

The Influence of Current Ratio and Debt to Equity Ratio on Net Profit Margin (Study On One of The Health Service and Hospital Provider Companies for The Period 2018-2022)

Rohayati Nursita¹, Maulana Yusup², Adam Ramdani³, Galih Putra Prawiranegara⁴

Sekolah Tinggi Ilmu Ekonomi Pasundan Bandung, Indonesia^{1,2,3,4}

Email: nursitarohayati@gmail.com¹, yusup@stiepas.ac.id², adam@stiepas.ac.id³,
galih@stiepas.ac.id⁴

ABSTRACT

This study examines the impact of the Current Ratio and debt-to-equity ratio on the net profit Margin of a health service and hospital provider, Tbk, throughout the specified period. Financial ratios are crucial for evaluating a company's financial health, particularly in the healthcare sector, necessitating substantial spending in operational management and facility growth. The Current Ratio indicates the company's capacity to fulfill short-term liabilities, whereas the debt-equity ratio assesses the debt-to-equity ratio within the capital framework. The employed research approach is the classical assumption test, which verifies the regression model's precision utilized to examine the relationship between the independent and dependent variables. The classical assumption test encompasses normality, heteroscedasticity, multicollinearity, and autocorrelation tests to verify that the model is unbiased and yields valid results. The study's findings reveal that the Equity Ratio exerts a considerable negative impact on the Nett Profit Margin, indicating that an increased proportion of debt relative to equity results in a heightened financial burden for the organization. This condition adversely affects profitability, as the company must devote most of its income to meet financial obligations. Conversely, a more balanced capital structure management can enhance net income and the company's financial well-being. This discovery has significance for the management of Tbk enterprises in developing more effective financial strategies, particularly in regulating debt and equity levels to avoid adversely affecting profitability. Companies must implement measures to diminish reliance on external financing and enhance operational efficiency to bolster competitiveness in the healthcare sector. Furthermore, optimizing asset utilization and diversifying revenue streams may serve as strategies to enhance profitability sustainably. This study underscores the significance of equilibrium in the financial framework to guarantee sustained long-term growth. By effectively managing financial ratios, a healthcare and hospital service provider can enhance financial stability and sustain higher profitability in confronting future business issues.

Keywords: Current Ratio (CR), Debt to Equity Ratio (DER), Net Profit Margin (NPM)

INTRODUCTION

Health is a state in which physical, mental, and social well-being are optimal for doing activities that promote welfare. In life, this is a fundamental necessity that individuals endeavor to satisfy. Consequently, health is recognized as a fundamental human right that various health efforts within the social development framework must uphold. Providing diverse, qualified facilities, including a health service institution, is obligatory.

Health service institutions may be procured independently or through organized entities. A hospital exemplifies a health service institution. It is an institution operated by qualified medical professionals dedicated to diagnosing and facilitating patient recovery to their prior state of health. Diagnosis, medication prescriptions, and all hospital-related information must be explicit, comprehensive, and comprehensible. (Sa'diah, Manik & Danasasmita, 2023; Rachman, Karyatun & Digdowiseiso, 2023; Pardede & Munthe, 2023)

With the evolution of law and public interests, hospital management is not only the domain of government entities; private organizations may also administer hospitals. Public hospitals may be administered by governmental bodies, local authorities, or non-profit organizations, whilst private hospitals can be operated by for-profit businesses such as Limited Liability Companies or Persero. Simultaneously, there exists competition among hospitals, both public and

private, vying to recruit clients to utilize their services. Consequently, hospitals must endeavor to endure and expand considering elevated operational expenses and competitiveness regarding service quality. (Juwita & Mutawali, 2022; Juliani, Karyatun & Digdowiseiso, 2023)

Management must enhance its competencies and professionalism to achieve established objectives, specifically continuous growth (going concern) and social responsibility (corporate social responsibility). A firm's primary objective is to attain maximum profit. Increased sales volume correlates with enhanced profit margins. The annual financial report represents the company's net profit. (Oktaviani, Mursalini & Sriyanti, 2023; Gusrina & Fitria, 2023; Siswanto, Maudhiky, Wahyudi & Syah, 2022)

Numerous factors affect a company's viability as a continuing concern, particularly financial elements that indicate its operational success. Information users typically assess a company's success based on its financial standing and performance. Examining a company's profitability is a method to ascertain its financial reliability.

