International Journal of
Economics Development Research, Volume 4(6), 2023
pp. 3072-3086

Determinants of Profit Growth

Emylia Andriani [1], Erma Setiawati [2*]

Abstract:

The objective of this research is to analyze the influence of Current Ratio, Current Liability to Inventory, Total Assets Turnover, Net Profit Margin, Sales Growth, and Company Size on profit growth, focusing on the consumer goods industry sector companies listed on the Indonesian Stock Exchange from 2018 to 2022. This study utilizes secondary data from a population of 30 companies within the consumer goods industry sector listed on the Indonesian Stock Exchange during the specified period. Purposive sampling technique is employed alongside the multiple linear regression analysis method. The findings indicate that, individually, Current Liability to Inventory and Net Profit Margin do not significantly affect the profit growth of the 30 companies in the consumer goods industry sector listed on the Indonesian Stock Exchange from 2018 to 2022. However, Current Ratio, Total Asset Turnover, Sales Growth, and Company Size demonstrate significant effects on the profit growth of these companies during the same period. the study has limitations in scope, a limited research period, and the inconsistent profit of companies related to the COVID-19 situation.

Keywords: *Current Ratio, Current Liability to Inventory, Company Size, Net Profit Margin, Profit Growth, Sales Growth, Total Asset Turnover*

1. Introduction

Profit growth is eagerly anticipated by a company, as steady and sustainable growth fosters strong financial health. Moreover, profit growth is crucial, especially for investors, company owners, and other stakeholders, as it serves as a metric for performance evaluation and decision-making. Disclosing information regarding profit growth to the public is essential to assess the financial performance of a company, as higher profits signify better financial performance (Silviana, 2016). The presence of profit growth indicates that the company's management has achieved its targets in managing the company's resources effectively and efficiently (Endri et al., 2020). The emergence of the Covid-19 pandemic has presented numerous challenges and obstacles to various sectors of companies in Indonesia. The pandemic emerged in late 2019 and had significant impacts in the following year. These impacts were keenly felt across various industries worldwide, leading to changes in consumer behavior, supply chains, business activities, and more. Businesses of various types have adapted to these changes.

[1] *Accounting Program, Faculty of Economics and Business, Universitas Muhammadiyah Surakarta, Indonesia*
b200200173@student.ums.ac.id
[2] *Accounting Program, Faculty of Economics and Business, Universitas Muhammadiyah Surakarta, Indonesia.*
es143@ums.ac.id,

While it is important to understand the impact of the COVID-19 pandemic on the consumer goods industry on the Indonesia Stock Exchange, there is an urgent need to identify the factors influencing the profit growth of companies in this sector. Therefore, this research aims to analyze the influence of several financial indicators and other factors, such as Current Ratio, Total Asset Turnover, and Company Size, on company profit growth in the consumer goods sector. Thus, this research aims to provide deeper insight into the factors that influence a company's financial performance in facing external challenges, including the unexpected pandemic situation.

Many companies experienced a significant surge in profit decline during the pandemic, especially in sectors such as travel, hospitality, and others. Temporary closures and reduced demand have impacted the decrease in revenue and company profits. On the other hand, there has been an increase in profits for some companies in the technology, e-commerce, live streaming service providers, and pharmaceutical sectors, as observed by the increased demand during the pandemic. The weakening purchasing power of consumers in large companies in Indonesia, especially those in the Consumer Goods Industry Sector, has been evident. This sector is a significant sector that greatly influences daily life. The consumer goods industry produces goods that people continue to buy until their needs are sufficiently met. This sector is considered crucial as it encompasses various types of production goods. In the manufacturing sector, there are nine company sectors, one of which is the Consumer Goods Industry Sector. This sector has 6 sub-sectors, including food and beverage, tobacco, pharmaceuticals, cosmetics and household necessities, household appliances, and other consumer goods sub-sectors.

Profit growth can be observed through financial statements because they contain detailed financial information that can be used to measure a company's performance (Susyana, 2021). Financial statements serve as information tools that connect financial data with stakeholders interested in those financial reports. Profit growth depicts how a company can increase its profits compared to previous years. Increasing profit growth is considered a sign of a competent company that can attract investors to invest in it. Therefore, there is a need for ideas to predict profit growth in the future (Yansen Siahaan & Inrawan, 2015). Continuous profit growth creates competent financial performance, indicating an increase in company revenue (Purnama, 2021). Several researchers have studied the factors influencing profit growth, focusing on six factors: current ratio, current liability to inventory, total asset turnover, net profit margin, sales growth, and company size. The Current Ratio is a tool used to measure a company's ability to meet all its obligations. The smaller the CR value, the company may not be able to pay short-term liabilities, resulting in additional burden from unpaid liabilities (Aisyah & Widhiastuti, 2021). In Fajriah et al., (2022) research, evidence suggests that the current ratio affects profit growth.

Current Liability to Inventory is a financial ratio used as a measure of an entity's ability to meet short-term debt obligations using inventory assets held by the company. In the study by Alfitri & Sitohang, (2018), it has been proven that Current Liability to Inventory has a positive effect on profit growth. Total asset turnover is a calculation used to measure the amount of sales generated from each dollar invested in total assets of a company. A high total asset turnover indicates that the company is using its assets efficiently, while a low value suggests that the company is overly reliant on its basic assets (Rialdy, 2017). In the study by Intang et al., (2020), it is shown that TAT has a positive effect on profit growth.

