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The Effect Of Financial Ratios, Sales Growth Ratios, And Company Size On Profit Growth

Herlina Anggraeni✉, Menik Indrati[2]
[12]Fakultas Ekonomi dan Bisnis Universitas Esa Unggul

Corresponding Author: Herlina Anggraeni, e-mail: Herlinaanggraeni30@student.esaunggul.ac.id

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ABSTRACT

Tujuan dan penelitian ini menganalisa pengaruh rasio keuangan, rasio pertumbuhan penjualan dana ukuran perusahaan terhadap pertumbuhan laba. Variabel independen yang digunakan terdiri dari variabel Current Ratio diukur dengan (CR), Total Asset Turnover diukur dengan (TAT), Debt to Equity Ratio diukur dengan (DER), Net Profit Margin diukur dengan (NPM), Sales Growth diukur dengan (SG) dan Ukuran Perusahaan diukur dengan (FS) dan variabel dependen yaitu Pertumbuhan Laba diukur dengan menggunakan Profit Growth (PG). terhadap 36 perusahaan yang memenuhi kriteria dari total 97 perusahaan dengan objek penelitian pada perusahaan sektor barang baku yang tercatat di Bursa Efek Indonesia (BEI) selama tahun 2019- 2021 dan menggunakan teknik purposive sampling. Pengujian data yang digunakan terdiri dari analisis regresi berganda dengan menggunakan aplikasi *Statistical Program For Social Science* (SPSS). Uji hipotesis menggunakan uji statistic F(simultan), uji statistic T (parsial), dan uji regresi linear berganda. Penelitian ini menunjukkan hasil berupa variabel Current Ration, Sales *Growth* berpengaruh positif terhadap Pertumbuhan Laba, variabel Total asset Turnover tidak berpengaruh negative, variabel DER, NPM berpengaruh negative terhadap pertumbuhan laba dan *Firm Size* tidak berpengaruh positif terhadap Pertumbuhan Laba. Penelitian ini berguna untuk menjadi pertimbangan untuk para investor mengenai informasi laporan keuangan yang diberikan perusahaan dalam pengambilan keputusan investasi setelah melihat kinerja keuangan perusahaan dalam mengungkapkan pertumbuhan laba.

Keywords: *Current Ratio, Total Asset Turnover, debt to Equity Ratio, Net Profit Margin, Sales Growth*, Ukuran Perusahaan.

ABSTRACT

The purpose of this study is to analyze the effect of financial ratios, sales growth ratios and company size on profit growth. The independent variables used consist of Current Ratio as measured by (CR), Total Asset Turnover as measured by (TAT), Debt to Equity Ratio as measured by (DER), Net Profit Margin as measured by (NPM), Sales Growth which is measured by (SG), and company size is measured by FS and the dependent variable, namely profit growth, is measured by profit growth (PG). there are 36 companies that meet the criteria out of a total of 97 companies with research objects in raw goods sector companies listed on the Indonesia Stock Exchange (IDX) during 2019-2021 and using a purposive sampling technique. The test data used consists of multiple regression analysis using the Statistical Program For Social Science (SPSS) application. Test the hypothesis using F statistic test (simultaneous), T statistical test (partial), and multiple linear regression test. This study shows the results of the variable Current Ratio, Sales Growth has a positive effect on Profit Growth, Total Asset Turnover variable has no negative effect, DER, NPM has a negative effect on profit growth and Firm Size has no positive effect on Profit Growth. This research is useful as a consideration for investors regarding financial statement information provided by companies in making investment decisions after seeing the company's financial performance in disclosing profit growth.

Keywords: *Current Ratio, Total Asset Turnover, Debt to Equity Ratio, Net Profit Margin, Sales Growth, Company Size.*

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INTRODUCTION

Profit growth refers to the increase and decline in profits realized by the industry during the previous year. Profit is generally used as a measure of an industry's achievement, so profit is used as a benchmark for making considerations to investors and predicting future profit modifications (Ester et al., 2022). Financial reports have the potential to reveal information related to a company's financial performance, whether it has made a profit or suffered a loss in a certain period. (Amalia et al., 2022). Through the profits made by a company, investors and the general public assess the success of a company. The level of a company's success determines the perception of investors and the public in managing its assets into high profits (Yuliana & Purba, 2022).

The manufacturing sector experienced significant growth from 2019 to 2021, making it the largest contributor to Indonesia's economic development and national GDP (https://kemenperin.go.id/). In particular, the basic goods manufacturing company PT Aneka Tambang Tbk reported a net profit of Rp 193.85 billion at the end of 2019. By the end of 2020, its net profit increased to Rp 1.14 trillion. In 2021, the net profit further rose to Rp 1.86 trillion, representing a 61.98% year- on-year increase (Www.Cnbcindonesia.Com/, 2022). However, profit growth is not always consistent, as demonstrated by PT Aneka Gas Industri Tbk. This company recorded a net profit of Rp 101 billion at the end of 2019, but its net profit declined to Rp 96.41 billion in 2020. PT Aneka Gas Industri Tbk subsequently experienced an increase in both sales and net profit in 2021, with a net profit of Rp 204.18 billion and sales reaching Rp 2.74 trillion (www.idx.co.id, 2022).

Factors that determine profit growth that experience stable or significant increases in company profits. That way, stakeholders can make the right decisions for their activities (Dillak & Siburian, 2021). Profit growth can indicate that the company's finances are developing well, which will have a positive impact on the company's value. Financial statement analysis must be carried out using financial ratios to predict future profit growth (Sari, et al., 2020).

