The Influence of Profitability, Liquidity and Book Tax Differences toward Profit Growth (Study on Companies Listed in the Compass Index 100, 2013-2017)

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Abstract. This research aims to test the influence of profitability, liquidity and book tax differences on profit growth. Profitability is measured by ROE (Return On Equity), while liquidity is measured by CR (Current Ratio), and book tax differences proxy ed by permanent differences and temporary differences. Profit growth is very useful for internal companies to see corporate performance and external companies, it is useful for investors and creditors for making investment decisions. The population of this research is a company listed in the compass index 100 for the period 2013-2017. By purposive sampling method, the number of samples obtained are 86 data. The analysis method of this research used multiple linear regression. The result shows that profitability has a negative effect on the profit growth, while liquidity, the book tax differences have no effect on the profit growth,

Keywords: Profitability, Liquidity y, Permanent Differences, Temporary Differences, Profit Growth

1. Introduction

Info Bank Research Bureau announced there are 128 companies that went public non-financial and non-state enterprises managed positive growth in the last five years, ie from 2012 to 2016 [8]. One of the companies that experienced profit growth was Perusahaan Gas Negara (PGAS). PGAS scored a brilliant performance throughout the first half of this year. This state-owned issuer posted revenues of the US $ 1.62 billion, up 14.98% over the same period in the previous year [23].

More and more companies are experiencing earnings growth, the more stringent pe r rivals in the world need a. Company performance can be seen from the company's financial statements that are published every period. The more effective and efficient management in managing a company, the company will also increase its ability to increase profits [19].

Return on Equity (ROE) is one measure of profitability ratios that is the focus of this study. The ratio is used to measure the amount of net income that is generated from every penny embedded in the equity [14]. [13], [18], and [33] states that the ROE has a positive effect on profitable growth. While the research of [30], [34], and [31] stated that Return On Equity had a negative effect on earnings growth and research by [20] and [2] stated that ROE was not effected on profit growth.

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The results of research by [21], [18], and [22], the current ratio has a positive effect on earnings growth. Meanwhile, according to [13] and [31] CR negatively affects earnings growth. Also besides, according to research from [1], [11], and [20], the current ratio does not affect profit growth. Current Ratio can show a company's ability to pay short-term financial obligations on time. The higher the current ratio of a company, the better the profit growth and vice versa, the lower the current ratio of a company, it can be said that the company has less capital to pay its debts.

Evaluation of company performance can also use book-tax differences, name recognition in the calculation of profit according to accounting (book income) with profit according to tax (taxable income). Book tax differences are proxied by permanent differences and temporary differences. Research results from, [24] book-tax differences which are proxied by permanent differences have a positive effect on earnings growth. [7] found empirical evidence that permanent differences negatively affect earnings growth. Whereas in the research of [3], [25], and [32] permanent differences did not affect earnings growth. Book tax differences that are proxied by temporary differences in Daniati (2013), [3], [25], and [32] research, prove the positive influence of temporary differences on earnings growth. Whereas in the research of [24] and [7] stated that temporary differences did not affect earnings growth.

The theory that links the profitability, liquidity, and profit growth variables are the signal theory because when this independent variable experiences an increase or decrease it can give a signal to management which is then passed on to investors that can be used as information about the company's condition in the present and the future. While the permanent differences and temporary differences can be explained by positive accounting theory.

This research is a development of research conducted by [13] entitled Influence Analysis of Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin (NPM), and Current Ratio (CR), Against Corporate Profit Growth in Automotive in the Indonesia Stock Exchange. The difference of this study with previous research is not using the Net Profit Margin (NPM) variable because this ratio is already represented by the profitability of share capital or ROE (return on equity) because both are measurements of profitability ratios so in this study only choose one that is ROE. And there are additional variables, namely Book Tax Differences. Book Tax Differences is the difference between the recognition of revenues and costs between commercial and fiscal accounting because differences in recognition between companies and fiscal can affect corporate profits in the future so that it can affect profit growth. This is important to study so that users of financial statements can interpret the financial statements properly.