Profitability is utilized to assess the efficacy of the company's management about the returns generated from loans and investments. Consequently, before investing or considering investment in a firm, investors must review the financial statements, particularly the profit and loss statement, which provides insights into profitability levels, mitigating potential losses.

(Christianty & Latuconsina, 2023; Digdowiseiso & Fadillah, 2022)

The profitability measure pertinent to the company's capacity to attract investors is the Nett Profit Margin (NPM). The Nett Profit Margin is crucial to evaluate and utilize as a benchmark, as it assesses the efficacy of a company's activities. An increase in the net profit margin (NPM) from the prior year indicates that the company has effectively sustained its operational efficiency. A diminishing NPM (low value) signifies rising expenses, reduced income, or falling sales within the organization. This condition will undoubtedly result in losses for the organization, as it will hinder corporate expansion and lead to a future performance drop.

This organization is a premier healthcare and hospital provider in Indonesia, distinguished by its excellent management standards and the delivery of complete, professional healthcare services. It consistently recognizes that the hospitals it oversees are of international caliber in all services and capable of satisfying every patient that arrives. (Karlina & Rahman, 2023; Widiasmara, Kusherawati, Cahyaningati & Paramita, 2022; Alvian & Munandar, 2022)

This Company operates within the health sector, focusing on the following primary business activities: hospitals, clinics, polyclinics, treatment centers; specialist hospitals and polyclinics (including facilities for ophthalmology, otolaryngology, dermatology, psychiatry,

pulmonology, oncology, and ancillary health services such as laboratories and sanatoriums); and maternity hospitals. SAME's present commercial operations are the ownership and management of the EMC Pulomas Hospital, previously known as OMNI Pulomas.

The computation of the Nett Profit Margin (NPM) for this Company indicates that the NPM in 2018 was 6.18%, which is rather low. This condition is inferred due to the escalation of costs incurred by the Company, which are attributed to operational inefficiencies. Regrettably, in 2019 and 2020, the Company experienced losses of -27.88% and -88.54%, respectively. This condition was attributable to a decline in sales and operating income, which amounted to IDR 529 billion and IDR 507 billion, respectively. The escalating financial and other burdens contributed to the incurred losses. In 2019, the Company incurred a loss attributable to fluctuations in foreign currency rates, and in 2020, it faced a tax liability. In 2021, the Company successfully achieved a profit margin of 10.73%. Despite the rise in operating expenses relative to the prior year, this was attributable to the Company's total sales and operating profits surging to IDR 1.2 trillion and IDR 12.7 billion, respectively. In the concluding era studied, specifically 2022, the value of this NPM decreased to 0.68%. Despite its minimal level, the Company continues to generate a profit. The cash generated from operating activities decreased by 58.68% year-

over-year, from IDR109.56 billion to IDR45.40 billion. This condition reduced the cash and cash equivalents by IDR270.41 billion from the prior IDR867.44 billion. The cash balance after September 2022 fell by 73.34% year-over-year, declining from IDR917.80 billion to IDR244.66 billion. Total assets rose by 12.09% from the prior year to IDR5.08 trillion, comprising current assets of IDR565.38 billion and non-current assets of IDR4.51 trillion, up from IDR4.53 trillion. Liabilities similarly increased by 282.35% year-over-year, rising from IDR305.57 billion to IDR1.17 trillion, comprising short-term liabilities of IDR346.82 billion and long-term obligations of IDR821.53 billion. Conversely, the Company's equity fell by 11.52%, decreasing from Rp4.03 trillion to Rp3.56 trillion.