Financial ratios can be used to make estimates about changes in profits, such as liquidity ratios. In this ratio, companies are able to estimate their short-term liquidity by comparing assets and current liabilities. Meanwhile, profitability ratios are used to measure the industry's ability to generate profits in terms of sales, assets, and capital. Activity ratios are calculated by considering the extent to which assets are applied in a certain level of activity (Amalia et al., 2022). Solvency ratios, also known as ratios

Leverage measures a company's ability to fulfill its long-term financial obligations (Nasution et al., 2022). Rasio yang digunakan untuk menilai pertumbuhan laba adalah rasio yang diukur. Likuiditas diukur dengan rasio current ratio, aktivitas dengan rasio total asset turnover, profitabilitas dengan rasio net profit margin, dan solvabilitas dengan rasio debt to equity ratio (DER) (Hermanto & Hanadi, 2020).

The sales growth ratio is an indicator of a company's ability to maintain its position in the industry and overall economic progress (Sunday O. & Ademola A., 2015). Sales growth ratio is measured using sales growth, which reflects the company's capabilities over time; higher sales growth indicates the extent to which the company has successfully implemented its strategies (Afinindy et al., 2021).

The size of the company also influences the aspect of company dimensions that can be measured by calculating the natural logarithm of total assets. Laba yang tumbuh memiliki potensi untuk memperkuat hubungan antara ukuran perusahaan dan tingkat laba yang diraih. Companies experiencing growth in profits are more likely to have larger assets, enabling them to achieve greater profitability (Shahnia et al., 2020).

Studies (Ebimobowei et al., 2021; Dillak & Siburian, 2021) indicate that the current ratio has a positive effect on profit growth. Other studies (Saleh et al., 2022; Nariswari & Nugraha, 2020; Prabowo, 2020) indicate that total asset turnover has a positive effect on profit growth. Other studies (Nasution et al., 2022; Manalu et al., 2020) indicate that the debt-to-equity ratio negatively affects growth in profits. Other studies (Wuryanti & Kartika, 2022; Abbas & Hidayat, 2021) have found that net profit margin

has a positive effect on growth. (Shahnia et al., 2020; Rosali et al., 2020) state that sales growth positively affects profit growth. Research (Siswanto et al., 2022; Sari et al., 2020) indicates that firm size negatively affects profit growth.

According to Sari et al. (2020), the TAT, NPM, and SG ratios have a favorable influence on PG, while the CR and CLI ratios have an adverse effect. Among companies in the food and beverage sector listed on the IDX between 2014 and 2018, company size does not affect corporate earnings growth. However, the difference in this study is that the variable Current Liability to Inventory (CLI) is changed to the variable Debt to Equity Ratio (DER) in companies in the raw materials sector listed on the Indonesia Stock Exchange (IDX) from 2019 to 2021. The author chose the DER variable because this ratio calculates the portion of funds provided by creditors. Kreditur lebih menginginkan rasio utang yang rendah. Jika rasio utang terhadap ekuitas rendah, maka biaya bunga yang dikeluarkan perusahaan akan semakin kecil dan pertumbuhan laba akan semakin besar (Hayati et al., 2020).

According to Hertina & Sutarman (2020), the debt-to-equity ratio affects the growth of profits for manufacturing companies that focus on raw materials and are listed on the Indonesia Stock Exchange (IDX) between 2019 and 2021. The presence of these manufacturing companies plays a significant role in Indonesia's economic progress, particularly in terms of the national Gross Domestic Product (GDP).

The purpose of this study is to investigate the impact of CR, TAT, DER, NPM, firm size, and SG on profit growth in companies in the raw material sector listed on the Indonesia Stock Exchange (IDX) from 2019 to 2021. The study adds to the knowledge of factors that determine profit growth, is useful for predicting the financial performance of companies in subsequent periods, and helps investors make informed investment decisions in the future (https://kemenperin.go.id/).

LITERATURE REVIEW

Signaling Theory

According to signaling theory, the sender, or owner of information, provides signals in the form of information that indicates a business situation that is beneficial to the recipient (Morris, 1987). Signaling theory explains the information created by the industry, especially company financial reports, which is very useful for influencing investors' decisions to invest in companies (Indrati & Amelia, 2022). Therefore, Signaling Theory is an action taken by company management to provide investors with information about the future value of the company (Purwaningsih & Lestari, 2021). In signaling theory, positive profit growth signals send positive signals to the market. Year-on-year profit growth is good news for investors because it indicates good company performance. Company profit growth can be estimated through the application of ratio analysis in financial statements, such as the CR, TAT, DER, NPM, and SG financial ratios, both horizontally and vertically, on the components in the company's income statement, changes in capital, and balance sheet. Financial statements are explanations that provide signals for decision-making to parties who need financial statements, which is in accordance with signaling theory. Signaling theory explains that companies must convey financial information to external parties such as potential investors. Providing accurate and reliable financial information can stimulate investor interest in exploring more effective and profitable opportunities (Nuzulla & Murtianingsih, 2022). The disclosure of company profits is one example of information that can serve as a signal to investors (Sari, et al., 2020).

Profit Growth

Profit growth is an increase or decrease in profit that occurs every year (Firman & Salvia, 2021). In situations where companies experiencing continuous profit growth have large total assets, this allows for greater opportunities to generate profits and has an impact on good profit quality (Hakim & Naelufar, 2020). The better the profit

growth percentage, the better the company's performance, including the performance of the company's managers. This year's net profit is subtracted from last year's net profit and then divided by last year's net profit to determine profit growth (Prabowo, 2020). Increased profit growth proves that the company is generating margins or profits (Ester et al., 2022).

Current Ratio (CR)

The current ratio can be used to assess a company's short-term liquidity capabilities by evaluating current assets and current liabilities (Susanti, et al., 2020). One type of liquidity ratio is the current ratio. The current ratio in a company helps assess the possibility of lending by creditors and plays a role in generating profits. This indicates that the Current Ratio has the potential to influence revenue growth. Ultimately, it provides companies with an indication of the extent of potential future revenue growth. (Amalia et al., 2022).