2. Literature Review

2.1 Signaling Theory

The signal theory explains the existence of information asymmetry between company management and other parties that have an interest in certain information and how important financial information is for investors [28]. The data available in that information can be very influential on the outcome of decisions both short-term and long-term, if the announcement of the information is a good signal for investors, there will be a change in the trading volume of shares and provide good prospects in the future.

2.2 Positive Accounting Theory

The theory of positive accounting is a theory that attempts to explain a process, which uses the ability, understanding, and knowledge of accounting and the use of accounting policies that are most suitable for dealing with certain conditions in the future [14]. The presence of positive accounting theory has made a significant contribution to accounting development The contribution of positive accounting theory to the development of accounting is to explain the difference between commercial financial statements and fiscal financial statements, this difference occurs because of differences in accounting principles, differences in accounting methods and procedures can lead to differences in recognition of income and costs according to [3], proves that Book Tax Differences is predicted to affect company performance due to differences in mechanism in calculating earnings, differences in accounting earnings and fiscal earnings are influenced by the choice of accounting methods in the accrual process.

2.3 Financial Statements

[16] defines financial statements as a structure that presents the financial position and financial performance in an entity. The general purpose of presenting these financial statements for the public interest is the presentation of information about the financial position (financial position), financial performance, and cash flow of the entity that is very useful for making economic decisions for its users. From the above two theoretical disclosures, it can be concluded that the company prepares financial statements to find out the results achieved during a certain period as well as a tool in management decision making.

2.4 Profit Growth

[16] In PSAK No. 46 1 aba divided into accounting income and taxable income. Accounting profit is profit or loss for one period before deducting tax expense. Whereas fiscal profit is profit (loss) for a period calculated based on regulations determined by the Tax Authority for income tax that is owed (repaid). Profit according to represents the excess of total income compared to the total burden. Profit is also called net income or earnings. Meanwhile, according to profit is the difference between the measurement of income and costs on an accrual basis. Net income is presented in the income statement by comparing income with costs. The presentation of earnings through financial statements is an important focus of company performance. The company's performance is the result of a series of processes at the expense of various resources. One measure of the company's performance appraisal is profit growth.

Earnings growth is an increase in profits obtained by the company compared to the profit of the previous year [1]. [3] state that profit growth is a parameter for evaluating company performance. According, the profit growth is said to be optimal if an increase of 10% or more than the previous year. The way to evaluate and interpret financial statements is to use financial ratio analysis [13]. Iillustrates that profit growth can be influenced by components that refer to PSAK 46 regarding income tax that is related to deferred tax caused by temporary taxable differences. This difference arises due to fiscal reconciliation carried out to obtain taxable income for the purpose to calculate a company's income tax.

2.5 Profitability

Profitability ratios are ratios that measure a company's ability to generate profit (profitability) at a certain level of sales, assets, and share capital. Return On Equity is the ratio that measures a company's ability to generate profits based on certain share capital [12]. The

return on equity is a ratio that shows how much equity contributed to creating net income. The increasing value of return on equity shows the effectiveness of the company in managing funds from owners [33].

2.6 Liquidity

Liquidity ratio is a ratio that shows a company's ability to meet its short-term obligations. The greater this ratio means the greater the company's ability to meet its short-term obligations [22]. The liquidity ratio that is the focus of this research is the current ratio (CR). The current ratio can be said as a form of measuring the level of safety (margin of safety) of a company. If the ratio is lower, it can be said that the company is less capital to pay debts [21].

2.7 Book Tax Differences

The difference in calculating the amount of taxable income is due to the difference in the recognition of income and costs between commercial and fiscal accounting. Recognition of income and costs in accounting allows the accrual method, whereas according to taxation rules, income is categorized: income as an increase in gross income and income that has been deducted by final income tax (does not add to gross income). Book tax differences arise from differences that are temporary (temporary differences) and are permanent (permanent differences) [25].

2.8 Temporary Differences

A temporary difference is a difference between the carrying amount of assets or liabilities in a financial position and the tax base. One of the temporary differences in the recognition of depreciation expense between commercial and tax accounting, this is due to the difference in economic life set in tax and commercial accounting. A taxable temporary difference is a temporary difference that results in a taxable amount in the calculation of future taxable income (tax loss) at the time the carrying amount of an asset or liability is restored or settled. While deductible temporary differences are temporary differences that result in deductible amounts in the calculation of future taxable income (tax loss) at the time the carrying amount of an asset or liability is restored or settled (PSAK No.46) [17].

