

**INFLUENCE OF FINANCIAL RATIO ON PROFIT GROWTH (EMPIRICAL
STUDY OF FOOD AND BEVERAGE MANUFACTURING COMPANIES
LISTED IN THE INDONESIAN SHARIA STOCK INDEX (ISSI) 2014-2020)****Hayatun Solihat¹, Novi Mubyarto², Mohammad Orinaldi³**¹hayatunsolihat@gmail.com

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Abstract

This study aims to determine the effect of financial ratios on profit growth in the manufacturing sub-sectors of food and beverages listed in the stock index Indonesian sharia (ISSI) in the period 2014-2020 partially and simultaneously. The population in this study is a manufacturing company in the food and beverage sub-sector obtained by purposive sampling technique. The data analysis method used is panel data regression analysis using software tools eviews 10. The results show that the variables Current Ratio (CR), Debt to Equity Ratio (DER), Total Asset Turnover (TAT), and Net Profit Margin (NPM) simultaneously affect profit growth. While the CR, DER, and NPM variables partially affect profit growth, the TAT variable does not affect the profit growth of food and beverage manufacturing companies listed on the Indonesian Sharia Stock Index (ISSI) for the 2014-2020 period.

Keywords: Current Ratio (CR), Debt to Equity Ratio (DER), Total Asset Turnover (TAT), Net Profit Margin (NPM), Profit Growth.

A. INTRODUCTION

Profit growth is significant for all companies because increased profits can ensure the company's survival. Every year the company wants profit growth because the increasing profit growth means that a company has good financial performance and can ultimately increase the performance and value of the company because the increase in payments dividend paid in the future is closely related to the state of a company.

A company's profit growth cannot be predicted whether it increases or decreases every year or profit growth experienced by manufacturing companies in the food and beverage sub-sector listed on the Indonesian Sharia Stock Index. The following is the company's profit growth data:

Table 1
Data on the profit growth of the food and beverage subsector manufacturing companies in 2014-2020

KODE	TAHUN				
	2014	2015	2016	2017	2018
CEKA	Rp41.001	Rp106.549	Rp249.697	Rp107.420	Rp92.649
ICBP	Rp2.574.172	Rp2.923.148	Rp3.631.301	Rp3.543.173	Rp4.658.781
INDF	Rp5.229.489	Rp3.709.501	Rp5.266.906	Rp5.097.264	Rp4.961.851
MYOR	Rp409.618	Rp1.250.233	Rp1.388.676	Rp1.630.953	Rp1.760.434
PSDN	-Rp27.665	-Rp42.619	-Rp36.662	Rp32.150	-Rp46.599
ROTI	Rp188.648	Rp270.538	Rp279.777	Rp135.364	Rp127.171
SKLT	Rp16.855	Rp20.066	Rp20.646	Rp22.970	Rp31.954

Based on the data in table 1 shows that during the period 2014 to 2020, the company's profit growth looks unstable and fluctuates every year. Although several companies have succeeded in achieving the company's goal of increasing profit growth every year, such as PT Mayora Indah Tbk (MYOR) and PT Indofood CBP Sukses Makmur Tbk (ICBP), not all companies experience the same thing. In 2020 PT Prashida Aneka Niaga Tbk (PSDN) experienced a significant decline in profit and was at the lowest point among other companies, namely -Rp52.3 billion, more significant than the previous year. Based on the company's annual report, the company is heavily influenced by global and national factors for the Covid-19 pandemic. This resulted in a decline in the performance of processed coffee production, where the sales value decreased by 30% from the previous year. In 2019 PT Sekar Bumi Tbk (SKBM) also experienced a decrease in profit from the previous year; based on the

company's annual report, the decline occurred due to an increase in general and administrative expenses, financial interest expenses, and selling expenses which had a direct impact on the decline in company profits. However, in 2020 the company's profit increased significantly amid a complex and uncertain global market situation due to the Covid-19 pandemic. The company posted a 50.4 percent increase in sales value from the previous year based on the annual report. Sales from export activities contributed about 97% of the company's total sales due to high demand from retail customers. The differences in reality shown in table 1 are inversely proportional to the expectations of companies that want to earn increasing profits every year. With profits that continue to increase, the company has achieved company goals.

Several indicators can affect profits in a company, including the CR, DER, TAT, and NPM. Based on the description above, the researcher is interested in discussing other The Effect of Financial Ratios on Profit Growth (Empirical Study of Food and Beverage Manufacturing Companies Listed in the Indonesian Sharia Stock Index (ISSI) 2014-2020 Period).

LITERATURE REVIEW

A ratio is a number that compares the critical relationship between financial statements and other financial statements. Comparisons can be made between one item or using another item in a financial statement and, for example, comparing current assets and current liabilities (as a liquidity ratio) or between liabilities and total assets (solvability ratio). The comparison can also be made between net income and total assets (as a profitability ratio) (Hery, 2014).