Total Assets Turnover (TAT)

Total Asset Turnover is a ratio used to assess the efficiency of utilizing all assets within a certain period. TAT is included in the activity ratio category. (Firman & Salvia, 2021). Total Assets Turnover is a ratio that evaluates the efficiency of utilizing all assets to generate income, and if this ratio value is higher, it indicates that the management of all assets owned by the company is more efficient. (Siregar & Harahap, 2021). An increase in the NPM ratio indicates that expenses are more efficient, which in turn contributes to an increase in net profit. Success in achieving this profit provides important insights for investors regarding the company's performance and raises expectations for a substantial return on capital. In other words, this indicates that profit growth is also likely to increase. (Sari, et al., 2020)

Debt to Equity Ratio (DER)

DER is a ratio used to determine how much capital a company obtains from debt or debt-secured capital (Hayati et al., 2020). One of the solvency ratios is DER, also known as the leverage ratio, which assesses the limits of a company's ability to borrow money (Nuryani & Sunarsi, 2020). DER is an evaluation of the comparison between a company's total debt obligations and its capital. The higher the debt ratio, the greater the interest burden, which can lead to a reduction in profits. (Nasution et al., 2022).

Net Profit Margin (NPM)

The net profit margin shows how much profit is generated by sales. Sales increase when a company's net profit increases (Firman & Salvia, 2021). A higher net profit margin results in greater profits and more efficient operations. To increase their net profit, businesses can reduce unnecessary costs (Prabowo, 2020). If a company is more efficient in terms of production, personnel, marketing, and finance, investors
will be more interested in investing capital, which in turn will increase the company's profits (Amalia et al., 2022).

Sales Growth (SG)

The growth ratio is used, which consists of asset and sales growth. Sales growth has a strategic impact on the company because an increase in market share increases sales and improves the company's profitability (Sari, et al., 2020). The sales growth rate shows how well the company is implementing its strategy, so that sales growth can increase the value of the company. (Afinindy et al., 2021).

Firm Size (FS)

Company size is a proposition used to group companies according to their size based on various strategies, such as total assets and sales, stock market value, and others (Anggraini & Agustiningsih, 2022). Company size is a parameter that indicates the level of an industry. Company size is an asset that becomes a source of business equity. Company size is classified based on current assets and

non-current assets (Afinindy et al., 2021). The larger the company size, the more funds are managed, and the more complex the management becomes. Therefore, there is no doubt that company size can affect its ability to bear risks that may arise due to various situations it faces (Rosali et al., 2020).

RELATIONSHIP BETWEEN VARIABLES

Current Ratio (CR) to Profit Growth

A high CR indicates that a company has effective competence in carrying out its financial responsibilities. This will provide assurance to stakeholders that the company's financial condition is stable (Nikmah et al., 2020). A high Current Ratio can indicate a significant level of liquidity, bringing potential benefits to the company in the future (Subing et al., 2021). Signaling theory explains that high CR information can be interpreted as a negative signal (Sari et al., 2020). In addition, the impact of the current ratio on profit growth occurs when the company has the ability to cover its current liabilities efficiently because the company can effectively manage its current assets, which will affect the company's profit growth (Manalu et al., 2020).

This is in line with the research (Manalu et al., 2020), (Hermanto & Hanadi, 2020), (Ebimobowei et al., 2021) and (Dillak & Siburian, 2021) which states that the Current Ratio has a positive impact on profit growth. Based on the above explanation, the following hypothesis is formulated:

H1: Current Ratio (CR) has a positive effect on profit growth. Total Asset Turnover (TAT) and Profit Growth

For creditors and business owners, total asset turnover is very important because it shows how effectively and efficiently all of the company's assets are being used. The higher the total asset turnover, the greater the change in profit. High sales and the opportunity to earn increased profits. The faster the asset turnover, the greater the revenue generated, which will affect profit growth (Firman & Salvia, 2021). This is also supported by signal theory, which states that if TAT increases, the profit generated will also increase, indicating a positive signal theory (Sari et al., 2020).

This is in line with research by (Dillak & Siburian, 2021) and (Saleh et al., 2022), which states that Total Asset Turnover has a positive impact on profit growth. Based on the above explanation, the following hypothesis is formed:

H2: Total Asset Turnover (TAT) has a positive effect on profit growth.

Debt to Equity Ratio (DER) and Profit Growth

Because a lower debt ratio provides more protection to creditors, creditors prefer a low debt ratio. Therefore, if the debt to equity ratio is high, profit growth will be lower, because a high Debt to Equity Ratio (DER) indicates that the ratio between total debt and company capital tends to be higher than the capital it owns. (Firman & Salvia, 2021). When a company has a high DER, it sends a bad signal. This is because part of the debt capital used in the business must be used to pay off debt obligations, which increases the company's burden to lenders. (Dillak & Siburian, 2021).

This is in line with the research by (Hertina & Sutarman, 2020), (Manalu et al., 2020), (Dillak & Siburian, 2021), (Wuryanti & Kartika, 2022), and (Nasution et al., 2022) which explain that the Debt to Equity Ratio has a negative impact on profit growth. Based on the above explanation, the following hypothesis can be formed:

H3: The Debt to Equity Ratio has a negative effect on profit growth.

Net Profit Margin (NPM) on Profit Growth

If a company can earn high net profits, then the NPM ratio will also be high (Bustani et al., 2021). The greater the profit margin, the better, because the company is able to earn sufficiently high profits through sales with the ability to significantly reduce its operating costs (Nariswari & Nugraha, 2020). An increasing NPM ratio indicates that the more effective the costs incurred, the

greater the net profit generated (Sari, et al., 2020). This is supported by theoretical signals, which mean that the Net Profit Margin provides positive signals. By achieving this profit, investors involved in decision-making will obtain valuable information about the company's performance and have expectations of a substantial return on capital. In other words, it can be concluded that profit growth will also increase (Nasution et al., 2022).
This is in line with research (Prabowo, 2020), (Sari et al., 2020), (Nariswari & Nugraha, 2020), (Abbas & Hidayat, 2021), and (Wuryanti & Kartika, 2022) which states that Net Profit Margin has a positive impact on profit growth. Based on the above explanation, the following hypothesis can be formulated:
H4: Net Profit Margin has a positive effect on profit growth.