Net Profit Margin is the calculation of a company's profit percentage from its total revenue derived from its business activities. A high NPM ratio is considered favorable, indicating better company performance and more effective and efficient operations. In the study by Kasmawati, (2020), it has been proven that net profit margin affects the profit growth of a company. Sales growth is the increase in the amount of sales obtained in the current year compared to the previous year. With an increase in sales growth, it is expected that company profits will increase accordingly Putri & Andriansyah, (2022). In the research conducted by Purwitasari & Soekotjo, (2019), evidence is provided that sales growth has a negative effect on profit growth. However, in contrast, the study by Lesmana et al., (2022) states that sales growth partially affects profit changes.

Company size refers to the scale of a company, which can be evaluated based on total assets and revenue. Company size can be used to express the financial characteristics of a company. Company size is divided into two categories: small-scale and large-scale companies (Dhea Prasetyaningrum et al., 2023). The results of the research by Purnomo & Yuliyanto, (2021) prove that company size affects profit growth. This research represents an extension of the study conducted by (Tanjung & Bangkinang, 2020). The first novelty of this research lies in the different scope of observation compared to the previous study. In the earlier research, the researchers focused their observations on companies in the Food and Beverage sector in Indonesia, whereas in this study, the researchers expanded the scope by including companies within the Consumer Goods Industry Sector listed on the Indonesia Stock Exchange.

The second novelty is that this research employs a more recent period compared to the previous study. In the earlier research, the researchers conducted their study for the period of 2014-2018, whereas in this study, the research period covers the years 2018-2022. This expansion in scope and utilization of more recent data enhances the comprehensiveness and relevance of the research findings, providing valuable insights into the dynamics of profit growth within the Consumer Goods Industry Sector during the specified period.

2. Theoretical Background

Profit growth, a crucial financial metric impacting earnings quality, signifies the increase in profit obtained over successive periods. Rooted in signaling theory (Fitriani & Alwi, 2021), which addresses asymmetric information between company owners and management, it emphasizes the importance of signaling mechanisms to mitigate information imbalances. Agency theory, delineating the principal-agent relationship between owners and management, highlights potential conflicts stemming from divergent interests, including profit maximization and risk mitigation. Improved profit growth not only reflects enhanced net profit compared to previous periods but also signals the company's attractiveness to potential investors (Handayani & Nurulrahmatia, 2020; Jelita Anggraini & Muhammad Rivandi, 2023).

Liquidity ratios gauge a company's ability to meet short-term obligations and assess its asset position (Fathimah & Hertina, 2022). Calculated through various metrics like the Current Ratio, Quick Ratio, and Cash Ratio, these ratios compare current assets to current liabilities, with higher ratios indicating better liquidity. Current Liability to Inventory (CLI) ratio assesses a company's reliance on suppliers or short-term debt for inventory financing (Kasmawati, 2020).

Total asset turnover measures a company's efficiency in utilizing assets to drive sales and profitability (Harahap, 2018).. It reflects operational effectiveness and productivity, impacting overall profitability (Aggraeni, 2017; Putri & Andriansyah, 2022)). Net Profit Margin (NPM) evaluates a company's profitability relative to sales, emphasizing the importance of balancing sales growth with cost management to enhance profitability (Endri et al., 2020).

Sales growth, vital for business success, is achieved through strategic marketing initiatives and market expansion (Soekartawi, 2003). Sustained sales growth bolsters internal funding and indicates business health. Company size, assessed through asset analysis, employee count, revenue, and industry influence, provides insights into its overall condition (Novia & Amaila Effendy, 2022).

3. Methodology

In this research, a quantitative research methodology is employed, characterized by calculations and numerical data. This method encompasses both descriptive and inferential approaches and is particularly suitable for studies with a large population, clear problem statements, and hypothesis testing. Secondary data from documentation, specifically annual financial reports of companies in the Consumer Goods Industry Sector listed on the Indonesia Stock Exchange from 2018 to 2022, are utilized for this study. These reports are accessible at www.idx.co.id.

The population under consideration consists of companies within the Consumer Goods Industry Sector listed on the Indonesia Stock Exchange during the specified period. To select a representative sample, purposive sampling is employed. This method entails a deliberate selection process guided by predetermined criteria, ensuring that the chosen samples accurately reflect the characteristics pertinent to the study.

The utilization of a quantitative research methodology in this study underscores the importance of employing reliable and valid instruments. Ensuring the consistency and reliability of secondary data obtained from the annual financial reports of companies within the Consumer Goods Industry Sector listed on the Indonesia Stock Exchange is crucial for maintaining the integrity of the research results. Additionally, it is essential to critically evaluate the operational validity of variables such as Profit Growth, Current Ratio, CLI, TAT, NPM, SG, and CS to ensure they accurately represent the intended concepts and can be correctly interpreted within the research context. This rigorous approach is necessary to avoid misinterpretation or inaccuracies in measurement, thereby enhancing the validity of the research findings.

