between the lowest of 0.44 to 16.07 with an average value of 5.404. PT Bank BTPN tbk (BTPN) in 2022.

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Best Data Model Selection

Chow Test

Table 4. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.598904	(11,58)	0.1233
Cross-section Chi-square	19.069471	11	0.0599

Source: Processed data (2023)

Based on the results of the Chow Test using Eviews9, it is stated that the probability value of Cross Section F is 0.1233 where it is more than the value of the significance level (α= 0.05). This means that the best model used is the Common Effect Model (CEM). Therefore, a Hausman Test is needed in order to choose the best model between the Fixed Effect Model and the Random Effect Model.

Uji Lagrange Multiplier

Table 5. Lagrange Multiplier Test

	Test Hypothesis Cross-section	Time	Both
Breusch-Pagan	0.269627 (0.6036)	0.080983 (0.7760)	0.350611 (0.5538)
Honda	-0.519256 --	-0.284576 --	-0.568395 --
King-Wu	-0.519256 --	-0.284576 --	-0.526231 --
Standardized Honda	-0.059771 --	-0.037777 --	-3.711613 --
Standardized King-Wu	-0.059771 --	-0.037777 --	-3.470740 --
Gourierioux, et al.*	--	--	0.000000 (>= 0.10)

	*Mixed chi-square asymptotic critical values:
1%	7.289
5%	4.321
10%	2.952

Source: Processed data (2023)

Based on the results of the Lagrange Multiplier Test, the significance value for Both is 0.60 where this result is more than the significance level value (α= 0.05). In this case, it means that the best model used is the Common Effect Model (CEM)

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Multiple Regression Analysis

Tabel 6. Analisis Regresi Linier Berganda

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.153687	0.493353	0.311514	0.7563
NPM	0.003095	0.014010	0.220902	0.8258
DER	0.050243	0.077450	0.648719	0.5187

The results of the panel data regression estimation using the Cammon Effect Model (CEM) show the results of the test with panel data regression, so from these results the following model equations are obtained.

PL = 0.15 + 0.00309*NPM + 0.050*DER + ε

Based on the derivative of the above equation model, it can be explained that: First, the Constant of 0.15 indicates that if the Net Profit Margin and Debt To Equity Ratio are zero, then the Profit Growth is 0.15 units. Second, the Net Profit Margin Coefficient of 0.00309 shows that if the Net Profit Margin increases by 1 point, the Profit Growth will decrease by 0.00309 points with an alleged constant variable. Third, the Debt To Equity Ratio Coefficient of 0.050 indicates that if the Debt-to-Equity Ratio increases by 1 point, Profit Growth will increase by 0.050 points with an alleged constant variable.

Coefficient Determination Test

Table 7. Coefficient Determination Test

R-squared	0.006067	Mean dependent var	0.436235
Adjusted R-squared	-0.022743	S.D. dependent var	1.864984
S.E. of regression	1.886073	Akaike info criterion	4.147645
Sum squared resid	245.4517	Schwarz criterion	4.242506
Log likelihood	-146.3152	Hannan-Quinn criter.	4.185409
F-statistic	0.210574	Durbin-Watson stat	2.393918
Prob(F-statistic)	0.810638		

Source: Processed data (2023)

Based on table 7. R-Squared shows a value of 0.006067 which means that 0.60% of the Net Profit Margin and Debt To Equity Ratio variables can explain the Profit Growth variable.

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Partial Test (T)

Table 8. Partial Test (T)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.153687	0.493353	0.311514	0.7563
NPM	0.003095	0.014010	0.220902	0.8258
THE	0.050243	0.077450	0.648719	0.5187

Source: processed data (2023)

The results of the test using the Cammon Effect Model (CEM) can be concluded as follows:

1. The independent variable of Net Profit Margin with a probability value of 0.8258/2 = 0.4129, is insignificant at the level of α = 5% (0.05), and seen in T>calculation it is determined that the calculation is smaller than the T>Table which is 1.833 > 0.220902 can be interpreted that the variable Net Profit Margin has a positive effect and is statistically insignificant on Profit Growth.
2. The independent variable Debt To Equity Ratio with a probability value of 0.5187/2 = 0.25935, is insignificant at the level of α = 5% (0.05), and when viewed by T>calculation it is determined that the calculation is smaller than the T>Table which is 1.833 > 0.648719 can be interpreted that the Debt To Equity Ratio variable has a positive effect and is statistically insignificant on Profit Growth.

DISCUSSION

Disclosure *of Net Profit Margin* to Profit Growth

Based on the t-test in table 8. It was found that the Net Profit Margin had a positive effect on y and statistically it was found that t counted > t table, as well as seen from the probability it can be stated that x1 is syngnifated to y thus, based on the accepted hypothesis statistics (Faisal & Sari, 2023). Net Profit Margin can provide an overview of the financial structure where the higher the Net Profit Margin, the higher the Company, the more net profit the Company has a significant net profit, which affects the disclosure of the Sustainability Report because increased profit is a key factor when considering and making decisions. Based on the theory put forward by (Spence et al., 1973) about the Signaling theory which states that the higher the growth opportunity of a company, the better the signal will give investors a good signal. That the signaling theory is in accordance with the research results of the banking sub-sector, in addition to this research is strengthened by a study (Handayani et al., 2021) which conducted a study "The Influence of ROA, ROE, NPM on Profit Growth (Empirical Study of Banking Sector Companies in 2017-2019)". A graph of a chart AI-generated content may be incorrect.

