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The Determinants Of Profit Growth In Manufacturing Companies Food And Beverage Sub Sector Listed On The Indonesia Stock Exchange

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ABSTRACT

This study aims to determine which variables impact the profit growth drivers of manufacturing businesses listed on the Indonesian Stock Exchange. Profit growth is the dependent variable in this study, whereas the current ratio, debt-to-equity ratio, and total asset turnover are the independent factors. The study object is based on data from 26 manufacturing businesses in the food and beverage sub-sector listed on the Indonesia Stock Exchange, with five manufacturing companies selected and sampled from that population throughout the 2017-2019 timeframe. The research was analyzed using SPSS and included the classical assumption test, linear regression analysis, t-test, f test, and coefficient of determination.

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INTRODUCTION

A business's objective is to maximize profit. Profitability may be used to determine the success or failure of a company's management in managing the business. Additionally, management must examine profitability in order to determine the company's future development. A manufacturing firm is one that frequently receives notice due to its profitability. Manufacturing firms are those having a sizable market capitalization.

Manufacturing businesses are a subset of business entities. Manufacturing firms operate in three industrial sectors: the elemental and chemical industries, consumer products, and various other industries. Each of these industrial sectors is subdivided into several subsectors. Manufacturing industry growth slowed in 2019 compared to prior years. According to the Central Statistics Agency (BPS), the manufacturing industry expanded by 3.8 percent in 2019. (YoY). This statistic is lower than in prior years when growth was 4.27 percent in 2018 and 4.29 percent in 2017.

The purpose of this study was to ascertain the factors that contribute to profit growth in manufacturing businesses listed on the Indonesian Stock Exchange between 2017 and 2019. Profit growth is examined using data from past studies. According to a prior study, the current ratio, debt-to-equity ratio, total asset turnover, and profit margin affect profit growth [1]. There is a difference between this study with previous research where we did not use one variable of earlier studies, namely profit margin.

LITERATURE REVIEW

A. Profit Growth

Profit is an essential figure in financial statements for various reasons, including profit as the basis for tax calculations, guidelines in determining investment policies and decision making, the basis for forecasting profit, and other corporate economic events in the future, the basis for calculating and assessing the efficiency of running the company, as well as the basis for evaluating company performance or performance [2].

Profit growth is a change in the percentage increase in profits earned by the company. Good profit growth implies that the company has sound finances, which will ultimately increase the company's value because usually, the dividends to be paid in the future depend on the condition of the company [3]. The profit growth formula is as follows:

Asset Growth t =

$$\frac{\text{Total Assets Year}_t - \text{Total Assets Year}_{t-1}}{\text{Total Assets Year}_{-1}}$$

Information:

Y: Profit Growth

Yt: Current period profit Yt-1: Previous Period Profit

B. Current Ratio (CR)

The current ratio is a ratio that compares the existing assets owned by a company with short-term debt. The Current Ratio (CR) describes a company's ability to use current assets against its ability to pay off its long-term debt. The greater the number of existing assets owned, the greater the company can cover its existing debt claims [4]. "The current ratio is a ratio to measure the company's ability to pay short-term obligations or debts that are due immediately when billed in their entirety [5]."

"The current ratio measures the company's ability to meet its short-term debt by using its current assets (assets that will turn into cash within one year or one business cycle)." The CR formula is as follows: Current Ratio = (Current Assets: Current Liabilities) X 100% [6].

C. Debt to Equity Ratio (DER)

The debt to equity ratio is a financial ratio used to assess debt to company equity. This ratio is used to determine the total funds provided by the borrower (the creditor) and the company owner [5]. In other words, how much is the value of each rupiah of the company's capital that is used as debt collateral? The debt to equity ratio describes the company's capital ability to meet all of its obligations. The lower the DER ratio, the higher the level of corporate funding provided by shareholders. Likewise, the higher the DER ratio, the lower the level of corporate financing provided by shareholders. Debt to Equity Ratio (DER) is a ratio used to show how much the company uses funding obtained through debt compared to funding received through its capital (Horned and John, 2012). The DER formula is as follows: Debt to Equity Ratio = (Total Debt: Total Capital) x 100%.