This ratio focuses on the CR, which is used to measure how much the company can pay off its short-term debt using the available working capital. The ratio measures a company's ability to meet its obligations or pay off the debt in a short period. To find the calculation of the CR, can use the formula:

CR is the ratio used to explain the extent to which the company's assets are financed by debt. This solvency ratio focuses on the DER, where DER can assess debt-equity. The higher the DER ratio, the more debt a company uses to finance it. This can be a significant

risk for the company if it fails to meet its obligations on time and disrupt business continuity. (Harahap, 2011). To calculate this ratio is to use the formula:

The ratio is a ratio used to measure the effectiveness of a company when using an asset, including the company's efficiency when using existing resources. This research focuses on TAT, a ratio that measures the extent to which all assets in a company can generate good sales. (Fahmi, 2014). To measure the Total Assets Turnover can be searched by using the formula:

Ratios are used to measure the company's ability to generate profits in terms of sales, assets, or equity earnings. (Kasmir, 2010). The probability ratio for this study focuses on the NPM, which is one of the ratios to show the comparison between net profit after tax and company sales. Then to calculate the NPM using the formula:

Various factors can influence profit growth in the financial statements, including changes in sales, changes in production costs, changes in operating expenses, changes in interest expenses, changes in the value of corporate taxes, and changes in particular items. A company's profit growth can be caused by external factors such as price increases due to inflation. On the other hand, profit growth is when a company increases or decreases in profit over a certain period. It increased good profit growth in a company, indicating that it has a healthy financial turnover to increase its value (Islami and Utiyati, 2020). The formula used to calculate profit growth is:

Where:

Y : Profit Growth

yt : Net profit for the year

y(t-1) : Last year's net profit

B. RESEARCH METHODS

This type of research is quantitative research with the method used is a descriptive method by explaining the actual situation, and then it can be used to solve a problem through the collection, compilation, and analysis which is then interpreted so that conclusions can be drawn. The data used in this study is secondary data, where the data is obtained indirectly

through intermediary media, which the researcher does not directly obtain. then the data in the study comes from the financial statements of each company obtained from the official website of the Indonesia Stock Exchange (IDX) through www.idx.co.id

The data collection technique used in this research is literature study and documentation with analysis techniques using panel data regression analysis. The analytical method used to determine the effect of CR, DER, TAT, and NPM on profit growth is using panel data estimation with the following regression equation:

$$Y_{it} = \beta_0 + \beta_1 CR_{it} + \beta_2 DER_{it} + \beta_3 TAT_{it} + \beta_4 NPM_{it} + e_{it}$$

Where:

0: Constant

β : Regression Coefficient

Y: Profit Growth

CR : Current Ratio

DER : Debt to Equity Ratio

TAT : Total Asset Turnover

NPM : Net Profit Margin

e = Regression Error

i = Companies studied

t = Research Period Research

C. RESULTS AND DISCUSSIONS

This study uses statistical analysis with panel data regression analysis method. Based on the results of data processing using the help of Eviews 10, the following results were obtained:

Table 2. Results of Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C0	1074730.5973540	1799160.8579	0.594	0.579
CR	0.2268980	0.1020562	2.2232590	0.0303
DER	-0.7730640	0.2386753	-3.2389820	0.0020
TAT	0.4716150	0.2974661	1.5854420	0.1185
NPM	8.4902802	2.2688523	3.7421	0.0004

Cross-section fixed (dummy variables) dummy variables
 R-squared 0.3116 Prob (statistic) 0.043352
 Adjusted R-squared 0.151866 F-statistic 1.950388 Durbin-Watson stat 2.158692

Source: The results of the data processed Eviews 10

From the regression results in table 2, the regression model is obtained as follows:

$$Y_{it} = 0.107473 - 0.226898CR_{it} - 0.773064DER_{it} + 0.471615TAT_{it} + 8.490280NPM_{it}$$

From the regression analysis equation, the results obtained if the variable (CR, DER, TAT, NPM) is in a constant state (fixed) or not changing, the profit growth value (Y) is 0.107473; then if the CR value increases by 1 percent, profit growth can decrease of -0.226898 if the other variable values are considered the same. DER of -0.773064 means that if DER increases by 1 percent, it will reduce the value of profit growth by 0.773064 if the values of other variables are considered the same. Furthermore, the regression coefficient value of the variable TAT is 0.471615, which means that if it increases by 1 percent, it will increase the value of profit growth, assuming the values of other variables are considered the same. The value of the variable regression coefficient NPM is 8.490280; if it increases by 1 percent, it will increase the value of profit growth with the values of other variables being the same.

Table 3. Coefficient of Determination Test Results (R²)

R-squared 0.311659 Mean dependent var 0.370386 Adjusted R-squared 0.151866 SD dependent var 1.117766 SE of regression 1.001553 Sum squared resid 56.17411 F-statistic 1.950388 Durbin-Watson stat 2.158692 Prob(F-statistic) 0.043352 Source: The results of the data with Eviews 10

Value R-Squared in the table above showed a value of 0.311695 or 31%. This can indicate that 31% of the independent variables in this study, namely profit growth, can be explained through the variables in this study, namely the variable CR, DER, TAT, and NPM then for the remaining 69% can be influenced by other variables that are not explained in this study.

