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THE INFLUENCE OF CURRENT RATIO, DEBT TO EQUITY RATIO, AND NET PROFIT MARGIN ON PROFIT GROWTH

PENGARUH *CURRENT RATIO*, *DEBT TO EQUITY RATIO*, DAN *NET PROFIT MARGIN* TERHADAP PERTUMBUHAN LABA

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Abstract. The aim of the research studied is to find out the influence of the current ratio, debt to equity ratio, and net profit margin on profit growth in food and beverage companies listed on the Indonesia Stock Exchange for the period 2018 to 2022. The method used in this research is called quantitative techniques. This research looked at 26 food and beverage companies that were listed on the Indonesia Stock Exchange, the research sample was found to be 11 companies, this sample was selected randomly using a method called purposive sampling, which takes into account a number of factors. Secondary data was collected from the Indonesia Stock Exchange website (www.idx.co.id) in the form of financial records of food and beverage companies from 2018 to 2022. Documentation studies and literature studies are the methods used to collect data. Multiple linear regression analysis was used to view the data in this quantitative research, and the SPSS Version 25 program was used to process the data. The research results show that the current ratio partially has no significant effect on profit growth. Conversely, the debt to equity ratio and net profit margin have a significant influence on profit growth. Meanwhile, the current ratio, debt to equity ratio, and net profit margin together have a significant effect on profit growth. R-Square data shows that the current ratio, debt to equity ratio, and net profit margin only have an influence of 29% on the dependent variable of profit growth. Meanwhile, the other 71% was caused by independent variables that were not related to the research being studied.

Keywords: Current Ratio, Debt to Equity Ratio, Net Profit Margin, and Profit Growth

Abstrak. Tujuan dari penelitian yang diteliti untuk mengetahui bagaimana pengaruh *current ratio, debt to equity ratio,* serta *net profit margin* terhadap pertumbuhan laba di perusahaan *food and Beverage* yang terdaftar di Bursa Efek Indonesia (BEI) periode 2018 - 2022. Metode yang digunakan adalah kuantitatif pada 26 perusahaan *food and Beverage* yang terdaftar di Bursa Efek Indonesia (BEI). Sampel penelitian sebanyak 11 perusahaan, sampel ini dipilih secara acak mempergunakan metode yang disebut dengan *purposive sampling*, dengan mempertimbangkan sejumlah faktor. Data sekunder dikumpulkan dari *website* Bursa Efek Indonesia (www.idx.co.id) berbentuk catatan keuangan perusahaan *food and Beverage* di tahun 2018 hingga 2022. Studi dokumentasi serta studi kepustakaan ialah metode yang dipergunakan dalam hal mengumpulkan data. Analisis regresi linier berganda dipergunakan untuk melihat data di penelitian kuantitatif ini, serta program SPSS Versi 25 dipergunakan dalam hal mengolah data. Hasil penelitian memperlihatkan *current ratio* secara parsial tidak berpengaruh signifikan terhadap pertumbuhan laba. Sebaliknya, *debt to equity ratio* serta *net profit margin* mempunyai pengaruh yang signifikan

terhadap pertumbuhan laba. Sementara itu, *current ratio, debt to equity ratio,* serta *net profit margin* secara bersama-sama berpengaruh signifikan terhadap pertumbuhan laba. Data *R-Square* memperlihatkan *current ratio, debt to equity ratio, serta net profit margin* hanya mempunyai pengaruh senilai 29% terhadap variabel dependen pertumbuhan laba. Sedangkan 71% lainnya disebabkan variabel independen yang tidak berhubungan dengan penelitian yang diteliti.

Kata kunci: *Current Ratio, Debt to Equity Ratio, Net Profit Margin,* dan Pertumbuhan Laba.

1. Introduction

Around 10 to 40 percent of the decline in production in the food and beverage industry is due to the Covid-19 outbreak or another term, Corona, according to estimates from the Indonesian Food and Beverage Entrepreneurs Association (GAPMMI), this is based on a poll given to its members. The reason is that activities are limited or cancelled, as well as people's limited ability to move around and attend events, this has had a major impact on decreasing food and beverage supplies. Apart from that, what hampers production is the large amount of imported raw materials and also the value of one United States dollar (USD) reaching up to IDR 17,000. This then increases production costs but is unable to increase selling prices during the Covid-19 situation (Rina, 2020).