D. Total Asset Turnover (TATO)

Total Asset Turnover is the efficiency level in using all company assets to produce a specific sales volume [7]. This ratio describes how far the company's assets have been used in company activities. One of the company's activities is sales, where sales are essential in obtaining company profits. In this ratio, if the turnover is slow, the assets held are too large compared to the ability to sell. Total Asset Turnover is the efficiency level in using the company's overall assets to generate a specific sales volume [8]. The definition of Total Asset Turn Over (TATO), is a ratio that measures the turnover of all company assets and is calculated by dividing sales by total assets [9]. The TATO formula is as follows: Total Asset Turnover = (Net Sales: Total Assets) X 100%.

METHODS

1. Research Strategy

This research is quantitative and causality research; the causality research design is designed to examine the possibility of a causal relationship between variables [10]. In this design, generally, the causal relationship (that) can be predicted by the researcher. The researcher can state the classification of the causal variable, intermediate variable, and dependent (dependent) variable.

This study aims to examine the effect of the independent variable, namely current ratio (CR), debt to equity ratio (DER), and total asset turnover (TATO), on the dependent variable, namely return on assets (ROA). The financial data needed for research is obtained from financial reports for the 2017-2019 period. The subjects in this study are manufacturing companies listed on the Indonesia Stock Exchange for the 2017-2019 period.

2. Measurement

The measurement scale is an agreement used as a reference to determine the length and shortness of the intervals in the measuring instrument [11]. The measuring device, when used in measurement, will produce quantitative data. This measurement scale is to clarify the variables to be measured so that there are no errors in determining data analysis and further research steps [12].

In statistics, the measurement scale is divided into 4, namely:

a) Nominal Scale, The Nominal scale is the most straightforward measurement scale or the lowest level in a study.
b) Ordinal scale, The Ordinal scale is a measurement scale that states the ranking between levels. The distance or interval between groups also does not have to be the same.
c) Interval Scale, The Interval Scale is a measurement scale that can express ratings for levels. The distance or interval between groups is clear, but it does not have an absolute 0 (zero).
d) Ratio Scale, The Ratio scale is a measurement scale aimed at measuring results that can be distinguished, sorted, have a certain distance, and compared.

In conducting statistical analysis, different types of data greatly influence the choice of statistical test models or tools. In this research, we use the ratio scale measurement scale because in this measurement analysis, we analyze based on absolute and logical ratio calculations according to the company's annual financial statements. The ratio scale is a measurement scale that has absolute zero.

3. Population and Sample

The population used in this study are manufacturing companies listed on the Indonesia Stock Exchange in the 2017-2019 period. The number of samples used was five manufacturing companies with an observation period of 3 years, so that the number of observations in this study was 15.

4. Sampling Method

The method used in this research sample collection using the purposive sampling method. Purposive sampling is based on specific considerations such as population or previously known characteristics [13]. In other words, the purposive sampling method is a method of selecting samples based on several criteria. The criteria are as follows:

a. Manufacturing companies listed on the Indonesia Stock Exchange in 2017-2019
b. Companies that issue continuous audited financial reports from 2017-2019
c. Companies that have a positive profit growth value.

5. Research Objects

The object of research is the characteristics inherent in the research subject.

If this characteristic is given a value, the value will vary (different) between individuals or others [14]. We examined the research objects were Current Ratio, Debt to Equity Ratio, Turn Assets Turnover, and Profit Growth.

6. Data collection

The data collection method used is literature study and documentation. The data used is secondary data: the financial statements of manufacturing companies obtained from the site www.IDX.co.id.