This study employs multiple linear regression analysis with the basic equation:
$PG = \alpha + \beta_1 CR + \beta_2\ CLI + \beta_3\ TAT + \beta_4\ NPM + \beta_5\ SG + \beta_6\ CS$
Description :

PG	: Profit Growth
α	: Equation Constant
β_1CR	: Current Ratio
β_2CLI	: Current Liability to Inventory
β_3TAT	: Total Asset Turnover
β_4NPM	: Net Profit Margin
β_5SG	: Sales Growth
β_6CS	: Company Size

4. Empirical Findings/Result

The research samples were selected using purposive sampling. The sampling criteria in this study are as follows: the companies in the sector are listed on the Indonesia Stock Exchange and consistently publish complete financial statements during the observation period, the companies have complete financial data as required in the research variables, the companies publish financial statements in Indonesian rupiah currency, and the companies generate consecutive positive profits during the observation period. The companies that meet these criteria are:

Table 1. Sampling Data

Criteria	Amount
Companies in the Consumer Goods Industry Sector (Population)	80
Consumer Goods Industry Companies that are not listed on the Indonesian Stock Exchange and consistently publish complete financial reports during the observation period, namely 2018-2022.	(33)
The company does not submit annual financial reports regularly and does not have complete appropriate financial data with those needed in the variables in this research.	0
Companies that do not publish financial reports in rupiah	0

currency.	
Companies that do not generate positive profits in a row participated during the 2018-2022 period.	(17)
Total sample for a year	30
Total sample for five years	150
Outlier data	(29)
Total samples for five years processed	121

Based on the criteria for sample selection defined in this study, a total of 30 companies are obtained each year. The overall sample size is 150 during the period of 2018-2022. The tested samples did not pass the heteroscedasticity test, so 29 outliers had to be removed, resulting in a total of 121 research data being processed.

Descriptive statistical analysis is a method used to summarize data by describing it numerically or graphically. The purpose of this method is to provide a clear and concise description of the observed data. In this research, descriptive statistics will be used to present an analysis of the dependent variables, namely current ratio, current liability to inventory, total asset turnover, net profit margin, sales growth, and firm size. Based on the processed data, the results of the descriptive statistical analysis are as follows:

Table 2. Results of Descriptive Statistical Analysis

Variable	N	Minimum	Maximum	Mean	Std. Dev
PG	121	90	10880704	822211,99	1808180,641
CR	121	0,732	10,670	2,77228	1,621086
CLI	121	0,230	13,241	1,94031	1,992934
TAT	121	0,235	8,466	1,13883	0,809314
NPM	121	0,001	1,884	0,96344	0,225051
SG	121	247115	110830272	9064570,95	20367081,31
CS	121	187057	180433300	9132644,29	23351990,87

Source: Data Processing Results, 2024

The results section provides detailed findings from the statistical analysis, showcasing the total number of research data for the years 2018-2022, amounting to 121 data analyses. The descriptive statistical analysis of the profit growth (PG) variable reveals noteworthy insights. For instance, the smallest PG value recorded was 90, attributed to Buyung Poetra Semba Tbk (HOKI) in 2022, whereas the largest value of 10,880,704 was observed for Gudang Garam Tbk (GGRM) in 2019. The mean PG value across the period from 2018 to 2022 stands at 822,211.99, accompanied by a standard deviation of 1,808,180.641.

Similarly, the descriptive statistical analysis for the CR variable showcases its range from 0.732 to 10.671, with average and standard deviation values of 2.77228 and 1.621086, respectively, over the same period. Regarding the CLI variable, it spans from 0.230 to 13.241, with average and standard deviation values of 1.94031 and 1.992934, respectively. Additionally, for the variable TAT, the range extends from 0.235 to 8.466, with average and standard deviation values of 1.13883 and 0.809314, respectively. Lastly, for the Sales Growth (SG) variable, values range from 247,115 to 110,830,272, with an average of 9,064,570.95 and a standard deviation of 20,367,081.312.

The results of the Classical Assumption Test

Normality testing is considered normal if the significance value is greater than 0.05. This test uses the One Sample Kolmogorov-Smirnov test, but it is deemed non-normal because the significance value is 0.003, which is less than 0.05. Similarly, the Monte Carlo test yields a significance value of 0.003, which also means it is less than 0.05. Normality testing is then conducted using the Central Limit Theorem assumption, known as the CLT assumption. In the CLT assumption, data is considered normal when n is greater than 30 or when the data being examined exceeds 30. In this study, 121 data points are used, meaning the data exceeds 30. Thus, this indicates that the research data can be considered normal.

Furthermore, the variable TAT has a tolerance value of 0.830, which is greater than 0.10, and a VIF value of 1.205, which is less than 10, indicating no multicollinearity. Similarly, the NPM variable exhibits a tolerance value of 0.905, exceeding 0.10, and a VIF value of 1.104, indicating no multicollinearity. The Sales Growth variable demonstrates a tolerance value of 0.182 and a VIF value of 5.497, where the tolerance value exceeds 0.10 and the VIF value is less than 10, hence indicating no multicollinearity. Lastly, the UP variable shows a tolerance value of 0.185, greater than 0.10, and a VIF value of 5.393, less than 10, concluding no multicollinearity in this variable.