Understanding the financial situation can be very helpful when assessing a company's success in running its business. In order to determine the level of success in achieving goals, such as the extent to which profits are achieved, financial performance measurement is needed (Lintas and Nopriyanti, 2022). If a business generates a lot of profits, it means that its performance is better, and can attract investors to invest their capital in the company. Profit growth is the difference between a company's net profit in one year and the previous year's net profit divided by the previous year's net profit (Hajering and Muslim, 2022).

Financial ratio analysis is a useful way to find out a company's finances and can provide information in terms of profit growth. This can help in deciding whether financial information is useful in estimating company profit growth (Syafril and Djawoto, 2020). Companies usually use three ways to find out the ratio. The first is the liquidity ratio, which shows how well the company can pay its bills when they are due, one of the measurements is the Current Ratio (CR), which shows how well the company is able to pay its debts or short-term obligations which will soon be due when they are due. The solvability ratio shows how much of a company's assets can be paid with debt and how quickly the company can pay off its long-term debt. Debt to Equity Ratio (DER) is one of the solvability ratios used to compare debt to equity. While profitability ratios show how well a company can generate profits from the various choices and policies it takes, one of the

profitability ratios is Net Profit Margin (NPM) which shows how much profit the company makes from sales. (Kasmir, 2015).

Agency theory (Agency Theory) explains the relationship between the owner of the company (principal) and the management who manages the company (agent). In this situation, the company owner encourages management to implement the company's operational plan as best as possible. Company owners believe that management can use available resources as maximally as possible to improve the prosperity of company owners and their companies in the short and long term. (Hery, 2017). The relationship between agency theory and profit growth is reflected in the agency relationship that exists between profits and company management. This shows that there is an agreement and commitment for mutual benefit between the business owner and the management or company manager.

Companies that are able to manage their short-term debt well will have a high current ratio. This can help generate more profits, as well as have an impact on profit growth which also increased from the previous year (Athira and Murtanto, 2022). On the other hand, if the current ratio is low, it means the company is unable to pay its short-term debt so that its profit growth then declines (Wibisono and Triyonowati, 2016). Results of the research carried out Panjaitan (2018) as well as Kalsum (2021), shows the results of the current ratio which influences profit growth. On the other hand, this is inversely proportional to research findings Puspasari et al. (2017), which shows that the current ratio has no significant effect on profit growth.

H_1: There is an influence of the current ratio on profit growth.

The company has a fairly large burden for financing interest on loans if the resulting debt to equity ratio is high. The higher the loan interest rates that the company must pay, the profits generated decrease. Conversely, if the debt to equity ratio is low, the company can pay less interest, resulting in higher profits. This can affect the company's profit growth (Puspasari et al., 2017). Results of the research carried out Oktaviani et al. (2023) as well as Kalsum (2021) shows that the debt to equity ratio has a significant effect on profit growth. However, this is inversely proportional to the results of the research carried out Athira and Murtanto (2022) which shows that the debt to equity ratio has no significant effect on profit growth.

H_2: There is an influence of the debt to equity ratio on profit growth.

If the net profit margin is high, meaning the company's net profit then experiences an increase compared to the previous year's revenue, the ability to increase net profit from revenue compared to operating profit can influence the level of profit growth from the previous year (Athira and Murtanto, 2022). A low net profit margin indicates that sales are too low at a certain cost level, or costs are too high at a certain sales level. A low net profit margin generally indicates that the company is not managed efficiently (Maulani et al., 2022). Results of the research carried out

Susyana and Nugraha (2021) and Puspasari et al. (2017) proves that net profit margin has a significant influence on profit growth. But the research carried out Panjaitan (2018) shows that net profit margin does not have a significant effect on profit growth.

H3: There is an influence of net profit margin on profit growth.