2.9 Framework

Earnings growth is an increase in profits earned by the company compared to the profit of the previous year. An increase in profit growth can be used as a benchmark for company performance which is reflected in financial performance during a certain period, [1]. The factors of profit growth under study are profitability (ROE - Return On Equity), Liquidity (CR- Current Ratio), and Book Tax Differences as measured by permanent differences and temporary differences.

First, Return On Equity shows the extent to which companies manage their own capital effectively, measuring the profitability of investments made by the owners of their own capital or shareholders of the company[13]. The greater ROE will increase profit growth which means that ROE has a positive relationship with earnings growth. Factors that k Secondly namely Current Ratio (CR). CR is the company's ability to pay off short-term debt with its current assets. The higher the current ratio shows good profit growth because the easier it is for companies to pay the debt. Thus the current ratio has a positive relationship with earnings growth.

The third factor is the book-tax differences which are proxy by permanent differences and temporary differences. Book tax differences are differences in calculating the amount of PKP due to differences in recognition of income and costs between commercial and fiscal accounting. This difference is caused by two things, namely permanent differences and temporary differences. Permanent differences occur because there some revenues and costs are recognized by commercial accounting but are not recognized in fiscal terms. Differences occur because of the temporary timing differences between the recognition of income and expenses and tax accounting. If the fiscal profit increases, the tax burden is greater, if the tax burden is large, the profit becomes smaller.
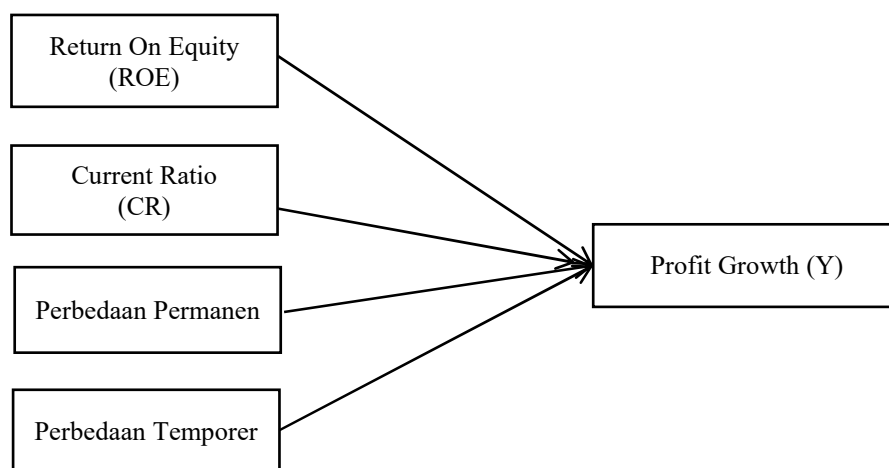
Fig.1. Research Model

2.10 Effect of Profitability (Return on Equity)

Equity or capital is an important element in a company where this capital is the backbone of all company operations. Measurement of a company's capital in generating profits that are using Return On Equity (ROE). This ratio is a measure of profitability from the perspective of shareholders. According to the information signal theory provided by companies that have a good ROE in generating profits, more investors trust the company so that more investors will invest their capital. Increasing ROE results in better profit growth because companies can manage capital funds well to generate profits. The results of the research by [33], [18] and [13] stated that there is a positive influence between ROE on earnings growth. So the first hypothesis can be drawn, namely:
H$_1$: Return On Equity (ROE) positive effect on growth profit.

2.11 Effect of Liquidity (Current Ratio)

The current ratio indicates how much of current assets to meet liabilities-current liabilities. The greater the current ratio, the higher the company's ability to meet its short-term obligations so that profit growth is also better. The signal theory states the company will give a positive signal to investors for the prospects of the company in the future. So investors will be interested in investing their shares in the company. The results of [21], [18] and [22]

research stated that the current ratio has a positive effect on earnings growth. Then the second hypothesis is:

H$_2$: Current Ratio (CR) has a positive effect on earnings growth.