The research suggests that this Company's suboptimal net profit Margin (NPM) is affected by the Current Ratio (CR). The Current Ratio influences the Nett Profit Margin, indicating that the outcomes of the Current Ratio computation impact the magnitude of the Nett Profit Margin. The current ratio (CR) can be assessed by evaluating its capacity to fulfill its present obligations timely. Nonetheless, enterprises with an elevated current ratio are not inherently assured of settling their obligations before their due dates or maintaining payments on matured loans. The rationale is that allocating the Company's current assets is unprofitable. The Current Ratio (CR), deemed optimal or secure, is

achieved when a company's current assets are twice the amount of its current liabilities. The Company's financial situation is deemed reliable for settling current payments and debts. The corporation possesses liquidity, which the liquidity ratio may assess. The Current Ratio is a liquidity indicator that assesses a company's capacity to fulfill its current liabilities using current assets, which can be converted to cash within one year. Financial performance will appear favorable when the CR satisfies the criteria, resulting in a substantial net profit and an advantageous NPM value. The corporation is anticipated to furnish information for investors or prospective investors interested in acquiring shares.

The Company's objective in utilizing the Current Ratio (CR) is to optimize current assets to ensure timely payment of each account or current liability. A current ratio (CR) of less than one indicates the corporation possesses excessive current liabilities that cannot be settled upon maturity, leading to escalating debt, rising interest obligations, and a precarious or illiquid financial state.

The Current Ratio (CR) is the most straightforward computation among the several liquidity ratios. The CR computation utilizes solely two components. To ascertain the optimal CR, it should yield a result of 2; excessively low or high values are undesirable.

In 2018, the Company's current assets were recorded at IDR427,198,442,585. In 2019, this

value decreased to IDR116,348,538,913; in 2020, it surged by 110.93% to IDR245,420,403,391. In 2021, the value of the Company's current assets was 2.5 times greater than the previous year, amounting to IDR859,320,418,720. In 2022, the value of the Company's current assets was IDR557,972,718,936.00, representing a decline from the previous year. In the past five years, the Company's current liabilities were IDR121 billion, IDR225 billion, IDR374 billion, IDR331 billion, and IDR362 billion. The values are consecutive from 2018 to 2022.

The Company's current assets vary due to cash and cash equivalents, receivables, and inventory fluctuations. This Company's current liabilities consistently rise year due to the accumulation of bank loans, trade payables, tax obligations, and other commitments. All of these additions exhibit a payment gap of one year, attributable to the rise in current liabilities. In contrast, non-fixed current assets result in fluctuations in the Current Ratio (CR) value. This condition affects the variable Nett Profit Margin (NPM) value.

Consequently, the author employs the Current Ratio (CR) to acquire information on the Company's financial status and performance. CR is crucial for assessing the Company's liquidity feasibility. If the CR value attains the optimal threshold, the corporation is considered liquid. If the current ratio (CR) is too high but coupled with substantial debt, the Company lacks liquidity;

similarly, a CR value below one indicates a lack of liquidity.

The Current Ratio (CR) analysis for this Company indicates fluctuations of 3.5 times, 0.5 times, 0.4 times, 2.6 times, and 1.5 times from 2018 to 2022. In 2019 and 2020, the value of current liabilities significantly exceeded the total value of current assets possessed by this Company. Consequently, this Company's liquidity status was only favorable in 2021 and 2022. This condition is due to the CR value being excessively high in 2018, while in 2019 and 2020, it was shallow. The Company's financial performance is subpar, indicating a diminished capacity to fulfill or settle its debts. The subsequent component contributing to the suboptimal Nett Profit Margin (NPM) is believed to be affected by the debt-to-equity ratio (DER). Martha & Sitompul (2019) assert that the Equity Ratio significantly impacts the Nett Profit Margin, indicating that a company's capacity to service long-term debt influences the magnitude of its Nett Profit Margin. A higher Debt-to-Equity Ratio (DER) signifies increased risk for creditors, especially banks, as it indicates a diminished security of the funds invested by creditors in the enterprise. The debt-to-equity ratio is a critical indicator of a company's effectiveness and financial performance; a lower DER number increases the interest of potential investors and creditors in providing capital.