H4: There is the influence of the current ratio, debt to equity ratio, and net profit margin simultaneously on profit growth.

Food and beverage companies were chosen because they play a big role in meeting the basic needs of society. Based on this statement, companies operating in the food and beverage sector in Indonesia have a great opportunity to continue investing, this is because the food and beverage industry is very important for the growth of the Indonesian economy (Idamanti, 2016).

The aim of the research is to find out how the current ratio, debt to equity ratio, and net profit margin as partially and simultaneously, influence profit growth in food and beverage companies listed on the Indonesia Stock Exchange for the period 2018 to 2022. Based on problems in research to be studied, the research framework in this study is as follows:

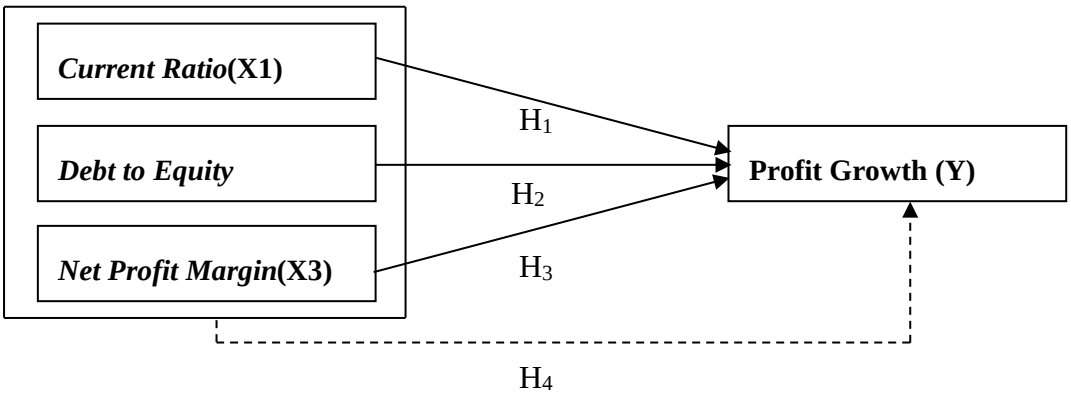

Figure 1. Research Framework

2. Method

The research was carried out on the Indonesia Stock Exchange by looking at the financial reports of consumer goods companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange. The author collected these financial reports from 2018 to 2022. The population consists of all 26 food and beverage sub-sector companies listed on the Indonesia Stock Exchange, with financial report data taken from 2018-2022. The following are several criteria that the author can choose in selecting research samples in this research, namely food and beverage manufacturing companies that have been listed on the Indonesia Stock Exchange, food and beverage manufacturing companies that have go public on the Indonesia Stock Exchange during the period research (2018-2022), as well as food and beverage manufacturing companies that have been

registered on the Indonesia Stock Exchange and have completed financial report data consecutively in the research period (2018-2022) and ending on 31 December every year.

After determining a sample from the total population, the number of samples that the author can use as data for research is food and beverage manufacturing companies that have been registered and have go public on the Indonesia Stock Exchange totaling 13 companies, whose financial report data is for 5 years, namely 2018-2022. The research data that the author used as a sample for writing the research carried out amounted to 65 research data. With 1 outlier data, the total data becomes 64.

Below the author describes the variables used in the research along with the formulas used to measure the ratio level of each variable, namely:

Table 1. Operational Variables and Indicators

Variable	Indicator	Source	Scale
Current Ratio (X1)	$\frac{\text{Current asset}}{\text{Current Liability}}$	Kasmir (2019)	Ratio
Debt to Equity Ratio (X2)	$\frac{\text{Total Liability}}{\text{Equity}}$	Kasmir (2019)	Ratio
Net Profit Margin(X3)	$\frac{\text{Net Profit After Tax}}{\text{Sales}}$	Kasmir (2019)	Ratio
Profit Growth (Y)	$\frac{Yt - Yt\text{-}1}{Yt\text{-}1}$	Harahap (2015)	Ratio

Source: From various sources (2023)

The author uses quantitative research data because it has many numbers on the variables that have been determined and later looking at each indicator on each variable, its influence will be tested using hypothesis testing which will be applied later. The research used comes from secondary data to search for research data. Secondary data comes from company financial reports, especially existing balance sheets and profit and loss reports, prepared systematically, and also includes other financial information.