2.12 Effects of Permanent Differences

Positive accounting theory can explain the cause of differences in commercial financial statements with fiscal financial statements, one of the differences is due to permanent differences. Permanent differences occur because income and expense transactions are recognized according to commercial accounting and not recognized according to fiscal terms. Positive correction causes fiscal profit to increase. If the fiscal profit increases, the tax burden must be paid even greater. The tax burden increasingly large net profit becomes increasingly smaller[3]. Therefore, the effect of permanent differences on profit growth. This is supported by research which states that permanent differences or differences remain influential and significant to earnings growth and research from [6] and [7] which states that permanent differences affect earnings growth in the negative direction. Based on this, the fourth hypothesis is formulated, namely:

H$_3$: Permanent differences affect earnings growth.

2.13 Effect of Temporary Differences

According to PSAK No. 46 temporary difference is the difference between the carrying amount of an asset or liability and its tax base. Temporary differences or time differences occur because of time differences in the recognition of income and expenses between taxes and accounting. Costs or income on a commercial accounting basis is recognized before they are recognized by the fiscal, and vice versa. This makes commercial accounting profit higher than fiscal profit.

Differences temporary may be a taxable temporary difference and deductible temporary differences. Temporary taxable differences result in deferred tax liabilities which causes a negative correction. Negative correction is to reduce income and increase costs in commercial calculations because the tax burden according to accounting is greater than the tax burden according to taxation. Then the greater the taxable temporary difference the smaller the profit growth [4]. While deductible temporary differences cause deferred tax assets (assets) and cause positive fiscal corrections that will increase income and reduce costs in commercial calculations. The greater the temporary difference (assets), the higher the profit growth [4]. This is in line with the studies of [25], [32], and [3] who state that temporary differences affect earnings growth. So the fifth hypothesis is:

H$_4$: Temporary differences affect earnings growth.

3. Method

3.1 Population and Sample

The population used are the companies listed in the Index Kompas 100 period 201 3 -2017. The sample selection method used is the purposive sampling method, with the following criteria, companies that did not experience losses during the 2013-2017 study period, sample companies had positive net income in the study period. In this study, the data collection

method uses the documentation method by collecting data obtained from the annual financial statements on the official website of the IDX (www.idx.co.id).

3.2 Operational definition

a) Dependent Variable (Y)

The dependent variable in this study is Profit Growth. Earnings growth can be interpreted as an increase in the profit of a company from one period to the next. Investors in assessing the company not only see profits in one period but continue to monitor changes in earnings from year to year. The profit growth formula is as follows: [3]

$$\text{Pertumbuhan laba} = \frac{\text{Laba tahun ini} - \text{Laba tahun sebelumnya}}{\text{Laba tahun sebelumnya}} \times 100\%$$

b) Independent Variable (X)

Return On Equity (ROE)

Profitability is a ratio that measures a company's ability to obtain profits compared to costs and other relevant costs that occur during a certain period [31]. The value of profitability in this study was measured using ROE. This ratio measures the ability of companies to generate profits based on certain share capital. ROE ratio can be calculated as follows:

$$\text{ROE} = \frac{\text{Laba bersih setelah pajak}}{\text{Total Ekuitas}} \times 100\%$$

Hanafi and Halim (2003: 85)

c) Current Ratio (CR)

Current Ratio is a ratio to measure the ability of a company to pay short-term obligations or debt that is due soon when billed as a whole [21]. Current Ratio can be formulated as follows: [12]

$$\text{Current Ratio} = \frac{\text{Aktiva Lancar}}{\text{Hutang Lancar}} \times 100\%$$

3.3 Differences Permanent

The permanent or permanent difference occurs because the transaction-transaction revenue and costs are recognized according to commercial accounting and are not recognized by the fiscal [3]. The amount of permanent difference is known from the notes to the financial statements with the formula: [5]

$$\text{Perbedaan Permanen} = \frac{\text{Jumlah Perbedaan Permanen}}{\text{Total Aset}} \times 100\%$$

