

## Profit Growth of The Company: An Empirical Examination of Its Determining Factors

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### **Abstract**

*The agricultural sector is experiencing difficulties in terms of decreased corporate profits. The average profit growth in 2014 was 487, decreased in 2015 by 364, then increased in 2016 by 653, and decreased from 2016-2019. The decline in profit occurred due to the abundant production of agricultural products, and not infrequently, some agricultural commodities were barely produced due to crop failure. This study examines the effect of Current Ratio (CR), Net Profit Margin (NPM), Debt to Equity Ratio (DER), and Total Asset Turnover (TATO) on profit growth in agriculture sector companies listed on the IDX in 2014-2019. This research uses quantitative data with multiple linear regression techniques. The research sample was determined by purposive sampling technique. Quantitative analysis includes classic assumption tests (normality test, multicollinearity test, heteroscedasticity test, autocorrelation test), multiple linear regression test, model feasibility test through t-test, F-test, and coefficient of determination. The results showed that Current Ratio (CR), Debt to Equity Ratio (DER), and Total Asset Turnover (TATO) did not affect profit growth in agricultural companies listed on the Indonesia Stock Exchange (BEI) in 2014-2019, but Net Profit Margin (NPM) affect profit growth in agricultural companies listed on the Indonesia Stock Exchange (BEI) in 2014-2019. The contribution of the results of this study can support the conception of signal theory (Signaling theory), which suggests the importance of information issued by companies to investment decisions. Information is essential for investors and businesspeople because information provides information on records and descriptions of the past, present and future for companies and the capital market.*

**Keywords:** Current Ratio, Debt, Asset, Margin, Profit.

**JEL Classification:** G39, G19, Q02

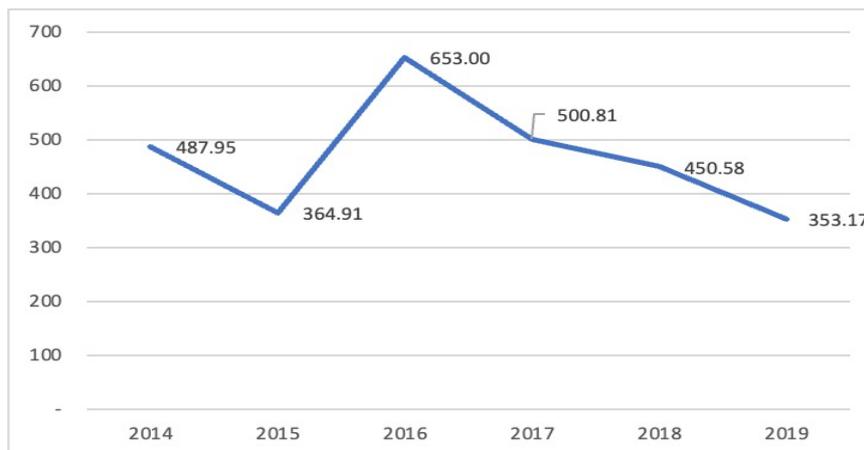
### **A. INTRODUCTION**

Profits are essential for companies so that their operational activities can run smoothly and face increasingly fierce economic competition. Investors, potential investors, and creditors or shareholders get profits that increase each period. Each company's results to make a profit cannot be ascertained yearly. This is known as profit growth. Predicting the increase or decrease in profit requires certain factors for profit growth analysis.

Profit growth is the change in the percentage increase in profit each company earns. A good change in profit means that the company has sound finances; with this, it will experience an increase in company value (Rike Panjaitan, 2018). Companies with growing profits can strengthen the relationship

between the size of the company and the level of profit earned. In contrast, companies with growing profits will have many assets to provide more excellent profitable opportunities. The following is a graph of profit growth in agricultural companies on the Indonesia Stock Exchange (IDX) in 2014-2019.