There are two data collection techniques collected by the author, namely documentation study, where the author downloads the data in the financial report via the website www.idx.co.id to then view and pay attention to the financial data in the financial report. As well as literature studies, where the author collects and understands research journals, research results obtained from various sources, then the author studies them as references to further understand the direction and understanding of the author in completing the research carried out.

The research was carried out using SPSS (Statistical Product and Service Solutions) version 25 software to view the data to test the hypothesis. The research carried out used data analysis methods in the form of descriptive statistical analysis, classic assumption tests (normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test), multiple linear regression analysis, R-Square test, and hypothesis testing (T test and F test).

3. Results and Discussion

3.1 Results

3.1.1 Descriptive Statistical Analysis Results

Descriptive statistical analysis is used to view data by describing or explaining previously collected data in such a way without trying to draw conclusions or make generally accepted statements. (Sugiyono, 2018).

Table 2. Results of Descriptive Statistical Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
CR_X1	64	.15	9.95	2.2397	1.62505
DER_X2	64	-2.13	2.14	,7505	,70714
NPM_X3	64	-,11	1.22	,1468	,25147
GrowthProfit_Y	64	-10.19	4.66	,1005	1.62680
Valid N (listwise)	64				

Source: Data processed in SPSS Version 25 (2024)

Based on the results of descriptive statistical analysis shown in table 1, the total number of research data is 64, with the reduction of one data that is an outlier. Based on descriptive statistical analysis, it can be said that the CR variable has the highest number of 9.95, the minimum number of 0.15, the average number of 2.2397, and the standard deviation number of 1.62505. The highest figure for the DER variable is 2.14, the lowest figure is -2.13, the median figure is 0.7505, and the standard deviation figure is 0.70714. The NPM variable has the highest number of 1.22, the minimum number of -0.11, the average number of 0.1468, and the standard deviation of 0.25147. The profit growth variable has the highest figure of 4.66, with the lowest figure of -10.19, the average figure of 0.1005, and the standard deviation of 1.62680.

3.1.2 Classic Assumption Test

In order to proceed to linear regression analysis, this test is used to show that the previous test has passed the normality, multicollinearity, heteroscedasticity and autocorrelation tests on the data. (Ghozali, 2018).

3.1.2.1 Normality Test Results

The purpose of the normality test is to see whether the residual variables in the regression model have a normal distribution. Data that is normally distributed means the regression model is good.

Table 3. Normality Test Results Before Outlier Data

			Unstandardized Residuals
N			65
Normal Parameters, b	Mean		,0000000
	Std. Deviation		2.03914017
Most Extreme Differences	Absolute		,237
	Positive		,176
	Negative		-,237
Statistical Tests			,237
Asymp. Sig. (2-tailed)			,000c
Monte Carlo Sig. (2-tailed)	Sig.		,001d
	99% Confidence Interval	Lower Bound	,000
		Upper Bound	,001

Source: Data processed in SPSS Version 25 (2024)

Obtained Asymp numbers. sig. worth 0.000, which is smaller than the significance figure of 0.05, meaning the number is not normally distributed. As seen in table 3. The Monte Carlo (2-tailed) method can be used because the data is not normally distributed. The Monte Carlo method is a method of testing data normality using systematic development that utilizes random numbers. The purpose of doing Monte Carlo is to see the distribution of data that has been tested from samples that have random values or whose values are considered too extreme (Kinanti and Rosdiana, 2022). Monte Carlo method (2-tailed) in table 3 above, it can be seen that the values are not normally distributed. This can be proven by the Monte Carlo Sig value. of 0.001, which is smaller than the significance value of 0.05.