7. Research Instruments

A research instrument is a tool used by a researcher in collecting data. The number of research instruments depends on the number of research variables that have been determined to be studied. The following are the instruments used for each variable:

a) Variable Y Profit Growth, The Instrument used to obtain earnings growth data is a financial report published by the company for interested parties through the Indonesia Stock Exchange website.

b) Variable X_1 current ratio (CR), The Instrument used to obtain the current ratio (CR) data is a financial report published by the company for interested parties through the Indonesia Stock Exchange website.

c) Variable X_2 current ratio (CR), The Instrument used to obtain the current ratio (CR) data is a financial report published by the company for interested parties through the Indonesia Stock Exchange website.

d) Variable X_3 total asset turnover (TATO), The Instrument used to obtain total asset turnover (TATO) data is a financial report published by the company for interested parties through the Indonesia Stock Exchange website.

8. Data Analysis

Based on data analysis with the sampling technique, namely the Purpose Sampling technique, it is known that from 2017-2019 there were 26 manufacturing companies in the food and beverage sub-sector. During the data selection process, it was found that 21 companies had negative profits for each different year. The remaining five companies have positive gains, and these five companies are sampled. Data analysis was carried out by several methods of testing, including:

Classic assumption test:

a. Normality Test (Kolmogorov-Smirnov)
b. Multicollinearity Test
c. Heteroscedasticity Test (Glejser Test)
d. Auticorrelation Test Linear Regression Test
    a) T test
    b) F test
    c) Determination Coefficient Test

RESULTS AND DISCUSSION

Classic assumption test

1. Normality test

Normality test aims to test whether, in regression, the dependent and independent variables are normally distributed or not. In the normality test, the reference for the normality test report is on Asymp. Sig Seen in Table 1, from the normality test results using the Smirnov Columnogrov method, a significant impact

is obtained from the normality test of 0.200 where the result is more than the significance level of 0.05. So, it can be concluded that the normality test in this study is usually distributed.

Table 1. Normality Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		15
Normal Parametersa, b	Mean	.0000000
	Std. Deviation	25.38491896
Most Extreme Differences	Absolute	.148
	Positive	.148
	Negative	-132
Statistical Test		.148
Asymp. Sig. (2-tailed)		.200c, d

Source: Processed primary data (2020)

2. Multicollinearity Test

The multicollinearity test aims to test whether the regression model finds any correlation between the independent variables. A good regression model does not correlate with the independent variables. To determine whether there is multicollinearity or not, it can be seen from the VIF value; if the tolerance value> 0.1 and VIF <10, it is declared that there is no multicollinearity. Based on the multicollinearity test, which can be seen in Table 2, it shows that there are no multicollinearity problems that arise; this is indicated by the tolerance value> 0.1. Independent variable shows that the VIF value of the variable current ratio (CR) = 1.297, debt to equity ratio (DER) = 1.293, and total asset turnover (TATO) = 1,020 where the value is less than 10

Table 2. Multicollinearity Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	109,755	38,127		2,879	.015		
	CR	-175	.107	-455	-1,636	.130	.771	1,297
	DER	-425	.185	-,637	-2,293	.043	.773	1,293
	TATTOOS	-007	.197	-008	-.033	.974	.981	1,020

Source: Processed primary data (2020)

3. Heteroscedasticity Test (Glejser Test)

Test Heteroscedasticity the aim is to test whether there is an inequality of variance from the residual of the observation to the other comments in the regression. Based on table 3, from the multicollinearity test results using the Glacier test, the results of the significance of the independent variable or variable current ratio (CR), debt to equity ratio (DER), and total asset turnover (TATO) show the variable current ratio (CR) of 0.003, debt to equity ratio (DER).) of 0.000 more minor than the significant value of 0.05, and the total asset turnover (TATO) of 0.442 above the significance value of 0.05.

So, it can be concluded that the variable current ratio (CR) and debt to equity ratio (DER) heteroscedasticity problems occur, while the total asset turnover (TATO) variable does not have heteroscedasticity problems.