Sales Growth and Profit Growth
The change between sales in the previous year and the following year can indicate sales growth. If a company's main operating activities increase consistently, it means that the company is experiencing growth for the better. (Shahnia et al., 2020). Profit growth can signal that the company's finances are moving in a positive direction. Companies that maintain consistency in their sales may have the opportunity to obtain larger loans and face higher fixed costs compared to companies that experience fluctuations in sales. In addition, investments made by companies also have the potential to increase sales volume (Nurdani & Rahmawati, 2020). Companies that experience regular sales growth and are supported by good sales management can experience increased profits. (Nasution et al., 2022).

This is in line with the research (Shahnia et al., 2020), (Rosali et al., 2020), and (Nasution et al., 2022) which states that Sales Growth has a positive impact on profit growth. Based on the above description, the following hypothesis can be formed: **H5: Sales Growth has a positive effect on profit growth.**

Firm Size and Profit Growth
How a company manages its assets to generate profits can be determined by its size. The more assets a company has, the more likely it is to be classified as a large company and experience high profit growth. (Andayu et al., 2022). This is in line with signal theory, whereby large companies can signal to external parties to raise additional capital, which increases the capital structure (Lestari & Khafid, 2021). However, having a large company size does not always mean that it will generate large profits. In fact, companies with large assets can potentially incur significant costs, which will ultimately reduce the profits earned (Sari, et al., 2020).

This is in line with research (Sari, et al., 2020), (Nasution et al., 2022) and (Siswanto et al., 2022) which states that Firm Size has a negative impact on profit growth. Based on the above description, the following hypothesis can be formed:
H6: Firm Size does not have a negative effect on profit growth.

METHOD

The relationship between variables based on the above hypothesis framework can be summarized in the following hypothesis model:Study organization

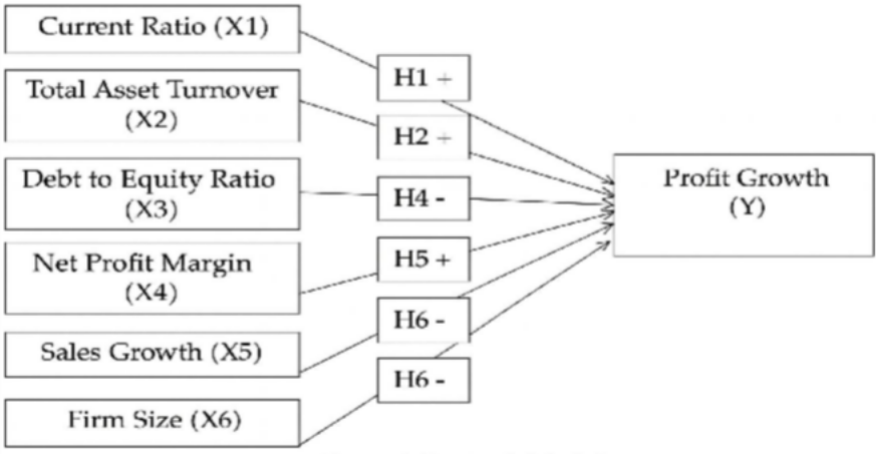


Figure 1. Research Model
Source: Data Procesed by Author

This study uses a quantitative approach, adopting operational variables and using independent variables consisting of several elements. Current Ratio (CR), represented by the CR value, is calculated by comparing current assets and current liabilities (Mcleay & Trigueiros, 2002). Total Asset Turnover (TAT), represented by the TAT value, is calculated by dividing sales by total assets (Drake & Fabozzi, 2010). Debt to Equity Ratio (DER), represented by the DER value, is calculated by dividing total debt by total capital (Siregar & Harahap, 2021). Net Profit Margin (NPM), represented by the NPM value, is calculated by dividing net profit after tax by net sales (Drake & Fabozzi, 2010). Sales Growth (SG), represented by the SG value, is calculated by subtracting this year's sales from last year's sales, then dividing it by last year's sales (Nurdani & Rahmawati, 2020). Firm Size (FS), represented by the FS value, is calculated using the natural logarithm of the average total assets (Sari et al., 2020). Meanwhile, profit growth is considered a dependent variable. The profit growth value, represented by PG in this study, is calculated by multiplying the current period profit by the previous period profit, then divided by the previous period profit (Stevanie & Wato Tholok, 2022).

The secondary data used in this study came from the annual financial reports of companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2021. In this study, a purposive sampling approach was used. The criteria used in sampling were companies in the raw materials sector that experienced stable or significant profit growth and did not experience losses. In addition, these companies consistently reported their finances with a fiscal year ending on December 31 during the period 2019 to 2021. Of the total 93 companies in the raw materials sector listed on the Indonesia Stock Exchange (IDX), 40 companies met these criteria. Therefore, the total sample data used in this study was 120 data points.