Consequently, organizations can utilize the debt-equity ratio to assess their capacity to make

profits through the utilization of available resources, such as assets, capital, or sales. Substantial profits or earnings indicate the potential for a high Nett Profit Margin, reflecting the Company's favorable financial performance or position. This condition might entice investors or prospective investors to commit capital. The Company's objective is to ascertain the total amounts supplied by creditors to the owners of the Company. This ratio determines the amount of capital used as debt collateral for each rupiah.

In 2022, the health and hospital service provider company suffered an 11.52% decline in equity, from IDR 4.03 trillion to IDR 3.56 trillion compared to the prior year. The reduction in equity resulted from an increase in debt compared to the prior year, alongside a decline in the Company's assets due to the settlement of liabilities.

Consequently, health and hospital service providers utilize the debt-equity ratio to ascertain whether the Company's equity worth varied or consistently diminished in the preceding year; a fluctuating equity level may result in variations in the DER. The Company's Debt-to-Equity Ratio (DER) is anticipated to be relatively low, as a high DER indicates that most of its assets or financing are derived from debt. The Debt-to-Equity Ratio (DER) is calculated by dividing total debt by equity. DER is incorporated within one of the Solvency Ratios or Leverage Ratios.

Consequently, the author employs the debt-to-equity ratio (DER) to acquire pertinent insights into the Company's financial performance. The Debt-to-Equity Ratio (DER) is a standard for assessing whether the Company's assets exceed its liabilities. A high Debt-to-Equity Ratio (DER) indicates poor financial performance, whereas a low DER signifies a favorable financial state for the organization.

The Debt-to-Equity Ratio (DER) computation indicated an increase from 90.71% in 2019 to 128.43% in 2020, ultimately reaching 246.19%. In 2021, the value fell to 11.67%. However, in 2021, the value declined to 11.67%. The decrease was brief since, in the subsequent year, 2022, the Company's DER value rose to 29.05%. Despite the favorable recording of profit and loss throughout multiple periods, the Company deteriorated throughout the entire duration. The Company's assets are predominantly financed through debt, particularly in 2020. This results from variations in equity, including share capital and retained earnings, whether allocated or unallocated from year to year. Simultaneously, the volume of debt incurred continues to rise, rendering the Company's financial performance precarious.

Upon analyzing the debt-to-equity ratio (DER) using the provided data, it is evident that the DER for healthcare providers and hospitals is suboptimal due to unstable variables. It is hypothesized to be closely associated with the

Current Ratio (CR) as X1 and the Nett Profit Margin (NPM) as Y. The Current Ratio and debt-to-equity ratio concurrently exert a positive and considerable influence on the Nett Profit Margin, indicating that liquidity and leverage ratios impact the company's capacity to earn net profit relative to total sales. The liquidity ratio assesses the company's ability to fulfill its short-term obligations. In contrast, the leverage ratio determines the extent to which the company's assets are financed by debt vs. equity. The two measurement methods allow for the assessment of changes in the Nett Profit Margin, as a high level of debt indicates a drop in NPM, and conversely. Consequently, the aforementioned criteria demonstrate an inconsistent relationship between the independent and dependent variables. This situation compels the author to investigate the extent of the impact of the Current Ratio and debt-to-equity ratio on Nett's Profit Margin.

The author conducted a study named "The Effect of Current Ratio (CR) and Debt to Equity Ratio (DER) on Nett Profit Margin (NPM)," focusing on a healthcare provider and hospital from 2018 to 2022, as outlined in the background explanation provided.