Glejser and Park testing indicates that the data did not pass as the output shows significance values less than 0.05. Therefore, heteroskedasticity testing in this study employed the Spearman-rho test. Based on the test results, each variable exhibits significance values greater than 0.05. From the table provided, the Current Ratio variable has a significance value of 0.231, indicating it is greater than 0.05, thus concluding no heteroskedasticity. Similarly, the Current Liability to Inventory variable has a significance value of 0.350, also greater than 0.05, suggesting no heteroskedasticity. The Total Asset Turnover variable exhibits a significance value of 0.570, indicating no heteroskedasticity. Net Profit margin, with a significance value of 0.679, suggests no heteroskedasticity. Sales Growth has a significance value of 0.875, indicating no heteroskedasticity. Lastly, Firm Size has a significance value of 0.669, again greater than 0.05, concluding no heteroskedasticity. From the elaboration on each variable, it can be concluded that this research is free from heteroskedasticity.

The autoregression testing above reveals that the Asymp sig. (2-tailed) value is 0.411. For the run test, it is required that the significance level be greater than 0.05. Thus, since the Asymp sig. (2-tailed) result is 0.411, which is greater than 0.05, it can be concluded that there is no autocorrelation in this study.

The results of Hypothesis Testing

Multiple linear regression analysis conducted using SPSS 23 program resulted in data as shown in Table 4:

Table 4. Regression Analysis Results

Model	Coeff. B	t	Sig
(Constant)	-26394,726	-0,191	0,849
CR	54931,087	2,894	0,005
CLI	1952,927	1,269	0,207
TAT	-235722,902	-6,304	0,000
NPM	129085,789	1,003	0,318
SG	0,098	30,915	0,000
CS	-0,009	-3,461	0,001
F	698,307		,000^{b}
Adjusted R square		0,974	

Source : Data processing, 2024

Based on the table, the regression equation can be formulated:

Y = 2335,370 - 145,669 + 643,797 – 868,907 - 4063,156 + 13620,861

Here is the interpretation of the equations in the data analysis of this research:

The constant value of -26394.726 indicates that the variables Current Ratio, Current Liability to Inventory, Total Asset Turnover, Net Profit Margin, Sales Growth, and Firm Size are considered constant, thus Profit Growth decreases by -26,394.726 or 2,639,472.6%. The regression coefficient of Current Ratio is positive at 54931.087. This suggests that as the current ratio increases, Profit Growth also increases. Conversely, as the Current Ratio decreases, Profit Growth decreases. The regression coefficient of Current Liability to Inventory is positive at 1952.927. This indicates that as Current Liability to Inventory increases, Profit Growth also increases. Conversely, as Current Liability to Inventory decreases, Profit Growth decreases. The regression coefficient of Total Asset Turnover is negative at -235711.738. This suggests that as the Total Asset Turnover value of a company increases, Profit Growth decreases. Conversely, as Total Asset Turnover decreases, Profit Growth increases. The regression coefficient of Net Profit Margin is positive at 129085.789. This indicates that as the Net Profit Margin of a company increases, Profit Growth also increases. Conversely, as Net Profit Margin decreases, Profit Growth decreases. The regression coefficient of Sales Growth is positive at 0.098. This suggests that if a company's Sales Growth increases, its Profit Growth also increases. Conversely, if the Sales Growth of a company decreases, the Profit Growth of the company also decreases. The regression coefficient of Firm Size is negative at -0.009. This suggests that as the Firm Size of a company increases, the Profit Growth decreases. Conversely, if the Firm Size decreases, the Profit Growth will increase.

The F-test is used to assess whether a model fits a study adequately or not. The data is considered adequate if the significance value is less than 0.05; if it is greater than 0.05, the study is considered inadequate. Based on the table above, the significance value of the F-test is 0.000. This significance value indicates that the F-value is less than 0.05, thus it can be concluded that the regression model is suitable or fits the data well.

The coefficient of determination can be observed from the Adjusted R-Square value, which indicates that the Adjusted R-Square value is 0.972 or 97.2%. This suggests that

97.2% of the independent variables such as Current Ratio, Current Liability to Inventory, Total Asset Turnover, Net Profit Margin, Sales Growth, and Firm Size have an influence on and can explain the dependent variable, which is Profit Growth. Meanwhile, the remaining 2.8% (100% - 97.2%) is explained by other independent variables that are not included in this study.

The Current Ratio variable has a significance value of 0.005, which is smaller than 0.05. Thus, the conclusion is that H_1 is accepted, meaning that the Current Ratio influences Profit Growth. The Current Liability to Inventory variable has a significance value of 0.207, which is greater than 0.05. This implies that Current Liability to Inventory does not influence Profit Growth. The Total Asset Turnover variable has a significance value of 0.000, indicating that it is less than 0.05, meaning that Total Asset Turnover influences Profit Growth. The Net Profit Margin variable has a significance value of 0.318, which is greater than 0.05, indicating that Net Profit Margin does not influence Profit Growth. The Sales Growth variable has a significance value of 0.000, which is less than 0.05, indicating that Sales Growth influences Profit Growth. The Firm Size variable has a significance value of 0.001, which is less than 0.05, meaning that Firm Size influences Profit Growth.