Based on Figure 1, it can be seen that the agricultural sector is experiencing difficulties in terms of decreased corporate profits. In the agricultural sector in Indonesia, the average profit growth in 2014 was 487, decreased in 2015 by 364, then increased in 2016 by 653, and decreased from 2016 to 2019. The decline in profit



**Figure 1.** Average Profit Growth

Occurred due to the abundant production of agricultural products, and not infrequently, some agricultural commodities were barely produced due to crop failure. Likewise, the market price for an agricultural product is still relatively low. Suppose the price of agricultural products are sold at a high price. In that case, people will undoubtedly look for alternatives for consumption so that the selling power of agricultural products is low. In the field of food, an agricultural craft whose manufacturing process is relatively tricky and takes a long time also gets low market prices. For investors, it is difficult to determine the price of agricultural production in Indonesia as a developing country. In this case, it requires a long process to produce agricultural products if agricultural growth is slow. This is a consideration for investors in developing their investment in the agricultural sector in Indonesia, even though investors' steps in agriculture will also have a negative impact on increasing unemployment in society.

The current ratio that increases in the company can be said that the company can pay off its current debt using current assets owned; thus, the company can be more focused on increasing sales, so increased sales can be one of the factors to increasing company profits, so expecting changes in profit can increase. The reason for choosing this variable in the study is to measure the company's ability to pay short-term obligations that are due

soon. If the current ratio is low, the company experiences a lack of capital to pay its due debts soon. However, if the current ratio is high, it is not sure that the company's condition is good because cash is not used as well as possible (Kasmir, 2012). The greater the CR, the more profit it will increase, and the increase in profit will further affect the increase in profit growth.

NPM is a comparison of net income to sales. This figure shows the percentage of the net income from each sale. The greater the ratio, the better because it is considered that the company's ability to earn a profit is relatively high (Harahap, 2008). Low NPM indicates sales that are too low for a certain level of costs, costs that are too high for a certain level of sales, or a combination of the two.

DER is the solvency ratio that shows a company's ability to pay short-term and long-term liabilities. Agustina & Mulyadi (2019) the focus of these ratios is the Equity Ratio, which is the ratio used to assess debt to equity; this ratio helps know the number of funds provided by the borrower and the owner of the company or its functions to find out each capital itself which is used as collateral for debt. The higher the DER indicates, the greater the company's burden on outsiders; this is very likely to reduce the company's performance (Panjaitan (2018).

Total Assets Turnover (TATO): this ratio uses the effectiveness of the company in using its assets. This

is to describe the sales volume with total assets. The greater the total asset turnover, the better for the company because it can generate more extensive sales.

Many researchers have done this about the factors that influence profit growth. Suyono & Marina (2020) show that the current ratio (CR) and total assets turnover (TATO) has a positive effect on profit growth. Wati & Yahya (2018) show that the net profit margin (NPM) affects profit growth, while total assets turnover (TATO) does not affect profit growth.

Estininghadi (2019), net profit margin (NPM) does not affect profit growth, but Debt to Equity Ratio (DER) affects profit growth. Agustina & Mulyadi (2019), current ratio (CR) and Debt to Equity Ratio (DER) do not affect profit growth.

The table above shows that there are still inconsistencies in research results on the variables that affect profit growth. With the inconsistency of the results of this study, further research will be carried out. The novelty of this research is that it will combine several inconsistent financial ratios from previous research, and previous researchers have never done this for models such as in this study.

## **B. LITERATURE REVIEW**

### **1. Profit Growth**

Harahap (2013), profit growth shows the company's ability to increase net profit (dividend) compared to last year. Estininghadi (2018), profit growth is an increase and decrease in profits earned by companies compared to the previous year. Because profit is a measure of a company's performance, the higher the profit the company achieves, the better the company's performance; thus, investors are interested in investing. Angkoso (2006) in Panjaitan (2018) states that profit growth is influenced by several factors, including: 1. Growth of growth. 2. Age of Company. 3. Level of Leverage. 4. The level of sales. 5. Past profit growth.

Profit growth can also be influenced by external factors, such as increased prices due to inflation and managerial discretion, allowing managers to choose accounting methods and make

estimates to increase profits.

### **2. Current Ratio (CR)**

Kasmir (2018), the Current Ratio can be said to be a form of measuring the level of security of a company (margin of safety), which is done by comparing total current assets with total current debt. Current assets are company assets that can be turned into money quickly. Components of current activities include cash, bank, marketable securities, accounts receivable, supplies, prepaid expenses, accrued income, loans, and other current assets. Current debt is a short-term (maximum one year) company obligation that must be paid off within one year, with components consisting of trade payables, bank loans, notes payable, and others within one year that will mature.