METHOD

Researchers employ this research technique to search for, record, collect, process, and analyze

both primary and secondary data. It facilitates the compilation of scientific articles addressing the principal problem and yields pertinent data.

This study employs a descriptive and verification strategy utilizing a quantitative methodology. The descriptive method is a research approach that analyzes current or continuing issues precisely. The descriptive technique pertains to the independent variable; the independent variables employed in this study are the Current Ratio and Debt to Equity Ratio. The verification method is a research technique employed to evaluate the hypothesis of descriptive study findings by statistical analysis, hence providing evidence of validity. This study used a verification research approach to assess the impact of the Current Ratio and debt-to-equity ratio on the net profit Margin of a healthcare provider and hospital.

The author employed a documentation method for data collection, examining various scientific journals, literature, books, prior research, and relevant internet sources regarding the impact of the Current Ratio and Debt-to-Equity Ratio on Net Profit Margin. The author acquired the research data from documents published in financial reports available on the Indonesia Stock Exchange (IDX), which are the subjects of the study.

This study's data collection technique necessitates examining an object or subject to address current issues. A population is a defined

group of items or people with specific attributes and quantities identified by the researcher for analysis, leading to subsequent findings. The population in this study comprises all financial reports from a certain health service provider and its affiliated institutions.

Sampling is described as a data collection method that is not exhaustive and does not encompass the full population but rather a subset. The sampling method is employed to identify the sample to be utilized. Sampling techniques are primarily categorized into two types: probability sampling and non-probability sampling. Probability sampling is a method that ensures that each element of the population has an equal chance of being chosen as a sample member. Non-probability sampling is a strategy that does not afford each element or member of the population an equal opportunity to be selected as a sample. The sampling strategy employed in this study is non-probability sampling, utilizing the purposive sampling method. Purposive sampling involves selecting samples based on specified criteria to fulfill predetermined objectives in the study. The author employs this strategy since not all samples meet the required criteria. The criteria for selecting this sample are based on health service providers and hospitals that have published annual and financial reports accessible on the Indonesia Stock Exchange (IDX) from 2018 to 2022 and possess comprehensive data on the variables utilized in the study: Current

Ratio, Debt to Equity Ratio, and Nett Profit Margin.

This research necessitates a traditional assumption test to evaluate the validity of the multiple linear regression model employed. The classical assumption test evaluates potential bias in regression analysis results, determining the extent to which these results can be deemed reliable in terms of accuracy. This classical assumption test comprises four sorts of assessments: normality, multicollinearity, heteroscedasticity, and autocorrelation tests.

The author employs the normality test to ascertain whether the acquired data is normally distributed or derived from a normal population. The One Sample Kolmogorov-Smirnov test is employed to evaluate the hypothesis regarding whether the sample data—specifically, the financial reports of a health service provider and hospital from 2018 to 2022, encompassing metrics such as the Current Ratio, Debt to Equity Ratio, and Nett Profit Margin—originates from a normally distributed population.

The author employs this multicollinearity test to ascertain the presence of a strong or perfect correlation between the independent variables in the regression model, specifically the Current Ratio and Debt-to-Equity Ratio. The Variance Inflation Factor is employed to identify multicollinearity in linear regression with multiple independent variables.

The author employs the heteroscedasticity test to determine if there is a disparity in variance across the residuals across different observations in the regression model. The scatterplot graph is utilized to ascertain whether a variable exhibits a directly proportional or inversely proportional relationship.

In linear regression, the author employs this autocorrelation test to determine whether a link exists between the disturbance errors (residuals) at time t and those at time $t-1$. The Durbin-Watson formula is employed to identify the presence of autocorrelation in the residuals of a regression study.