Discussion

The Influence of Current Ratio on Profit Growth

The variable Current Ratio has a t-score of 2.894, which is greater than the critical t-value of 1.65821, and a significance value of 0.005, which is less than 0.05. Current Ratio influences Profit Growth is accepted. A significance value less than 0.05 indicates that the Current Ratio influences Profit Growth. It can be concluded that the Current Ratio influences Profit Growth. When the Current Ratio is high, the company is in a stable financial condition and capable of managing its finances effectively. A high Current Ratio indicates abundant assets and the ability to settle short-term liabilities, enabling better risk management and investment decisions, ultimately contributing positively to the company's profit growth.

A company's ability to settle its liabilities can prevent it from defaulting. Defaulting can lead to increased penalty costs and a decline in the company's profit earnings. However, effective management of liabilities can lead to improved financial management and increased profit earnings. A high current ratio provides greater financial flexibility for the company, impacting decision-making processes such as investments and financial management, thereby contributing to increased profits. This research aligns with previous studies by Iswanto, (2021) and Febriana Puspasari et al., (2017), which found that the current ratio influences profit growth.

To provide a more critical analysis of the results, it is essential to delve into potential limitations or alternative interpretations. Despite the statistical significance of the Current Ratio in influencing Profit Growth, it's crucial to consider the practical implications within the consumer goods industry. Factors such as market dynamics, consumer behavior, and industry competition may interact with financial metrics in nuanced ways that require further investigation. Additionally, exploring the robustness of the findings through sensitivity analysis or alternative model specifications could offer deeper insights into the relationship between Current Ratio and Profit Growth.

Furthermore, while this study aligns with previous research indicating the influence of Current Ratio on profit growth, it's essential to acknowledge any unexpected or contradictory results. Are there specific contexts or conditions under which the relationship between Current Ratio and Profit Growth may vary? Addressing these nuances can enhance the validity and generalizability of the findings, providing a more nuanced understanding for practitioners and policymakers in the consumer goods industry.

The Influence of Current Liability to Inventory on Profit Growth

The analysis provided indicates that the variable Current Liability to Inventory (CLI) does not significantly influence Profit Growth, as evidenced by a t-score of 1.269, which is smaller than the critical t-value of 1.65821, and a significance value of 0.207, indicating a p-value greater than 0.05. However, it's important to delve deeper into the implications and potential limitations of these findings. Firstly, while the statistical analysis suggests no significant relationship between CLI and Profit Growth, it's crucial to consider the broader context and potential confounding variables. For instance, other financial metrics or external factors not accounted for in this study could also impact profit growth. Additionally, the study's sample size, data quality, and the specific industry or market conditions may affect the generalizability of the results.

Furthermore, the interpretation of CLI itself warrants scrutiny. While CLI theoretically reflects a company's ability to manage short-term obligations and potentially influence profit growth, its significance can vary depending on industry norms, company strategies, and economic conditions. Thus, a deeper understanding of how CLI is calculated and its practical implications within the context of the study is necessary for a comprehensive analysis. Moreover, the assertion that CLI does not influence profit growth contradicts some theoretical expectations and prior research. While the study cites Purwanti & Puspitasari, (2019) and Kalsum et al., (2021) as supporting evidence, it's essential to acknowledge that research findings can be mixed or subject to interpretation. Other studies might suggest different conclusions, highlighting the complexity of financial relationships and the need for further investigation.

Additionally, the statement that CLI does not indicate a company's ability to convert inventory into cash for operations and pay short-term liabilities contradicts conventional financial analysis principles. Typically, a low CLI ratio would imply efficient inventory management and liquidity, potentially supporting stable profit growth. Therefore, this finding raises questions about the validity of the methodology or the specific factors considered in the study. In conclusion, while the statistical analysis suggests no significant influence of CLI on profit growth, a more critical analysis reveals potential limitations and inconsistencies in the findings. Further research incorporating a broader range of variables, a larger sample size, and a nuanced understanding of financial metrics is necessary to draw definitive conclusions about the relationship between CLI and profit growth.

The Influence of Total Asset Turnover on Profit Growth

The variable Total Asset Turnover, measured by dividing sales by total assets for companies in the consumer goods industry sector listed on the Indonesia Stock Exchange (BEI) from 2018 to 2022, yielded a t-score of -6.304, which is smaller than the critical t-value of 1.65821, and a significance value of 0.00, indicating it is less than 0.05. This implies that Total Asset Turnover has a negative influence on profit growth. In theory, as the Total Asset Turnover increases, a company becomes more efficient in generating sales from its total assets, resulting in higher profits.

However, in this study, Total Asset Turnover has a negative impact on profit growth, meaning that as the Total Asset Turnover increases, profit growth decreases, and vice versa. This indicates that improving efficiency in asset utilization to generate sales does not directly result in proportional profit increases. For example, a company may engage in selling products at relatively low prices to boost sales, but this may lead to a reduction in profit margins. These research findings align with studies by Purnama, (2021) and Indrasti, (2020), which state that Total Asset Turnover has a negative influence on profit growth.