Table 3. Heteroscedasticity Test (Glejser Test)

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	71,828	11,021		6,517	.000
	CR	-118	.031	-620	-3,829	.003
	DER	-325	.054	-,980	-6,065	.000
	TATTOOS	.003	.057	.007	.047	.964

Source: Processed primary data (2020)

4. Autocorrelation Test

A good regression model is the absence of an autocorrelation model. In this study, a way to detect the absence of autocorrelation is using the Durbin Watson test. Based on the results of table 4, it is known that the DW value = 2.635, then compared with the value from the 0.05 significance table with a sample size of 15 and the number of independent variables 3 (K = 3) = 3.15so that the results obtained from the dU table r = 1.7501. The DW value is greater than the dU limit and more significant than (4-dU) = 4 - 1.7501 = 2.2499. So, it can be concluded that there is autocorrelation. Result = Du <D> 4-D = 1.7501 <2.635> 2.2499.

Table 4. Autocorrelation Test

Model Summary b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.587a	.344	.165	28.63805	2,635

Source: Processed primary data (2020)

Linear Regression Test

1. T test

The t-test is used to determine whether the independent variable individually affects the dependent variable. For nominal table t, it can be calculated by the formula: T table = t (a / 2: nk-1) Information: n = number of samples and k = number of variables x. Based on table 5, the results of the t table for the variable current ratio (CR), it is known that the value of t count <t table is -1.636 <3.106 with a significance value of 0.130> p-value of 0.05. This means that the current ratio (CR) variable does not affect profit growth (H_1 is not proven).

From the results of the t table for the debt to equity ratio (DER) variable, it is known that the value of t count <t table is -2.293 <3.106 with a significance value of 0.043 <p-value 0.05. This means that the debt to equity ratio (DER) variable affects profit growth (H_2 is proven). The results of the t table for the variable total asset turnover (TATO) show that the value of t count <t table is -0.33 <3.106 with a significance value of 0.974> p-value 0.05. This means that the total asset turnover (TATO) variable does not affect profit growth (H_3 is not proven).

Table 6. T table

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	109,755	38,127		2,879	.015

	CR	-175	.107	-455	-1,636	.130
	DER	-425	.185	-,637	-2,293	.043
	TATTOOS	-007	.197	-008	-.033	.974

Source: Processed primary data (2020)

2. F test

The F test will show the effect of the independent variable simultaneously on the dependent variable. The significant level is 0.05 with the assessment criteria if F count> F table, which means that the independent variable simultaneously has a substantial effect on the dependent variable. Based on the output of table 6 above, it is known that the significance value for the impact of current ratio (CR), debt to equity ratio (DER), and total asset turnover (TATO) simultaneously on profit growth is 0.184> 0.05, so it can be concluded that H_4 is not accepted. This means that there is no stimulant effect on the current ratio (CR), debt to equity ratio (DER), and total asset turnover (TATO) on profit growth.

Table 6. F test

ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4731,816	3	1577,272	1,923	.184b
	Residual	9021,518	11	820,138		
	Total	13753,333	14			

Source: Processed primary data (2020)

3. Determination Coefficient Test

The coefficient of determination R^2 is used to measure how far the model can explain the variables affecting the dependent variable. Based on the coefficient of determination test results, the value of Adjusted R Square is 0.344. This value can be seen in table 7, which means influence variable current ratio (CR), debt to equity ratio (DER), and total asset turnover (TATO) simultaneously to profit growth is 34%while other variables outside the study influence 66%.

Table 7. F test

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.587a	.344	.165	28.63805

Source: Processed primary data (2020)

CONCLUSION

From this research, it can be concluded that the independent variable that affects the dependent variable is only the debt-to-equity ratio (DER) variable, where the sig value is less than 0.05, which means that the debt to equity ratio (DER) variable has a significant effect on profit growth. In a company. At the same time, the variable current ratio (CR) and total asset turnover (TATO) do not significantly affect the company's profit growth.

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