RESULTS and DISCUSSION

The classical assumption test is necessary to ascertain whether the regression estimation results exhibit autocorrelation or heteroscedasticity. If the regression model satisfies the BLUE (Best Linear Unbiased Estimator) criteria, indicating the absence of autocorrelation and heteroscedasticity, it can be utilized as an estimate instrument. This study employs the following traditional assumption test:

Table 1. Outcomes of the Classical Assumption Assessment

N o.	Items	Criteria	Result	Decision
1.	Normality test	Kolmogorov-Smirnov Test Sig value > 0,05	0,200	Normal

2.	Multicollinearity Test	Coefficients VIF $1 < > 10$	X1= 1.190 X2= 1.190	Multicollinearity does not occur
3.	Heteroscedasticity Test	Scatter plot	Data menyebarkan	Heteroscedasticity does not occur
4.	Autocorrelation Test	Durbin Watson by looking at Du and dl values. (k,n=2, 20)	1.689	There is no autocorrelation

The outcomes of the data normality assessment utilizing the One-Sample Kolmogorov-Smirnov non-parametric method indicate a significance value of 0.200. This condition exceeds the threshold of 0.05, allowing for the conclusion that the residual values are normally distributed and satisfy the criteria for normal testing.

The multicollinearity test findings indicate that the VIF for the independent variable is below 10, while the tolerance value exceeds 0.10. The results indicate that the independent variables, specifically the Current Ratio (CR) and Debt-to-Equity Ratio (DER), exhibit no signs of multicollinearity.

The findings of the heteroscedasticity test indicate that this study's scatterplot exhibits randomness, with residuals distributed both above and below zero (0) on the Y-axis. Therefore, the regression model exhibits no indications of heteroscedasticity.

The computed Durbin-Watson statistic in the SPSS 29 program is 1.689. The computed DW value will be juxtaposed with the DW table, where the sample size (n) is 20, the number of variables (k) is 2, and the significance level is set at 0.05, yielding $dL =$

1.100 and $dU = 1.537$. The computed DW value is situated between the upper limit (dU) and the lower limit ($4-dU$), specifically $1.537 < 1.689 < 4-dU$. Consequently, it can be asserted that the model lacks autocorrelation or, alternatively, that autocorrelation is absent. Research conducted on the impact of the Current Ratio (CR) and Debt to Equity Ratio (DER) on Nett Profit Margin (NPM) at a healthcare provider and hospital from 2018 to 2022 revealed that the Debt-to-Equity Ratio (DER) significantly negatively affects the Nett Profit Margin (NPM). The preliminary test findings indicate that DER possesses a coefficient of determination of 0.520, signifying that approximately 52% of the variation in NPM may be elucidated by fluctuations in DER.

Furthermore, the significance value is less than the significance threshold ($\text{sig.} < 0.001 < 0.05$), and the $-t$ -count value is less than $-t$ -table ($-3.970 < -2.110$), showing that DER significantly influences NPM. The results reveal that an increased Debt-to-Equity Ratio (DER) correlates with a heightened debt load for the company, which eventually affects profitability, as assessed by Nett Profit Margin (NPM). Companies with elevated debt levels typically encounter intensified financial constraints, including rising interest expenses and debt repayment responsibilities that may diminish net revenue. Conversely, a fall in DER results in a reduced debt load for the company, allowing for a greater allocation of income towards enhancing profitability.

The debt-equity ratio (DER) is a metric that compares a company's total debt to its equity. A higher DER number indicates a bigger share of the company's financing derived from debt relative to its equity capital. The findings of this study reveal that a

high Debt-to-Equity Ratio (DER) does not enhance the company's net profit Margin (NPM); rather, it impedes financial performance by diminishing profitability. This result may result from elevated interest expenses owed to creditors, thus diminishing the net profit accessible to the corporation.

Prudent debt management is crucial for sustaining financial stability in the healthcare sector, where a health and hospital service provider functions. Entities within this sector frequently have substantial capital requirements, including establishing medical facilities, acquiring advanced medical apparatus, and enhancing healthcare services. Excessive reliance on debt financing operational and investment operations may expose the company to liquidity pressures, resulting in diminished net profit margins.