3.4 Temporary Difference

Temporary or temporary differences arise from differences in time and methods confessions certain income and expenses based on the accounting standards and tax laws. The magnitude of the temporary difference is known from the notes to the financial statements with the formula: [5]

$$\text{Perbedaan Temporer} = \frac{\text{Jumlah Perbedaan Temporer}}{\text{Total Aset}} \times 100\%$$

3.5 Descriptive statistics

Descriptive statistics is a method relating to the collection and presentation of data to provide an organized and useful picture of activity. Measures used in descriptive statistics include: mean (mean), standard deviation, maximum, and minimum. Descriptive analysis is used as a support to add and sharpen the analysis conducted, help understand the problem under study, and provide a general picture of the phenomena that occur.

3.6 Multiple Regression Analysis

The researcher chose this model because this study was designed to determine the independent variables that influence the dependent variable [9]. Proof of the hypothesis in this study uses multiple regression models with five independent variables as follows:

$$PL = \alpha + \beta 1\ ROE + \beta 2\ CR + \beta 3\ BP + \beta 4\ BT + e$$

Where:
PL = Profit Growth Variable
α = Constant
$\beta 1, \beta 2, \beta 3, \beta 4, \beta 5$ = Regression Coefficient
ROE = Return On Equity Variable
CR = Current Ratio Variable
BP = Permanent Difference Variable
BT = Temporary Variable Variable
e = error

Hypothesis test
Test The coefficient of determination (R^2)
The coefficient of determination (R^2) is used to measure how far the model's ability to explain variations in the dependent variable. The coefficient of determination is between zero and one. The value of R^2 small means the ability of independent variables in explaining the dependent variable is very limited. A value close to one means that the independent variables provide almost all the information needed to predict variations in the dependent variable [10].

4. Results And Discussion

4.1 Sample Characteristics

The sample of this study is companies listed in the compass index 100 for the period 2013-2017 taken using the purposive sampling method. The sampling criteria are published annual financial statements ending December 31 and profits, have the required data related to the variables used in the study during the study period from 2013 to 2017 and the company had a net profit of positive samples in the study period. So from this criterion 86 observational samples were obtained from 32 companies listed in the compass 100 indexes during the study period. However, when conducting data analysis there were 12 data were casewise so that there were 74 observational data in multiple regression analyses.

4.2 Results of Analysis and Discussion

a) Descriptive statistics

Descriptive statistics on the variables ROE, CR, Permanent Differences, and Temporary Differences and Profit Growth in this study will be explained by the minimum, maximum, mean, and standard deviation values. The results of the descriptive analysis of the variables used in this study are as follows:

Table 1. Descriptive Statistics Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
ROE	86	1,71	135,85	25,0117	26,94106
CR	86	48,16	971,69	249,8701	173,45650
BP	86	-15,60	361,44	2,8797	39,26029
BT	86	-1,81	2,32	-0,0183	0,65703
Valid N (listwise)	86				

Multiple regression analysis is a method of analysis that aims to find out the independent variables that significantly influence the dependent variable [10]. The results of multiple linear regression can be seen in the following table:

Table 2. Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	20,023	3,482		5,751	0,000
ROE	-0,198	0,063	-0,328	-3,147	0,002
1 CR	-0,013	0,010	-0,134	-1,296	0,199
DER	0,074	0,011	0,710	7,020	0,000
BP	-0,016	0,036	-0,041	-0,457	0,649
BT	2,468	2,576	0,101	0,958	0,341

Sumber: Data sekunder yang diolah thn 2019

a. Dependent Variable: PL

Based on table 2, a regression equation can be made with the following explanation:

$$PL = 20{,}023 - 0{,}198ROE - 0{,}013CR - 0{,}016BP + 2{,}468BT + e$$

Hypothesis test
The coefficient of determination (R^2)
The coefficient of determination (R^2) aims to measure how far the model's ability to explain variations in the dependent variable. The coefficient of determination is between zero and one. The value of R^2 small means the ability of independent variables in explaining the dependent variable is very limited. [10]. The result of the coefficient of determination (R^2) can be seen in the following table:

Table 3 . Test Results The coefficient of determination (R^2) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,688a	0,473	0,435	12,77530
	a.	Predictors: (Constant), BT, BP, CR, ROE		

Based on the test results of the coefficient of determination (R^2) above can be seen that the test shows that the results of the Adjusted R Square of 0,435 or 43,5%. Thus it means that 43,5% of the dependent variable of earnings growth can be explained by 3 independent variables

namely profitability, liquidity, permanent differences, and temporary differences. While the remaining 56,5% is explained by other factors outside the research model, such as activity ratios, company size, and profit margins.