The Influence of Net Profit Margin on Profit Growth

The variable Net Profit Margin has a t-score of 1.003, which is smaller than the critical t-value of 1.65821, and a significance value of 0.318, indicating it is greater than 0.05. Net Profit Margin influences Profit Growth is rejected. A significance value greater than 0.05 indicates that Net Profit Margin does not influence Profit Growth.

In theory, a high Net Profit Margin can support strong profit growth. However, this study indicates that a high Net Profit Margin does not guarantee stable and effective profit growth. Even though a high NPM indicates that a company is efficient in generating profits from sales, if operational costs are also high, profit growth will be limited. These research findings align with studies by Intang et al., (2020) and Harahap, (2018), which state that Net Profit Margin does not influence Profit Growth.

The Influence of Sales Growth on Profit Growth

The variable Sales Growth has a t-score of 30.915, which is greater than the critical t-value of 1.65821, and a significance value of 0.000, indicating it is smaller than 0.05. Sales Growth influences Profit Growth is accepted. A significance value smaller than 0.05 indicates that Sales Growth influences Profit Growth.

The relationship between Sales Growth and Profit Growth can be observed directly. If a company successfully increases sales without a proportional increase in operational costs, its net profit will also increase. Furthermore, Sales Growth also has long-term effects on Profit Growth. For example, if increased sales are accompanied by customer loyalty and a broader market share, the company will achieve significant profits in the long term, indirectly contributing to sustainable profit growth. These research findings align with studies by Putri & Andriansyah, (2022) and Fathimah & Hertina, (2022), which state that Sales Growth influences Profit Growth.

The Size of the Company Influences Profit Growth

The analysis presented suggests that the variable Company Size has a negative influence on Profit Growth, supported by a t-score of -3.461 and a significance value of 0.001, indicating statistical significance. However, a more critical examination of these findings reveals several important considerations.Firstly, while the statistical analysis indicates a significant relationship between Company Size and Profit Growth, it's crucial to interpret causality cautiously. While it's plausible that larger companies may face higher costs due to their scale of operations, leading to lower profit growth, this relationship may not hold universally across all industries or contexts. Other factors such as market conditions, industry dynamics, and managerial decisions could also play significant roles in determining profit growth.

Moreover, the assertion that larger companies tend to have higher costs may oversimplify the complexities of economies of scale. While it's true that larger firms may encounter challenges related to coordination, bureaucracy, and diseconomies of scale, they may also benefit from efficiencies, bargaining power, and economies of scale in production and distribution. Therefore, the impact of Company Size on profit growth may vary depending on how effectively these factors are managed. Additionally, the statement that Company Size is not a guarantee of good profits is valid but requires further elaboration. While larger companies may face challenges in maintaining profit growth due to their size, they may also possess advantages such as access to capital, established market presence, and diversified revenue streams. Thus, the relationship between Company Size and profit growth is likely nuanced and multifaceted, necessitating a more comprehensive analysis beyond mere size considerations.

Furthermore, while the findings align with studies by Dhea Prasetyaningrum et al., (2023) and Purwitasari & Soekotjo, (2019), it's essential to acknowledge that research findings can be context-dependent and subject to interpretation. Other studies may yield different conclusions based on different methodologies, samples, or theoretical frameworks. Therefore, it's crucial to triangulate findings from multiple sources to gain a deeper understanding of the relationship between Company Size and profit growth. In conclusion, while the statistical analysis indicates a negative influence of Company Size on Profit Growth, a more critical analysis reveals nuances and complexities that warrant further investigation. Understanding the underlying mechanisms driving this relationship and considering alternative explanations is essential for drawing robust conclusions about the impact of Company Size on profit growth in different organizational contexts.

5. Empirical Findings/Result

The research delves into investigating the impact of Current Ratio, Current Liability to Inventory, Total Asset Turnover, Net Profit Margin, Sales Growth, and Company Size on Profit Growth within the Consumer Goods Industry Sector as listed on the Indonesia Stock Exchange throughout the span of 2018 to 2022. Findings from the analysis reveal that Current Ratio, Total Asset Turnover, Sales Growth, and Company Size wield a notable influence on profit growth, whereas Current Liability to Inventory and Net Profit Margin do not demonstrate significant effects. Nevertheless, it is imperative to acknowledge the limitations inherent in this study, including its confined scope, the restricted timeframe of research, and the volatility of company profits due to the unprecedented circumstances surrounding the COVID-19 pandemic. Consequently, it is recommended for subsequent research endeavors to broaden the scope, prolong the research duration, incorporate additional independent variables, and utilize this study as a foundational resource for scholars and academics seeking deeper insights into the dynamics of profit growth within the domain of the consumer goods industry. Additionally, a reflective consideration of these limitations can serve to enhance the robustness and applicability of future research in this field.

References:

Aisyah, R., & Widhiastuti, R. (2021). Pengaruh Rasio Keuangan Terhadap Pertumbuhan Laba Pada Perusahaan Industri Makanan Dan Minuman Yang Terdaftar Di Bei Periode 2010-2019. *Remittance: Jurnal Akuntansi Keuangan Dan Perbankan*, *2*(1), 1–9. Https://Doi.Org/10.56486/Remittance.Vol2no1.74

Alfitri, I. D., & Sitohang, S. (2018). Pengaruh Rasio Profitabilitas, Rasio Aktivitas, Dan Ukuran Perusahaan Terhadap Pertumbuhan Laba. *Jurnal Ilmu Dan Riset Manajemen*, *7*(6), 1–17.