To measure the significance of the effect of the variables CR, DER, and NPM on profit growth partially by using the results of the t statistic test. The variable CR (X1) has a t-statistic value (t_{count}) of -2.223259 with a probability of 0.0303 < 0.05. These results prove that the variable CR has a negative but significant effect on profit growth; H_0 is rejected, and H_{a2} is accepted.

The variable DER (X2) shows the value of t-statistics (t_{count}) of -3.238982 with a probability of 0.0020 < 0.05. These results prove that the variable DER has a negative but significant effect on profit growth, meaning H_0 is rejected, and H_{a3} can be accepted.

Then the results of the partial test of the variable TAT (X3) show the t-statistics value (t_{count}) of 1.585442 with a probability value of 0.1185 > 0.05. These results prove that the

variable TAT does not affect profit growth; this indicates that H_0 is accepted and H_{a4} is rejected. Then the partial test results for the variable NPM (X4) show the t-statistic value of 3.742104 with a probability value of $0.004 < 0.05$. These results prove that NPM significantly affects profit growth, meaning H_0 is rejected, and H_{a5} is accepted.

Effect of CR on Profit Growth

This research and research empirically prove that CR influences profit growth. The variable CR has a lower probability than the significant level, namely $0.0303 < 0.05$. This indicates that CR partially has a significant adverse effect on the profit growth of manufacturing companies in the food and beverage sub-sector listed on the Indonesian Sharia Stock Index (ISSI) for the 2014-2020 period.

The variable CR in this study has a negative coefficient; this indicates that the CR's increasing value will decrease company profits. In this case, although the CR has increased, profit growth does not necessarily increase; even the profit generated has decreased from the previous year. For example, the case in this study occurred in one of the companies sampled in this study, namely PT Wilmar Cahaya Indonesia, Tbk (CEKA), in 2018, where the company was able to return current debts with current assets owned, but the company did not experience profit growth.

Effect of DER on Profit Growth

Based on the test, it was found that empirically the variable DER in this study had a lower probability number than the significant level, namely $0.0020 < 0.05$. This proves that the variable DER has a significant adverse effect on the profit growth of food and beverage industry manufacturing companies listed on the Indonesian Sharia Stock Index in the 2014-2020 research period.

DER An increase will hurt financial performance in companies with high debt, which will lead to higher interest payments, reduce profits, and directly impact company profits. The value of the coefficient DER in the study is negative, which means that DER increasing results in a decrease in profit growth in a company. In other words, if the DER is low, the company's profit growth will increase.

Effect of TAT on Profit Growth

This study proves that the variable TAT does not affect profit growth empirically. This variable has a higher probability than the standard of significance, $0.1185 > 0.05$. Based on

this, it can be indicated that in this study, the variable does TAT not affect the profit growth of manufacturing companies in the food and beverage sub-sector, which are incorporated in the ISSI in 2014-2020.

The variable does not affect TAT in this study because the company cannot utilize assets effectively and efficiently, so that it does not affect profits due to the absence of an increase in sales. In addition, there is an indication of increased sales value accompanied by increased operating expenses; this means that TAT has not become a benchmark in predicting profit growth in an organization.

Effect of NPM on Profit Growth

Research proves results that NPM has a significant influence on profit growth empirically. This variable has a probability number of $0.0004 < 0.05$ with a positive coefficient which indicates that the NPM has a significant positive effect on the company's profit growth.

Based on the results of this study, it proves that it is by the theory which states that if the high value of NPM in a company proves that the company has succeeded in making a profit from its sales activities. The higher the profit margin obtained from the company's operating activities will be good because the company can provide a positive picture for investors of the company's development to expect high returns on investment.

D. CONCLUSION

This research was conducted to know the effect of financial ratios on profit growth listed on the Indonesian Sharia Stock Index in 2014-2020. Based on the formulation of the problem, then the research objectives, as well as the theoretical basis, hypotheses, and research results, it can be concluded as follows:

- 1.The CR has a significant negative effect on profit growth in organizations and companies in the food and beverage sub-sector manufacturing listed on the Indonesian Sharia Stock Index during the 2014-2020 period.
- 2.DER has a significant negative effect on profit growth in organizations and companies in the food and beverage manufacturing sub-sector listed on the Indonesian Sharia Stock Index during the 2014-2020 period.

3.TAT does not significantly influence the profit growth of organizations and companies in the food and beverage sub-sector manufacturing sector listed on the Indonesian Sharia Stock Index during the 2014-2020 period.

4.NPM has a significant positive effect on the profit growth of organizations and companies in the food and beverage sub-sector manufacturing sector listed on the Indonesian Sharia Stock Index during the 2014-2020 period.

5.CR, DER, TAT, and NPM simultaneously significantly influence the profit growth of organizations and companies in the food and beverage manufacturing industry that are incorporated. In the Indonesian Sharia Stock Index for the period 2014-2020.

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