Model Feasibility Test (F Test)

This test aims to determine whether the independent or independent variables simultaneously or together have a significant effect on the dependent or dependent variable. If the significance value> 0,05 then the independent variable simultaneously has no affect on the dependent variable and if the significant value ≤ 0,05 then the independent variable simultaneously has a significant effect on the dependent variable [9]. Here are the results of the F statistical test:

Table 4. Test Results F

ANOVAᵃ			
Model		F	Sig.
	Regression	12,223	0,000ᵇ
1	Residual		
	Total		

Statistical Test

t-test aims to show how far the influence of one explanatory or independent variable individually in explaining the dependent variable. If Sig. ≤ 0,05 then the independent variable partially influences the dependent variable [9]. T-test results can be seen in table 3.

4.3 First Hypothesis Testing Results

From table 3 shows the results that ROE has a negative influence on earnings growth, the significant value of the profitability variable is 0,002 <0,05. It can be concluded that profitability has no positive effect on profit growth. So the first hypothesis which states that profitability has a positive effect is rejected. Based on the signal theory used in this study that the information provided by companies that have good ROE in generating profits makes more and more investors believe in the company so that more investors will invest their capital. Increasing ROE results in better profit growth because companies can manage capital funds well to generate profits.

However, the results in this study indicate a negative direction, it can be said that the majority of the companies studied did not use their capital optimally to generate profits or ineffective use of company capital in generating profits so that profits obtained in the coming years decreased [30]. This can be seen from the fact that there are still many companies that do not optimize their capital or equity to gain profits, so this has not had a significant effect on profit growth.

The study was supported by descriptive statistical data which showed that the average value of profitability was 25,0117 with a maximum value of 135,85 and an average value of profit growth of 52,195 with a minimum value of 0,06. With the direction of the negative coefficient means that companies that have high profitability have low-profit growth. Examples of companies that have high profitability and low-profit growth are Unilever Indonesia Tbk in 2016 with of 135,85 and below-average profit growth of 9,21.

The results of this study differ from those of [19], [33], [18] which state that ROE has a positive effect on profit growth and research from [20], [2] which states that ROE does not

effect on profit growth. However, this study is in line with research from [31], [30], and [34] which states ROE has a negative influence on earnings growth.

4.4 Second Hypothesis Testing Results

From table 3, the results show that CR does not affect on earnings growth can be seen the significant value of the profitability variable is 0,199> 0,05. It can be concluded that liquidity has no positive effect on profit growth. So the second hypothesis which states that liquidity has a positive effect is rejected. The signal theory states the company will give a positive signal to investors for the prospects of the company in the future. So investors will be interested in investing their shares in the company if the company can meet its current liabilities by using its current assets so that its profit growth will also increase. The greater the current ratio, the higher the company's ability to meet its short-term obligations so that profit growth is also better.

This study shows negative and insignificant results, this means that the company's ability to meet its short-term obligations does not guarantee the availability of working capital to support the company's operational activities so that the profit to be achieved is not as expected. This has the meaning that the current assets produced are too high because the company is trying its best to use current assets not only to meet debt but also for other purposes. This will result in an excess of current assets which will adverse effect on earnings growth because current assets generally produce lower returns compared to fixed assets [11].

This research is supported by descriptive statistical data which shows that the average value of liquidity is 249,8701 with a maximum value of 971,69 and an average value of profit growth of 52,1955 and a minimum value of 0,06. With the direction of the negative coefficient means that companies that obtain high liquidity have low-profit growth. Examples of companies that have high liquidity (above average) are Media Nusantara Citra Tbk, with the liquidity of 971,69 in 2014 and profit growth of 4,00 below the 2014 average.