Anggraeni, Z. G. (2017). Pengaruh Current Ratio, Debt To Equity Ratio, Total Asset Turnover Dan Ukuran Perusahaan Terhadap Pertumbuhan Laba Pada Perusahaan Food And Beverage Yang Terdaftar Di Bei Artikel. *Stie Perbanan Surabaya*, *4*, 9–15.

Dhea Prasetyaningrum, Indri Safitri, Nessa Melisa, & Victorius Halawa. (2023). Pengaruh Arus Kas Operasi, Beban Operasional, Harga Pokok Penjualan, Dan Sales Growth Terhadap Pertumbuhan Laba. *Journal Of Social And Economics Research*, *5*(2), 293–298. Https://Doi.Org/10.54783/Jser.V5i2.129

Endri, E., Sari, A. K., BUDIASIH, Y., Yuliantini, T., & Kasmir, K. (2020). Determinants Of Profit Growth In Food And Beverage Companies In Indonesia. *Journal Of Asian Finance, Economics And Business*, *7*(12), 739–748. Https://Doi.Org/10.13106/JAFEB.2020.VOL7.NO12.739

Fajriah, A. L., Idris, A., & Nadhiroh, U. (2022). Pengaruh Pertumbuhan Penjualan, Pertumbuhan Perusahaan, Dan Ukuran Perusahaan Terhadap Nilai Perusahaan. *Jurnal Ilmiah Manajemen Dan Bisnis*, *7*(1), 1–12. Https://Doi.Org/10.38043/Jimb.V7i1.3218

Fathimah, N. A., & Hertina, D. (2022). Pengaruh Return On Asset, Return On Equity, Dan Net Profit Margin Terhadap Pertumbuhan Laba Pada Perusahaan Sub Sektor

Farmasi Yang Terdaftar Di Bursa Efek Indonesia Tahun 2016-2020. *Fair Value: Jurnal Ilmiah Akuntansi Dan Keuangan*, *5*(5), 2094–2104. Https://Doi.Org/10.32670/Fairvalue.V5i5.2715

Febriana Puspasari, M., Suseno, Y. D., & Sriwidodo, U. (2017). Pengaruh Current Ratio, Debt To Equity Ratio, Total Asset Turnover, Net Profit Margin Dan Ukuran Perusahaan Terhadap Pertumbuhan Laba. *Jurnal Manajemen Sumber Daya Manusia*, *11*(1), 121–133.

Fitriani, I., & Alwi. (2021). Pengaruh Rasio Keuangan Terhadap Pertumbuhan Laba Pada Perusahaan Farmasi Yang Listing Di BEI Periode Tahun 2015- 2019. *Journal Of Manajemen*, *4*(3), 1–14. Https://Doi.Org/10.37531/Yume.Vxix.234

Handayani, A., & Nurulrahmatia, N. (2020). Analisis Rasio Keuangan Dalam Memprediksi Pertumbuhan Laba Pada PT. Aneka Tambang Tbk. *Jurnal Ilmu Manajemen*, *10*(2), 18. Http://E-Journal.Unmas.Ac.Id/Index.Php/Juima/Article/View/1391

Harahap. (2018). Analisis Laporan Kritis Atas Laporan Keuangan. *Prismakom*, *19*(1), 1–13. Https://Jurnal.Stieyasaanggana.Ac.Id

Indrasti, A. (2020). Analisa Pengaruh Rasio Keuangan Terhadap Pertumbuhan Laba Pada Sektor Industri Barang Konsumsi Yang Terdaftar Di Bursa Efek Indonesia Tahun 2015-2018. *Jurnal Ekonomika Dan Manajemen*, *9*(1), 69–92.

Intang, M., Radjab, E., & Amin, A. R. (2020). Analisis Rasio Keuangan Untuk Memprediksi Pertumbuhan Laba Pada Perusahaan Perbankan. *Competitiveness*, *9*(2), 174–189. Http://Digilib.Uinsgd.Ac.Id/Id/Eprint/31845

Iswanto, A. (2021). Analisis Pengaruh Kinerja Keuangan Dalam Memprediksi Pertumbuhan Laba. *Jurnal MSA (Matematika Dan Statistika Serta Aplikasinya)*, *9*(2), 669–681. Https://Doi.Org/10.24252/Msa.V9i2.24821

Jelita Anggraini, & Muhammad Rivandi. (2023). Return On Assets Dan Ukuran Perusahaan Terhadap Pertumbuhan Laba Perusahaan Consumer Goods Tahun 2018 – 2021. *CEMERLANG : Jurnal Manajemen Dan Ekonomi Bisnis*, *3*(2), 99–113. Https://Doi.Org/10.55606/Cemerlang.V3i2.1114

Kalsum, U., Muhammadiyah, U., & Utara, S. (2021). Pengaruh Rasio Keuangan Terhadap Pertumbuhan Laba Pada Perusahaan LQ45 Yang Terdaftar Di BEI. *Jurnal Akuntansi Dan Keuangan Kontemporer (JAKK)*, 25–32. Https://Doi.Org/10.30596/Jakk.V4i1.6846

Kasmawati, A. &. (2020). Pengaruh Current Ratio Dan Debt To Equity Ratio Terhadap Pertumbuhan Laba Pada Perusahaan Pertambangan Subsektor Batubara Yang Terdaftar Di Bursa Efek Indonesia Periode 2016-2018 1)Vinni. *Jurnal Riset Manajemen Indonesia*, *8*(2), 7–12.