The decline in Nett's Profit Margin (NPM) resulting from a high Debt-to-Equity Ratio (DER) may also impact the company's competitive position. Suboptimal profitability might diminish a company's capacity to invest in innovation, enhance operational efficiency, and broaden market reach. Investors and stockholders are generally more prudent in investing in organizations with elevated debt levels owing to increased financial risks.

This discovery aligns with capital structure theory, which posits that firms with elevated debt levels face diminishing profitability due to rising interest expenses and additional financial commitments. Consequently, organizations must evaluate more efficient debt management measures, including exploring alternate funding sources outside debt or enhancing operational efficiency to diminish reliance on external loans.

This study's findings guide firm management in formulating a more sustainable financial strategy

within managerial decision-making. Management must assess the company's funding policy by analyzing the equilibrium between debt and equity to avoid compromising profitability. One measure can be used to modify the company's capital structure to attain an optimal equilibrium between debt and equity utilization. Furthermore, corporations may enhance operational efficiency to augment revenue and mitigate cost constraints, increasing net profit margin while maintaining control over the debt-to-equity ratio.

Additionally, organizations may investigate refinancing ways to diminish interest expenses or pursue funding alternatives with reduced interest rates. Diversifying revenue streams may mitigate the adverse effects of elevated DER on profitability. Companies can enhance revenue and fortify their financial standing by innovating healthcare services or broadening market access. This study concludes that the debt-equity ratio (DER) significantly negatively impacts a healthcare and hospital service provider's net profit Margin (NPM) from 2018 to 2022. This condition indicates that organizations must manage their debt levels more judiciously to avoid impeding profitability growth. By adopting an appropriate financial strategy, organizations can enhance their competitiveness within the market and attain superior financial performance in the future.

CONCLUSION

The study's findings indicate that the Current Ratio and Debt to Equity Ratio significantly influence the net profit Margin of a healthcare and hospital provider during the examined period. The analytical results indicate that the Debt-to-Equity Ratio adversely affects

the net profit Margin. A larger debt-to-equity ratio signifies an increased financial load, which may ultimately diminish profitability. Overreliance on debt may result in heightened interest expenses and additional financial liabilities, diminishing the company's net profit.

The findings of this study demonstrate that proficient capital structure management is crucial for organizations to enhance financial performance. Companies must equilibrate debt and equity to avoid financial strain while maximizing profitability. In the healthcare sector, where investment in medical facilities and technology is crucial, an appropriate funding strategy is vital for sustaining the company's financial stability and competitiveness.

This study's implications guide corporate management in formulating a more sustainable financial plan. Companies must contemplate measures such as diminishing reliance on external financing, optimizing asset utilization, and enhancing operational efficiency to bolster profitability. Moreover, diversifying revenue streams may serve as a strategy to mitigate financial risks associated with elevated debt levels. This study affirms that a robust financial structure significantly influences company profitability. By optimally managing financial ratios, companies can enhance their resilience and promote long-term growth. Consequently, a prudent debt and capital management plan is crucial for attaining improved financial objectives.

REFERENCES

Alvian, R., & Munandar, A. (2022). The influence of debt to equity ratio, net profit margin, and