The results of this study are not in line with research by [21], [22], and [18] which states that the current ratio has a positive effect on earnings growth. But in line with research [1], [11], [34] and [20] which states that the current ratio does not affect earnings growth.

4.4 Third Hypothesis Testing Results

From table 3, pointing out that permanent differences do not affect on earnings growth can be seen the significant value of the permanent difference of 0,649> 0,05. Significance value > 0.05 then Ho is accepted and Ha is rejected. It can be concluded that permanent differences do not significantly influence earnings growth. So the fourth hypothesis which states the permanent difference in effect on earnings growth is rejected.

Based on the positive accounting theory, differences permanently occur due to transactions recognized income and expense accounting by commercial and not recognized by the fiscal. Positive correction causes fiscal profit to increase. If the fiscal profit increases, the tax burden must be paid even greater. The tax burden increasingly large net profit becomes increasingly smaller [3].

But the results of this study indicate there is no influence between permanent differences with earnings growth. Permanent differences are absolute differences that do not have a meeting point or counterbalance will only affect the amount of profit for the current period to cause permanent differences that do not affect profit growth for the next period. Therefore, permanent differences do not require inter- period income tax allocation (Interperiod Income Tax Allocation) [3]. In this study, the permanent difference shows a negative regression

coefficient so that it is more dominant to occur because of costs that are not legally recognized for taxation (Tax Dedicated Expense). But this is not able to affect profit growth because the amount is very small.

Based on the results of research on the observation sample shows that permanent differences do not affect earnings growth. This can be demonstrated by the 2013 Semen Indonesia (Persero) Tbk having a permanent difference value of 361,44 and having a profit growth of 8.68 which means that a high permanent difference value is likely to result in low-profit growth. In addition, Indo Tambangraya Megah Tbk in 2014 has a permanent difference value of -2,75 and a profit growth value of 0.06 which means that a low permanent difference value is likely to result in low-profit growth.

The results of this study are not in line with the studies of [24] who state that permanent differences affect earnings growth and research from [7] which states that permanent differences negatively affect earnings growth. But the results of this study are in line with research conducted by [3], [25], and [32] which state that permanent differences do not affect earnings growth.

4.5 Four Hypothesis Testing Results

From table 3, it shows that the temporary difference does not affect on earnings growth can be seen   the significant value of the permanent difference of 0,341> 0,05. Significance value > 0,05 then Ho is accepted and Ha is rejected. It can be concluded that permanent differences do not significantly influence earnings growth. So the fifth hypothesis stating that temporary differences affect earnings growth is rejected.

Based on positive accounting theory in this study, temporary differences can be in the form of taxable temporary differences and temporary differences that can be deducted. However, the results of this study indicate that temporary differences do not affect earnings growth and indicate that temporary differences have a positive regression coefficient. Then the temporary difference is more dominant due to Assets, where the Deferred Tax Assets can be deducted from the current tax burden to reduce the tax burden. However, this number does not affect because the amount is small or not too significant. This means that temporary differences do not have a significant effect on profit growth.

Based on the results of research on the observation sample shows that temporary differences do not affect profit growth. This shows that the size of the temporary difference does not have an affect on earnings growth. This can be demonstrated at Ace Hardware Indonesia Tbk. In 2013, there was a temporary difference of 2,32 and a profit growth value of 17,29, which means the value of earnings growth was below the average of 52,19, so a high temporary difference was likely to be a low-profit growth. While Telekomunikasi Indonesia (Persero) Tbk in 2015 had a low temporary difference of -0,04 and had a low-profit growth value of 9,6. This can be interpreted that a low temporary difference is likely to result in low-profit growth.

The results of this study differ from the results of research from [3] [32] which state that temporary differences have a positive effect on earnings growth. But in line with the research of [24], [7] which states that temporary differences do not affect earnings growth.

5. Conclusion

Based on the analysis that has been done, profitability proxied by ROE (Return On Equity) has a negative effect on profit growth. Liquidity measured by CR (Current Ratio) does not affect on profit growth. Variable permanent and temporary differences, no effect on earnings growth. Its means all hypothesis is rejected. In a future research can take variable solvency.

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