Because the normality test carried out using the Asymptotic Only (2-tailed) and Monte Carlo (2-tailed) methods still shows results that are less than a significance value of 0.05, it is necessary to have outliers in the data with the most extreme values. The research data after the outlier was reduced by 1 data, so that the total research data became 64 data, where before the outlier was carried out, the research data amounted to 65 data.

Table 5. Normality Test Results After Outlier Data

			Unstandardized Residuals
N			64
Normal Parameters, b	Mean		,0000000
	Std. Deviation		1.33552878
Most Extreme Differences	Absolute		,120
	Positive		,094
	Negative		-,120
Statistical Tests			,120
Asymp. Sig. (2-tailed)			.022c
Monte Carlo Sig. (2-tailed)	Sig.		,290d
	99% Confidence Interval	Lower Bound	,279
		Upper Bound	,302

Source: Data processed in SPSS Version 25 (2024)

Table 5 shows Asymp.sig. The value is 0.022, which is still smaller than the significance figure of 0.05. However, the Monte Carlo value of Sig. (2-tailed) is obtained of 0.290, where the significance value of 0.290 is greater than 0.05, indicating that the residual value is normally distributed. The Monte Carlo method can be used to solve normality problems that cannot be handled with the Asymptotic Only method. This means that the linear regression analysis can be continued.

3.1.2.2 Multicollinearity Test Results

The multicollinearity test aims to determine whether or not there is a relationship between the independent variables in the regression model. A good regression model must ensure that the independent variables have no relationship with each other (Ghozali, 2018).

Table 6. Multicollinearity Test Results

Model		Collinearity Statistics	
		Tolerance	VIF
1	CR_X1	,907	1,103
	DER_X2	,937	1,068
	NPM_X3	,940	1,063

Source: Data processed in SPSS Version 25 (2024)

From table 6 above, it can be seen that the data in the research carried out did not have multicollinearity problems. This can be proven by assessing the tolerance of each variable, which

is greater than the tolerance value of 0.1. And it can be reviewed by assessing the VIF of each variable, which is less than the Variance Inflation Factor (VIF) of 10. This means that the independent variables in this study have no relationship with each other.

3.1.2.3 Heteroscedasticity Test Results

The purpose of carrying out the heteroscedasticity test is to determine whether or not there is inequality in the variance of the residuals in the regression model from one observation to another (Ghozali, 2018).

Table 7. Heteroscedasticity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,242	,288		4,316	,000
	CR_X1	-,136	,076	-,227	-1,789	,079
	DER_X2	-,194	,172	-,141	-1.126	,265
	NPM_X3	,782	,483	,202	1,619	,111

Source: Data processed in SPSS Version 25 (2024)

The Glejser test in table 7 above shows that the data does not show any signs of heteroscedasticity. In this case, the significance figure for each variable is greater than the 0.05 significance level. This means that the regression model in this research data has the same residual variance from one observation to another.

3.1.2.4 Autocorrelation Test Results

The purpose of the autocorrelation test is to find out whether there is a relationship between the residual data error in period t and the residual data error in period t-1 (previous period) in the linear regression model (Ghozali, 2018).

Table 8. Autocorrelation Test Results with Durbin-Watson Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,571a	,326	,292	1.36851	1,548

Source: Data processed in SPSS Version 25 (2024)

The Durbin-Watson value is 1.548 which can be seen in table 8. After calculating and comparing it with the Durbin-Watson table, it can be explained that the d value of 1.548 is less than d_U of 1.6946 and less than $4–d_U = 4–1.6946$ of 2.3054 ($1.6946 > 1.548 < 2.3054$), which means that d is between the d_L and d_U values ($1.4990 \leq 1.548 \leq 1.6946$). This means that H_0 does

not have positive autocorrelation and the test cannot provide a clear decision and is not convincing if using the Durbin-Watson test.