This study applied multiple linear regression analysis with the support of the SPSS application program to test classical assumptions, including tests of normality,
multicollinearity, heteroscedasticity, and autocorrelation. In addition, this program was used to perform descriptive analysis, test hypotheses such as the F statistical test (simultaneous), t statistical test (partial), and also calculate the coefficient of determination (Adjusted R-Square) and run multiple linear regression tests. The following are the characteristics of the multiple linear regression model used in this study:

$$PG = \alpha - \beta 1CR + \beta 2TAT - \beta 3DER + \beta 4NPM + \beta 5Sales\ Growth - \beta 6Firm\ Size + \varepsilon$$

Figure 2. Multiple Linear Regression Model Source : Data Processed By The Author

Description:
Profit Growth = Profit
Growth CR = Current Ratio
TAT = Total Asset Turnover
DER = Debt to Equity Ratio
NPM = Net Profit Margin
Sales Growth = Sales Growth
Firm Size = Company Size
α = Variable or constant number
β1,β2,β3,β4,β5,β6 = Regression coefficients
ε = Error

FINDING AND DISCUSSION
Descriptive Statistical Test

Table 1. Descriptive Statistical Test

Descriptive Statistics					
	N	**Minimum**	**Maximum**	**Mean**	**Std. Deviatio n**
Profit Growth (Y)	108	-2,74	5,77	0,4245	1,26390
CR (X1)	108	0,50	5,87	2,1950	1,33264
TAT (X2)	108	0,49	4,95	1,0063	0,68859
DER (X3)	108	-1,58	4,95	0,9645	0,87158
NPM (X4)	108	0,02	0,64	0,1057	0,09413
Sales Growth (X5)	108	-0,89	1,29	0,0858	0,31518
Firm Size (X6)	108	3,11	3,58	3,3569	0,08119
Valid N (listwise)	108				

Source : Author-processed data output, 2023

In the context of this study, there are six independent variables used. These variables include CR, TAT, DER, NPM, SG, and FS. There is one dependent variable that is the focus, namely profit growth in manufacturing companies in the raw goods sector listed on the IDX from 2019 to 2021. The number of sample data, or N, valid for this study amounted to 108 data. The data on the sample shows the results of the current ratio variable proxied with CR, with an average value of 2.1950 and a maximum value of 5.87 at PT Indonesia Fibreboard Industri in 2020. PT Pam Mineral Tbk has a minimum value of 0.50 in 2019 of 2.1950 or 219.5%. A good current ratio for a company is one that has a value of > 1 (100%), in this study the average liquidity value is 2.1950> 1 (100%), so that the liquidity condition in the company can be declared good, because it can finance its total short-term liabilities worth 219.5%, of the total current assets held by the company (Kasmir, 2020).

The Total Asset Turnover variable is measured using TAT with a minimum value of 0.49 at PT Indah Kiat Pulp & Paper Tbk in 2021, and a maximum value of 4.95 at PT Alakasa Industrindo Tbk in 2021, an average value of 1.0063, and a standard deviation of 0.68859. It was concluded that the average rate of Total

Asset Turnover in the raw goods sector for the period 2019 to 2021 was 1.0063 or 100.63%. A good total asset turnover rate for a company is one that has a value of > 1 (100%), in this study the average value of Total Asset Turnover is 1.0063 > 1 (100%), so that the state of Total Asset Turnover can be said to be good, because the company is able to generate efficient sales by utilizing company assets (Kasmir, 2020)

The Debt To Equity ratio variable was measured using DER with a minimum value of -1.58 for PT Pam Mineral Tbk in 2019, and a maximum value of 4.95 for PT Saranacentral Bajatama Tbk in 2020, an average value of 0.9645, and a standard deviation of 0.87158. It can be concluded that the average Debt to Equity ratio in the raw goods industry for the period 2019 to 2021 is 0.9645 or 96.45%. According to Kasmir (2020), the value of DER is calculated by dividing the total liabilities of the company by its total equity, and the maximum value is 1.0 or 100%. The average value of the DER in this analysis was 0.9645 or 96.45%<100%. So that the Debt to equity Ratio in companies in the raw goods sector can be considered good.

Variable Net Profit Margin which is measured using NPM with a minimum value of 0.02 for PT Indopoly Swakarsa Industri Tbk in 2019, PT Lautan Luas Tbk in 2020, PT Tunas Alfin Tbk in 2021 and Satyamitra Kemas Lestari Tbk in 2020, and
a maximum value of 0.64 for PT Semen Baturaja (Persero) Tbk in 2020, an average value of 0.1057, and a standard deviation of 0.9413. It can be concluded that the average rate Net Profit Margin In the raw goods sector for the period 2019 to 2021 it was 0.1057 or 10.57%. Net Profit Margin is rated with an NPM rating of ≥ 5% which means Good, 3%< NPM<5% means Good, NPM ≤ 3% means Poor (Her et al., 2020). In this study, it can be concluded that the average NPM value of companies in the raw goods sector during the 2019-2021 period is around 10.57%, exceeding the 3% limit. Therefore, the condition of the NPM variable in the raw goods sector company is considered good, because the company managed to generate a net profit of around 0.1057 or around 10.57% of the total net income generated.

The Sales Growth variable was measured using SG with a minimum value of -0.89 at PT Surya Biru Murni Acetylene Tbk in 2019, and a maximum value of 1.29 at PT Ifishdeko Tbk in 2021, an average value of 0.0858, and a standard deviation of 0.31518. It can be concluded that the average level of Sales Growth in the raw goods sector for the period 2019 to 2021 is 0.0858 or 8.58%. Sales growth is rated with a rating of >5% is considered good. In this study, sales growth of 8.58% > 5% in companies in the raw goods sector is considered good, because the company produces sales in a better direction, namely there is an increase in sales from year to year (Ariyanti, K., 2020)

The Company Size variable was measured using FS with a minimum value of 3.11 at PT Semen Batu Raja (persero) Tbk in 2019, 2020 and 2021, and a maximum value of 3.58 at PT Unit Indah Cahaya Tbk in 2021, an average value of 3.3569, and a standard deviation of 0.08119. It can be concluded that the average level of firm size in the raw goods sector for the period 2019 to 2021 of 3.3569 is considered to have a large company size.

The Profit Growth variable measured using the PG value showed variation, with a minimum value recorded at -2.74 for PT Pelatimah Nusantara Tbk in 2020, and the highest maximum value was 5.77 for PT Ifishdeco Tbk in 2021. The average PG value is around 0.4245, with a standard deviation of around 1.26390. From this, it can be concluded that the average Profit Growth rate in the raw goods sector during the period 2019 to 2021 is around 0.4245 or equivalent to 42.45%. According to (The good profit growth rate for the company is >20%. Therefore, profit growth in

this study was 42.45% > 20%, so profit growth is considered good because the company is able to maximize the net profit it gets (Ariyanti, K., 2020).