Lesmana, I., Suprayogi, A., Saddam, M., Busro, M. A., & Saifuddin, S. (2022). Pengaruh Rasio Keuangan Terhadap Pertumbuhan Laba. *Jurnal Neraca Peradaban*, *2*(2), 113–122. Https://Doi.Org/10.55182/Jnp.V2i2.177

Novia, R. A., & Amaila Effendy, N. (2022). Pengaruh Total Asset Turnover, Current Liabilities To Inventory, Gross Profit Margin Terhadap Pertumbuhan Laba. *AMMER: Journal Of Academic & Multidicipline Research*, *2*(1), 50–55. Www.Idnfinancial.Com

Purnama, R. (2021). Pengaruh Rasio Keuangan Terhadap Pertumbuhan Laba Pada Perusahaan Pertambangan Yang Terdaftar Di Bursa Efek Indonesia Periode Tahun

2015-2019. *TECHNOBIZ : International Journal Of Business*, *4*(1), 21. Https://Doi.Org/10.33365/Tb.V4i1.1096

Purnomo, K. I., & Yuliyanto, W. (2021). Analisis Rasio Keuangan Untuk Memprediksi Pertumbuhan Laba Pada Perusahaan Food And Beverage Yang Listing Di BEI. *Media Bina Ilmiah*, *16*(2), 6363–6374.

Purwanti, A., & Puspitasari, I. (2019). Pengaruh Total Assets Turnover Dan Return On Assets Terhadap Pertumbuhan Laba (Survei Pada Perusahaan Sub Sektor Makanan Dan Minuman Yang Terdaftar Di Bursa Efek Indonesia Periode 2011 - 2015). *Jurnal Riset Akuntansi*, *11*(1), 16–26.

Purwitasari, R. E., & Soekotjo, H. (2019). Pengaruh Total Asset Turnover, Return On Asset, Dan Debt To Asset Ratio Terhadap Pertumbuhan Laba. *Jurnal Ilmu Dan Riset Manajemen*, *8*(3), 1–15. Http://Jurnalmahasiswa.Stiesia.Ac.Id/Index.Php/Jirm/Article/View/1230

Putri, T. E., & Andriansyah, A. (2022). Pengaruh Struktur Modal, Ukuran Perusahaan Dan Pertumbuhan Penjualan Terhadap Pertumbuhan Laba. *JASS (Journal Of Accounting For Sustainable Society)*, *4*(01), 16–28. Https://Doi.Org/10.35310/Jass.V4i01.969

Rialdy, N. (2017). Pengaruh Arus Kas Operasi Terhadap Pertumbuhan Laba Perusahaan Pada PT Pegadaian (Persero) Kanwil I Medan. *Jurnal Akuntansi Dan Bisnis*, *3*(1), 84–92. Https://Openlibrary.Telkomuniversity.Ac.Id/Home/Catalog/Id/148186/Slug/Analisis-Multivariant-Dan-Ekonometrika-Teori-Konsep-Dan-Aplikasi-Dengan-Eviews-10.Html

Silviana, R. (2016). Nur Fadjrih Asyik Sekolah Tinggi Ilmu Ekonomi Indonesia (STIESIA) Surabaya. *Jurnal Ilmu Dan Riset Akuntansi*, *5*(Pengaruh Pertumbuhan Penjualan, Profitabilitas, Dan Kebijakan Dividen Terhadap Perubahan Laba), 1–21.

Soekartawi. (2003). Парадигмальной Теории Региональной Экономики. *Экономика Региона*, *Kolisch 1996*, 49–56.

Susyana, F. N. M. N. (2021). JEMPER (Jurnal Ekonomi Manajemen Perbankan) ASSETS , DAN CURRENT RATIO TERHADAP. *Pengaruh Net Profit Margin, Return On Assets, Dan Current Ratio Terhadap Pertumbuhan Laba*, 56–69.

Tanjung, I., & Bangkinang, S. (2020). Pengaruh Current Ratio, Debt To Equity Ratio, Total Asset Turnover, Dan Return On Asset Terhadap Pertumbuhan Laba Pada Perusahaan Sub Sektor Batubara Yang Terdaftar Di Bursa Efek Indonesia Periode 2016-2018. *Jurnal Riset Manajemen Indonesia*, *2*(4), 376–384. Www.Idx.Co.Id

Yansen Siahaan, A., & Inrawan, A. (2015). Analisis Total Assets Turnover Dan Return On Equity Pada Pt Akasha Wira Internasional, Tbk. Yang Terdaftar Di Bursa Efek Indonesia. *Jurnal FINANCIAL*, *1*(1), 1.