Table 9. Autocorrelation Test Results with Run Test

	Unstandardized Residuals
Test Valuea	-,02315
Cases < Test Value	32
Cases >= Test Value	32
Total Cases	64
Number of Runs	27
Z	-1,512
Asymp. Sig. (2-tailed)	,131

Source: Data processed in SPSS Version 25 (2024)

From table 9 above, the Asymp. sig. (2-tailed) number is obtained worth 0.131. This figure is greater than the 0.05 significance level. So it can be concluded that the residual data occurs randomly and shows no autocorrelation. Apart from that, the Run Test can fix autocorrelation problems that cannot be implemented using the Durbin-Watson test, and means that linear regression analysis can be continued.

3.1.3 Results of Multiple Linear Regression Analysis

The multiple linear regression analysis model is used to provide an overview of the influence of the independent variable on the dependent variable (Ghozali, 2018).

Table 10. Results of Multiple Linear Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-,699	,421		-1,658	,103
	CR_X1	,124	,111	,124	1,110	,272
	DER_X2	1,061	,252	,461	4,210	,000
	NPM_X3	-1,866	,707	-,288	-2,640	,011

Source: Data processed in SPSS Version 25 (2024)

Based on table 10 of the multiple linear regression analysis above, the multiple linear regression equation in this research can be created as follows:

$$\textbf{Profit Growth} = -0.699 + 0.124\,(CR) + 1.061\,(DER) - 1.866\,(NPM) + e$$

The explanation regarding the multiple linear regression analysis above is as follows:

a. The constant is -0.699. This means that if the numbers on the independent variables CR, DER, and NPM are zero, it can be said that the profit growth figure is -0.699.
b. The regression coefficient for the CR variable is described as having a positive relationship with a number of 0.124, this means that if the DER and NPM variables have a fixed value and the CR increases by one unit, this means that the profit growth variable increases by 0.124 per unit.
c. The regression coefficient for the DER variable is described as having a positive relationship with a number of 1.061, this means that if the CR and NPM variables have a fixed value and DER increases by one unit, this means that the profit growth variable increases by 1.061 one unit.
d. The regression coefficient for the NPM variable is described as having a negative relationship with a figure of -1.866, this means that if the CR and DER variables have a fixed value and NPM increases by one unit, this means that the profit growth variable decreases by -1.866 one unit.

3.1.4 R-Square Test Results (Coefficient of Determination)

The R-Square test aims to find out how much the independent variable can influence the dependent variable (Ghozali, 2018).

Table 11. R-Square Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,571a	,326	,292	1.36851

Source: Data processed in SPSS Version 25 (2024)

Based on table 11 above, the Adjusted R-Square value is 0.29 or 29%. So it can be concluded that the independent variables current ratio, debt to equity ratio, and net profit margin have an influence on the dependent variable profit growth by 29% and the remaining 71% is influenced by other variables outside this research.

3.1.5 Hypothesis Testing

3.1.5.1 T Test Results (Partial Test)

The purpose of carrying out a partial test or T test is to test the extent to which the independent variables individually or partially have an influence on the dependent variable (Ghozali, 2018).

Table 12. T Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		

1	(Constant)	-,699	,421		-1,658	,103
	CR_X1	,124	,111	,124	1,110	,272
	DER_X2	1,061	,252	,461	4,210	,000
	NPM_X3	-1,866	,707	-,288	-2,640	,011

Source: Data processed in SPSS Version 25 (2024)

From table 12 above, conclusions can be drawn, namely:

a. The current ratio variable has a significance figure of 0.272 > 0.05, and t_{count} 1.110 < t_{table} 2.000. This means that H_0 is accepted and H_1 is rejected.
b. The debt to equity ratio variable has a significance number of 0.000 < 0.05, and t_{count} 4.210 > t_{table} 2.000. This means that H_0 is rejected and H_2 is accepted.
c. The net profit margin variable has a significance figure of 0.011 < 0.05, and -t_{count} -2.640 > -t_{table} -2.000. This means that H_0 is rejected and H_3 is accepted.

3.1.5.2 F Test Results (Simultaneous Test)

The purpose of carrying out a simultaneous test or F test is to test the influence of all independent variables together or simultaneously on the dependent variable (Ghozali, 2018).