Normality Test

This normality check uses the Kolmogorov-Smirnov (K-S) test, assuming that an Asymp. Sig. (2-tailed) value exceeding 0.05 indicates that the distribution of the
sample data is under normal conditions. In the context of research sample data, out of a total of 120 sample data, the results of Asymp. A sig. of 0.000, indicates a value below 0.05. Furthermore, after the elimination of outliers, the remaining 108 sample data had Asymp results. The sig. is 0.105, which indicates a value above 0.05. Therefore, it can be extracted that the sample data in this study has a normal distribution and can be used for regression testing.

Multicollinearity Test

The multicollinearity test was carried out by considering the value of Variance Inflation Factor (VIF) and tolerance. If the VIF value is less than 10 and the tolerance value is more than 0.100, then there is no indication of multicollinearity in the sample data. Based on the sample data of this study, the current Current Ratio variable has a VIF value of 1.342 which is smaller than 10 and has a tolerance of 0.745 which is greater than 0.100. The Total Asset Turnover variable has a VIF value of 1.528 which is also less than 10 and a tolerance of 0.655 which is greater than 0.100. The Debt to Equity Ratio variable has a VIF value of 1.840 which is smaller than 10 with a tolerance value of 0.543 greater than 0.100The Net Profit Margin variable has a VIF value of 1.607 which is still below 10 and a tolerance of 0.904 which exceeds 0.100. Similarly, the Sales Growth variable has a VIF value of 1.602 which does not exceed 10 and a tolerance of 0.943 which is greater than 0.100, while the Firm Size variable has a VIF value of 1.869 which is also below 10 and a tolerance of 0.920 which is greater than 0.100. Thus, it can be concluded that this regression model does not contain any indication of multicollinearity in independent variables in the sample data of this study.

Heteroscedasticity Test

To test heteroscedasticity, the glajser test is used assuming that the significant value on the independent variable must be > 0.05. Based on the sample data, this study shows that there is no heteroscedasticity problem in the sample. The Current Ratio variable has a significant value of 0.305 > 0.05, the Total Asset Turnover variable has a significant value of 0.140 > 0.05, the Debt to Equity ratio variable has a significant value of 0.960 > 0.05, the Net Profit Margin variable has a significant value of 0.601 > 0.05, the Sales Growth variable has a significant value of 0.439 > 0.05, and the Firm Size variable has a significant value of 0.920 > 0.051. Thus, the problem of heteroscedasticity in the regression model was not found in any independent variable of the sample data of this study.

Autocorrelation Test

The autocorrelation test was carried out using a run test taking into account the assumption that the value of Asymp. Sig. (2-tailed) that exceeds 0.05 indicates the absence of autocorrelation. The results of the research sample data showed the value of Asymp. Sig. (2-tailed) is about 0.334, which is much larger than 0.05. Therefore,
it can be concluded that in this study no indication of autocorrelation problems was found in independent variables. This means that the regression model used is feasible and reliable.

Multiple Linear Regression Test

The model of the equation between variables can be formed as follows based on the results of multiple linear regression analysis testing:

PG = 2,444 + 2,055CR – 1,912TAT – 2,026DER – 1,868NPM + 1,872Sales Growth
+ 1,765Firm Size+ ε

Thus, the constant value of 2.444 indicates that when all independent variables are zero, then the projected profit growth in the raw goods industry is around 2.444. Based on the data of the research sample, the results of the Current Ratio variable have a significant impact on profit growth with a regression coefficient of around
2.055. This can be interpreted that the Current Ratio variable has a positive influence on Profit Growth. Thus, it can be expected that Profit Growth will increase by around 2.055 with an increase in the value of the Current Ratio.

With a regression coefficient of -1.912, the TAT variable had no effect on profit growth. In other words, if there is another constant variable that decreases by one unit in the TAT variable, then it is estimated that profit growth will fall by -1.912.

With a regression coefficient value of -2.026, it can be concluded that the DER variable has a negative effect on profit growth. In cases where other variables are constantly decreasing by one unit on the DER variable, it is projected that profit growth will decrease by -1.912, and the DER variable itself will affect profit growth by -2.026.

With a regression coefficient value of -1.868, it can be concluded that the NPM variable has a negative effect on profit growth. In cases where other variables are constantly decreasing by one unit on the NPM variable, the value of the regression coefficient will show a decrease in profit growth by -1.868.

With a regression coefficient of 1.872, the sales growth variable has an effect on profit growth. In a situation where other variables are constantly increasing one unit on the sales growth variable, profit growth is projected to increase by 1.872. With a regression coefficient of 1.765, the size of the company does not affect profit growth. In other words, if there is another constant variable that increases one unit in the size of the company, then it is estimated that profit growth will increase by 1.765.

Co-Determination Test

Based on the results of the research sample data, it was found that the value of the adjusted determination coefficient was around 0.569 or equivalent to 56.9%. Therefore, it can be concluded that variables such as Current Ratio, Total Asset Turnover, Debt to Equity Ratio, Net Profit Margin, Sales Growth, and Firm Size together affect about 56.9% of the variation in the Profit Growth variable. The remainder, about 43.1%, may be influenced by other factors not included in this regression model.

Hypothesis Test

According to the results of the statistical test F (simultaneous), the sig. value in the study Anova was 0.000 less than 0.05 and the calculated F value of 4.653 was greater than the F value of the table 2.190, so it can be concluded that all independent variables affect the dependent variables simultaneously. So it can be concluded that the variables Current Ratio, Total Asset Turnover, Debt to Equity Ratio, Net Profit Margin, Sales Growth, and Firm Size have a simultaneous effect on Profit Growth.