P-ISSN : 2985-8046 e-ISSN : 2964-5018
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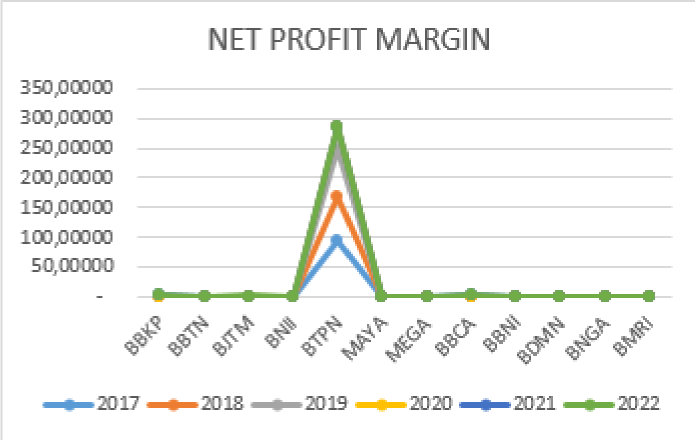

Figure 3. Grafik net profit margin

Based on the chart above which is sourced from twelve data of companies that have a Net Profit Margin in 2017-2022, it can be stated that Bank BTPN Tbk. has the highest Net Profit Margin compared to other banks that have the lowest Net Profit Margin.The cause of the increase in Net Profit Margin in the banking sub-sector is related to the bank's operational income which is sourced from credit activities and various other credit risks, the better the operational income, the better the company's performance which affects decision-making. As for the previous research, it was found that several studies were not in accordance with the results of this study, namely (Prastya & Agustin, 2018) which conducted a study on "The Influence of CR, NPM, GPM, and TATO on Profit Growth in Pharmaceutical Companies". The cause of the difference in the results of this study with the previous research is (Prastya & Agustin, 2018) which states that Net Profit Margin has no effect on profit growth in pharmaceutical companies because researchers state that the higher the Net Profit Margin, it will be followed by a decrease in profit growth. The Net Profit Margin variable itself cannot be used as a basis for determining the rise or fall of profit growth due to the large number of expenses incurred by the company, which causes less efficient profit growth due to high sales, which can result in higher expenses incurred but not balanced with sales.

Disclosure *of Net Profit Margin* to Profit Growth

Based on the t-test in table 8. It was found that the Debt To Equity Ratio had a positive effect on y and statistically it was found that t calculates > t table, as well as judging from the probability it can be stated that x1 is synonymous with y. Thus, based on hypothetical statistics, one is accepted. Debt To Equity Ratio can provide an overview of how sustainable the company's financial structure is, where the higher the Debt to Equity Ratio, the Company has a significant debt burden, which affects the disclosure of the Sustainability Report because interest payments and debt management are key factors at the time of decision-making (Melindawati et al., 2023). Based on the theory put forward by (Spence et al., 1973) about the Signaling theory which states that the higher the chance of growth of a company, it will give a

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JAATB

P-ISSN : 2985-8046 e-ISSN : 2964-5018
Jurnal Akuntansi dan Audit JAATB
Vol. 3. No.2-February 2025
https://ejurnal.stietribhakti.ac.id/index.php/JAATB
TRI BHAKTI

good signal to investors. That the signaling theory is in accordance with the results of research in the banking sub-sector, in addition to this research is strengthened by the existence of research (Handayani et al., 2021; Hart et al., 2017; Hendarwati & Syarifudin, 2021). A graph of numbers and lines AI- generated content may be incorrect.

Gambar 4. Grafik debt to equity

Based on the chart above which is sourced from twelve data on companies that have a Debt To Equity Ratio in 2017-2022, it can be stated that Bank Tabungan Negara Tbk. has the highest Debt To Equity Ratio compared to Bank BTPN Tbk and Bank CIMB Niaga Tbk which have the lowest Debt To Equity Ratio. The cause of the increase in the Debt To Equity Ratio in the banking sub-sector is the increase in liability or debt burden resulting in large corporate debt to external parties as well, where the company cannot manage its debt properly and optimally, which can have an impact on investor decision-making. As for previous research, several studies were found that were not in accordance with the results of this study, namely (D. N. Agustina & Mulyadi, 2019; Maryati & etc., 2022) which states that the Debt To Equity Ratio has no effect on profit growth.

CONCLUSION

Based on the results of the research conducted on the effect of Net Profit Margin and Debt To Equity Ratio on growth, the conclusions of this study are:

1. Net Profit Margin has a positive and statistically insignificant effect on profit growth. This is seen from the positive sign on the coefess in the *common effect model* (CEM) table, as well as there is a significant value of probability from this study it was also found that H1 is accepted or the hypothesis is accepted which is seen from the Thitung > Ttabel Calculation. Which means that the higher the net profit margin that the company has, the higher the profit growth practice, because the better the company in managing high net profit, the profit growth in the company can increase.
2. Debt To Equity Ratio has a positive and statistically insignificant effect on profit growth. This is seen from the positive sign on the coefess in the *common effect model* (CEM) table, as well as there is a significant value of probability from this study it was also found that H2 is accepted or the hypothesis is accepted which is seen from the Thcount > Ttable. Which means that the lower the long-term debt compared to the company's capital, the higher the

profit growth that the company gets.

LIMITATIONS AND RECOMMENDATIONS

1. Researchers can then consider other variables that have the potential to affect profit growth such as CR *(Current Ratio)*, TATO *(Total Asset Turnover)*, ROA *(Return On Asset)*.
2. Compare the banking sector with other sectors such as the property or health sector, to find out whether these variables have a negative or positive effect on profit growth between these sectors.
3. The researcher can then make the moderation variable and the mediation variable from the relationship between *Net Profit Margin* and *Debt To Equity Ratio* which has a role as moderation or mediation.

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