Table 13. F Test Results

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	54,358	3	18,119	9,675	,000b
	Residual	112,369	60	1,873		
	Total	166,728	63			

Source: Data processed in SPSS Version 25 (2024)

From table 13 above, the number 0.000 is obtained, which is smaller than 0.05, and f_{count} 9.675 > f_{table} 1.41. This means that H_0 is rejected and H_4 is accepted.

3.2 Discussion

Based on table 12, it is found that the current ratio has no significant effect on profit growth. This means that whether the company's current ratio is high or low does not affect the amount of profit growth. The regression coefficient value of the current ratio variable is positive, which means that if the current ratio is higher, profit growth will increase. This concludes that a high current ratio does not always have an effect on profit growth. Even though the higher the current ratio value indicates good performance for the company, a current ratio that is too high can actually risk the possibility of defaulting on short-term liability, this will cause the burden of fines to arise which will affect the low amount of profits earned by the company. The results of this research contradict the results of research conducted by Panjaitan (2018) And Kalsum (2021) which states that the current ratio has a significant effect on profit growth, but the results of this research are in

line with research conducted by Puspasari et al. (2017) which states that the current ratio has no significant effect on profit growth.

Furthermore, it was found that the debt to equity ratio had a significant effect on profit growth. This means that whether a company's debt to equity ratio is high or low affects the amount of profit growth. The regression coefficient value of the debt to equity ratio variable is positive, which means that if the debt to equity ratio is higher, profit growth will increase. This concludes that a high debt to equity ratio will affect profit growth. A company with a high debt to equity ratio is not a bad thing if the company can use its debt as effectively and efficiently as possible according to the company's needs, so that when debt can be used well in planning its business it will provide profits to the company owners and be utilized as well as possible. The profits obtained are also sufficient to pay the interest costs borne by the company periodically. The results of this research are in line with research conducted by Oktaviani et al. (2023) And Kalsum (2021) which states that the debt to equity ratio has a significant effect on profit growth. However, the results of this study contradict the results of research conducted by Athira and Murtanto (2022) which states that the debt to equity ratio has no significant effect on profit growth.

Next it is obtained that net profit margin significant effect on profit growth. This means that whether the company's net profit margin is high or low affects the amount of profit growth. The regression coefficient value of the net profit margin variable is negative, which means that if the net profit margin is higher, profit growth will decrease. This leads to the conclusion that a high net profit margin will have an effect on decreasing profit growth. Companies with high net profit margins show good performance, but sometimes the company's sales activities are not commensurate with the profits earned. The high or low profits obtained from sales activities depend on the operational costs charged. The small profits obtained by the company can be caused by high operational costs, resulting in low profits on sales. The results of this research are in line with research conducted by Susyana and Nugraha (2021) as well as Puspasari et al. (2017) which states that net profit margin has a significant effect on profit growth. However, the results of this study contradict the results of research conducted by Panjaitan (2018) which states that net profit margin has no significant effect on profit growth.

Based on table 13, it is found that current ratio, debt to equity ratio, and net profit margin simultaneously have a significant effect on growth. In this case, a company can achieve profit growth if the company is able to manage its assets, debt, capital, and income optimally. If the company is able to manage profit growth well, it will have more value or be considered good for investors.

4. Conclusion

Based on the problems that have been formulated and the results and discussions that have been carried out, this study concludes that the current ratio has a positive but insignificant effect on earnings growth, while the debt to equity ratio shows a significant positive effect on earnings growth. In contrast, net profit margin has a significant negative effect on profit growth. Overall, current ratio, debt to equity ratio, and net profit margin together have a significant influence on earnings growth. This study also found that the Adjusted R-Square obtained was 0.29 or 29%.

5. Suggestion

For further research, it is recommended to use broader variables with a sample of companies outside of the food and beverage sub-sector manufacturing companies with a research period of 2018-2022, because the empirical findings in this research produced an Adjusted R-Square value of 29%, which This means that the sample of food and beverage companies for the 2018-2022 period with the independent variables current ratio, debt to equity ratio, and net profit margin can only explain the dependent variable of profit growth of 29%, the remaining 71% can possibly be explained by other independent variables that can provide more comprehensive research results.

Reference

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