The measurement conditions of the statistical test T (partial) are as follows: if the result t is positive, the value of t is greater than the t of the table, and the significant value is < 0.05, then it can be concluded that the independent variable has a significant influence on the dependent variable. If the result of t is negative, the value of t is less than the t table, and the significant value is < 0.05, then it can be concluded that the independent variable has a significant influence on the dependent variable. Based on sample data, this study shows that the results of the CR variable partially have a positive and significant effect on profit growth with the result of t calculation of 2.006 > from t table 1.9837 and the value of sig. 0.049 < from 0.05. The TAT variable partially had no negative and significant effect on profit growth with the result of t calculated -1.956 < from t table -

1.9837 and the value sig.
0.080 > from 0.05. The DER variable partially had a negative and significant effect on profit growth with the result t calculated -2.151 > from t table -1.9837 and the sig value. 0.005 < from 0.05. The NPM variable partially had a negative and significant effect on profit growth with the result t calculated -2.423 > from t table -1.9837 and the value of sig. 0.033 < from 0.05. The Sales Growth variable partially had a positive and significant effect on profit growth with a result of t calculation of
5.147 > from t table 1.9837 and a sig. value of 0.001 < from 0.05. And the Firm Size variable partially did not have a positive and significant effect on profit growth with a t result of 2.383 > from table 1.9837 and a sig value of 0.072 > from 0.05. So it can be concluded that each independent variable has a significant effect on the dependent variable.

Hypothesis	Statement	Result	Positive/Negative	Decision
H1	Current Ratio has a positive effect on profit growth	T Calculate > T Table **2.006 > 1.9837** Sig. Value < 0.05 **0.049 < 0.05**	Positive	Hypothesis Accepted
H2	Total Asset Turnover has a positive effect on profit growth	T Calculate > T Table **1.956 > 1.9837** Sig. Value < 0.05 **0.080 > 0.05**	Negative	Hypothesis Rejected
H3	Debt to Equity Ratio has a negative effect on profit growth	T Calculate > T Table **-2.151 > -1.9837** Sig. Value < 0.05 **0.005 < 0.05**	Negative	Hypothesis Accepted
H4	Net Profit Margin has a positive effect on profit growth	T Calculate > T Table **-2.423 > -1.9837** Sig. Value < 0.05 **0.033 < 0.05**	Negative	Hypothesis Rejected
H5	Sales Growth has a positive effect on profit growth	T Calculate > T Table **5,147 > 1,9837** Sig. Value < 0.05 **0.001 < 0.05**	Positive	Hypothesis Accepted
H6	Firm Size has a negative effect on profit growth	T Calculate > T Table **2,383 > 1,9837** Sig. Value < 0.05 **0.072 > 0.05**	Positive	Hypothesis Rejected

Figure 3. Hypothesis Test Research Model
Source : Author processed data output, 2023

Based on the findings of the partial test, it can be concluded that Current Ratio represented by the CR variable has a positive impact on profit growth in raw goods sector companies listed on the Indonesia Stock Exchange (IDX) during 2019 to 2021so **H1 accepted**. This phenomenon corresponds to signal theory, where Current Ratio High indicates the company's capacity to fulfill its good financial obligations. This gives confidence to stakeholders that the company's financial situation is stable. Current Ratio indicates the company's ability to meet its short-term debts by utilizing its current assets. The higher the current ratio, the greater the company's ability to pay off its short-term financial liabilities. (Andayu et al., 2022).
The results of this study are in line with the research (Hermanto & Hanadi, 2020), (Dillak & Siburian, 2021), (Ebimobowei et al., 2021), which states that CR has a positive impact on profit growth.

The Effect of Total Asset Turnover (TAT) on Profit Growth
Based on the results of the partial test, it can be interpreted that TAT proxied with TAT has a positive impact on profit growth in companies in the raw goods sector on the Indonesia Stock Exchange (IDX) for the period 2019 to 2021, then **H2 rejected**. TAT partially negatively affects profit growth. Based on the concept of signals, where Total Asset Turnover reflects the level of efficiency in the overall utilization of assets in the company's operations. When the availability of assets owned by the company is insufficient to support the effectiveness of the company's resource management, so because the company is not good at managing its assets, it does not affect profits.

Therefore, the size of assets does not affect profit growth. Because the company does not pay attention to the management of its assets (Nariswari & Nugraha, 2020).

The results of this study are in line with the research (Laughter) et al., 2020), (Hermanto & Hanadi, 2020), (Nariswari & Nugraha, 2020), (Firman & Salvia, 2021), which states that Total Asset Turnover has no influence on profit growth.

The Effect of Debt to Equity Ratio (DER) on Profit Growth

Based on the findings of the partial test, it can be concluded that Debt to Equity Ratio represented by the DER variable has a negative impact on profit growth in manufacturing companies in the raw goods sector listed on the Indonesia Stock Exchange (IDX) during the period 2019 to 2021so **H3 accepted**. This is in line with signal theory, where Debt to Equity Ratio Show If SEmerald debt to equity ratio, the lower the profit growth the company earns (Firman & Salvia, 2021). Size Debt to Equity Ratio (DER) indicates that the total amount of a company's debt is greater than the total capital it has. This is in accordance with its descriptive abanalysis where a DER minus -1.58 occurs because part of the debt capital is used to repay debts, which can ultimately reduce profit margins. Therefore, the result of this is an increase in the company's burden on external parties, namely creditors (Dillak & Siburian, 2021).

The results of this study are in accordance with the research (Rosali) et al., 2020), (Hertina & Sutarman, 2020), (Dillak & Siburian, 2021), (Nasution et al., 2022), (Wuryanti & Kartika, 2022), (Dody et al., 2023), which states that Debt to equity Ratio has a negative impact on profit growth.