- cash ratio on firm value. *Fair Value: Jurnal Ilmiah Akuntansi Dan Keuangan*, 4(7), 2682-2690.
- Christianty, R., & Latuconsina, Z. (2023). The effect of current ratio, debt to equity ratio and total assets turnover on profit growth in property and Real Estate companies listed on the Indonesia Stock Exchange for the 2019–2021 period. *The International Journal of Business Management and Technology*, 7(1), 12-24.
- Digdowiseiso, K., & Fadillah, N. (2022). The Effect of Quick Ratio (QR), Debt to Equity Ratio (DER), Net Profit Margin (NPM), and Price to Book Value (PBV) On Stock Prices of Food and Beverage Companies in the Period 2011-2020. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal)*, 5(2), 12067-12081.
- Gusrina, D. H., & Fitria, B. T. (2023). The Effect of Liquidity and Return on Capital on Profitability : Study of Cigarette Sector Companies Listed on the Indonesia Stock Exchange for the 2016-2020 Period. *Jurnal Computech & Bisnis (e-Journal)*, 17(1), 1–8. <https://doi.org/10.56447/jcb.v17i1.25>
- Juliani, D. I., Karyatun, S., & Digdowiseiso, K. (2023). The Effect Of Current Ratio, Total Asset Turnover And Debt To Equity Ratio On The Financial Performance Of Manufacturing Companies Listed On The Indonesia Stock Exchange For The 2016-2020 Period. *Jurnal Syntax Admiration*, 4(4), 630-643.
- Juwita, R. I., & Mutawali, M. (2022). Pengaruh Current Ratio, Debt to Equity Ratio, Net Profit Margin, Total Asset Turnover Ratio dan Earning Per Share terhadap Kinerja Keuangan PT Asahimas Flat Glass Tbk Periode 2012-2021. *Lensa Ilmiah: Jurnal Manajemen Dan Sumberdaya*, 1(2), 114-123.
- Karlina, N., & Rahman, R. S. (2023). The Effect of Liquidity and Profitability on The Level of Financial Distress Using the Altman Z-Score Model : Study Of Companies in The Automotive Sector and Components Listed on The Indonesia Stock Exchange for the 2015-2020 Period. *Jurnal Computech & Bisnis (e-Journal)*, 17(1), 59–66. <https://doi.org/10.56447/jcb.v17i1.24>
- Oktaviani, A., Mursalini, W. I., & Sriyanti, E. (2023). Pengaruh Current Ratio, Debt To Equity Ratio, dan Net Profit Margin Terhadap Pertumbuhan Laba (Studi Kasus Pada Perusahaan Manufaktur Yang Terdaftar di Bursa Efek Indonesia Periode Tahun 2018-2020). *Jurnal Penelitian Ekonomi Manajemen Dan Bisnis*, 2(1), 66-83.
- Pardede, P., & Munthe, H. (2023). The Effect of Net Profit Margin on Current Ratio in PT. Siantar Top, PT. Kimia Farma and PT. Gudang Garam Companies Period 2020-

2022. *Jurnal Ekonomi, Bisnis & Entrepreneurship*, 17(2), 253-265.

Rachman, S., Karyatun, S., & Digdowiseiso, K. (2023). The Effect of Current Ratio, Debt to Equity Ratio, Debt to Asset Ratio, and Total Asset Turnover on The Financial Performance of Property and Real Estate Companies Listed in The Idx For The 2016-2020 Period. *Jurnal Syntax Admiration*, 4(2), 361-377.

Sa'diah, N. H., Manik, E. ., & Danasasmita, W. M. (2023). The Effect of Liquidity and Profitability on Company Value: Study on Cement Companies Listed on The Indonesia Stock Exchange For The 2016-2020 Period. *Acman: Accounting and Management Journal*, 3(1), 42–48. <https://doi.org/10.55208/aj.v3i1.59>

Siswanto, D. J., Maudhiky, F., Wahyudi, I., & Syah, T. Y. R. (2022). The Influence of Debt to Equity Ratio (DER), Return on Assets (ROA) and Company Size on Profit Growth. *Journal of Social Science*, 3(6), 2137-2147.

Widiasmara, A., Kuserawati, A., Cahyaningati, R., & Paramita, R. W. D. (2022). The Effect of Current Ratio, Debt to Equity Ratio, Return On Assets, and Net Profit Margin on Profit Growth. *Assets: Jurnal Ilmiah Ilmu Akuntansi, Keuangan Dan Pajak*, 6(1), 8-15.



© 2025 by the authors.
Submitted for possible open access publication under the terms and conditions of the Creative Commons Attribution (CC Attribution-NonCommercial-ShareAlike 4.0) license (<https://creativecommons.org/licenses/by-nc-sa/4.0/>).