The Effect of Net Profit Margin (NPM) on Profit Growth

By referring to the results of the partial test, it can be concluded that Net Profit Margin represented by the NPM variable has a positive influence on profit growth in manufacturing companies in the raw goods sector listed on the Indonesia Stock Exchange (IDX) during the period 2019 to 2021, then H4 was rejected. NPM partially has a negative effect on profit growth. This is in line with signal theory, where this is because there is no stability between the cost level and the level of unbalanced sales. Not always companies with Net Profit Margin (NPM) will result in an increase in profit, as a high NPM does not necessarily reflect better cost efficiency for the company. A high NPM also does not necessarily indicate that the level of net profit generated by the company will be greater. So the size or size of NPM does not affect the growth of profits. Because NPM means not as one of the measurements that is paid attention to by the company's management. However, if the company manages operating costs effectively, then investors can expect to get a high return on their investment (Sari, et al., 2020).

The results of this study are in accordance with the research (Hermanto & Hanadi, 2020), (Laughter) et al., 2020), (Firman & Salvia, 2021), (Nuzulla & Murtianingsih, 2022), (Margaret et al., 2023), which states that Net Profit Margin negative impact on profit growth.

The Effect of Sales Growth on Profit Growth

Based on the findings of the partial test, it can be concluded that Sales Growth represented by the SG variable has a positive impact on profit growth in manufacturing companies in the raw goods sector listed on the Indonesia Stock Exchange (IDX) during the period 2019 to 2021so **H5 accepted**. This view is in line with the concept of signal theory, where Sales Growth reflects that companies with stable sales have an advantage in obtaining large amounts of loans and are able to bear higher fixed costs than companies with volatile sales fluctuations. Companies that experience regular sales growth and are supported by effective sales management have the potential to increase profits in line with their profit growth (Nasution et al., 2022).

The results of this study are in accordance with the research (Rosali) et al., 2020), (Shahnia et al., 2020), (Nasution et al., 2022), which states that Sales Growth has a positive impact on profit

growth.

The Effect of Firm Size on Profit Growth

By referring to the results of the partial test, it can be concluded that the size of the company represented by the Firm Size (FS) has a negative impact on profit growth in manufacturing companies in the raw goods sector listed on the Indonesia Stock Exchange (IDX) during the period 2019 to 2021. **H1 rejected**. This concept is in line with signal theory, indicating that large companies are able to signal to outsiders to obtain additional funding (Lestari & Khafid, 2021), Nonetheless, it is not always the case that companies with smaller total assets will have difficulty achieving profitability. At the same time, having a large company size will not necessarily result in huge profits. In fact, companies with large assets can face the risk of high costs, which can ultimately reduce the profits earned. In other words, large profits are not always guaranteed for large companies, and this does not mean that large companies have a better ability to overcome challenges and grow their operations than small companies. The size or size of the company does not affect profit growth, because a large company does not necessarily have a large profit margin and vice versa (Sari, et al., 2020).

Firm Size partially stated that it had no positive effect on profit growth. The results of this study are in accordance with the research (Sari, et al., 2020), (Andayu et al., 2022), (Nasution et al., 2022), (Siswanto et al., 2022), which states that Firm Size does not have a positive effect on profit growth.

CONCLUSION

Based on the results of the research conducted, the researcher concluded that out of a total of 97 companies or 291 data observed, only 36 companies or 108 data met the observation criteria for the period 2019 to 2021 in the raw goods manufacturing sector listed on the Indonesia Stock Exchange (IDX). The results of the study show that the variables Current Ratio (CR), Total Asset Turnover (TAT), Debt to Equity

Ratio (DER), Net Profit Margin (NPM), Sales Growth (SG), and Company Size (Size) together affect Profit Growth in the raw goods sector listed on the IDX in the period studied. The results of the partial test say that CR has a positive influence on profit growth, which means that companies with high CR tend to affect the increase in profit. On the other hand, Total Asset Turnover (TAT) has a negative influence on profit growth. This suggests that inefficiencies in asset management can hamper a company's performance and reduce potential profit growth. DER also has a negative impact on profit growth, suggesting that a composition of total debt greater than total capital can reduce a company's profit margin. In addition, Net Profit Margin (NPM) also has a negative influence on profit growth, indicating that having a high NPM does not necessarily mean that profits will increase, as higher cost efficiency is not always guaranteed with a high NPM. However, Sales Growth (SG) has a positive influence on profit growth, indicating that regular sales growth with the support of effective sales management can increase profits and profit growth. Finally, Company Size (Size) does not directly guarantee that large companies have better capabilities in dealing with threats and growing their operations compared to small companies. In fact, the large company size in this study actually had a negative impact on profit growth, suggesting that having large assets can lead to high costs and negatively impact profit growth. In conclusion, the factors investigated have a complex influence on the growth of company profits in the raw goods sector on the IDX. Various variables such as CR, TAT, DER, NPM, SG, and Size interact with each other in shaping the company's profit growth pattern.

One of the limitations of this research is that some raw material industry companies still suffer losses. There are several companies in the raw goods industry that have experienced a capital deficit, namely the company PT Pam Mineral Tbk. And also in this study the data used used an outlayer which caused 40 data to match the criteria, then the outlayer became 36 data or 108 samples. In addition, this study only looks at one type of company, namely companies in the raw

goods industry, so this research will not be the same for other companies. That in this study there is a negative DER, because the equity of one of the companies has a negative value. For further research, it is better not to include negative DER values. For the next study, the authors used financial measures and ratios to look at profit growth. They ignore financial ratios such as the number of employees, total net sales, market capitalization, or other financial ratios that can affect profit growth. (Sari, et al., 2020), some companies still have losses, there are some that have experienced a capital deficit, the data is what the data ouliyer mentions. In this study, the negative der value in the next study does not add a negative der value.

In the investment decision-making process, this research can be a consideration for investors and companies who need financial statement information that shows profit growth. The higher the value generated, the easier it will be for the company to make decisions to acquire and predict future profit growth.

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