If the CR is too high, it is considered not suitable due to a large number of unemployed funds, or it may indicate that there is excessive cash compared to the level of need, or there is an element of current assets with low liquidity, such as excess inventory (Jumingan, 2014 in Panjaitan, 2018). The results of low ratio measurement show that the company lacks the capital to pay off debt. However, if the ratio measurement results are high, it is not necessarily that the company is in good condition. This can happen because cash is not used as well as possible (Kasmir, 2018).

### **3. Net Profit Margin (NPM)**

NPM is a comparison of net income to sales. This figure shows the percentage of net income obtained from each sale. The greater this ratio, the better because it is considered that the company's ability to earn a profit is relatively high (Harahap, 2008 in Suyono and Marina, 2020).

According to Munawir (2010: 89) and Irawan (2018), this profit margin measures the profit level a company can achieve concerning its sales.

**Table 1.** Gap Research

Authors	Independent Variable				Dependent Variable
	CR	NPM	DER	TATO	
Suyono & Marina (2020)	effect			effect	profit growth
Wati & Yahya (2018)		effect		no effect	profit growth
Estininghadi (2019)		no effect	effect		profit growth
Agustina & Mulyadi (2019)	no effect		no effect		profit growth

Net profit margin (NPM) reflects the company's net profit on every sale made. In other words, this ratio measures the net profit after tax against sales.

A high net profit margin indicates that the company is pricing its products correctly and has managed to control costs well. According to Hanafi (2016) and Suyono and Marina (2020), a low net profit margin (NPM) indicates sales that are too low for a certain level of cost, or costs that are too high for a certain level of sales, or a combination of the two. According to Agustina and Mulyadi (2019), if the net profit margin (NPM) ratio is high, the more efficiently the costs are spent, the greater the level of net profit the company gets. In this study, the profitability ratio is proxied by the net profit margin because this ratio is the ratio that most influences profit growth based on previous research.

#### 4. Debt to equity ratio (DER)

The capital structure has always been considered one of the significant components that could impact corporate performance (Claude, 2016). This ratio helps know the number of funds provided by borrowers (creditors) and company owners and how much company assets are financed by corporate debt, affecting asset management (Kasmir, 2018). DER helps know how much the company's assets are financed from debt (Perihantoro, 2009 in Hanifah et al., 2020). Therefore, the lower the debt-to-equity ratio, the higher the company can pay all its obligations. The greater the use of debt, the more it can impact financial distress and bankruptcy. A high DER indicates that the company may not be able to generate enough money to meet its debt

obligations. However, if this ratio is low, it is a sign that the company is not maximizing the profit increase.

#### 5. Total Asset Turnover (TATO)

Kasmir (2018) defines TATO as a ratio used to measure the turnover of all company assets and the number of sales obtained from each rupiah of assets. This ratio shows the asset turnover speed used for the company's operations in a certain period. In other words, asset turnover describes the efficiency of management in using company assets to generate sales. Asset turnover evaluates how efficiently a company uses its assets to generate sales. The higher the ratio, the more efficiently the company uses assets to generate sales. Conversely, if the ratio is low, it is a sign of inefficient use of assets, or there is a high probability of problems in management.

#### 6. Relationship Between Current Ratio to Profit Growth

This ratio shows how many current assets are available to cover short-term liabilities due soon (Kasmir, 2018). The higher the ratio, the greater the company's ability to pay its various bills; however, this ratio must be considered a rough measure because it does not take into account the liquidity of each component of the company's inventory and receivables (Irawan & Sitohang, 2018). The higher the Current Ratio (CR), the greater the ability to pay various bills. If a company is considered too illusory relative to its industry, the company will experience a decline in profitability. Research conducted by Suyono and Marina (2020) and Panjaitan (2018) found that the current ratio positively and

significantly affects profit growth. Wati's research (2018) shows that Current Ratio (CR) negatively and significantly affects earnings growth. Estininghadi's research (2019) shows that Current Ratio (CR) has no negative or significant effect on profit growth. Based on previous research, the following hypothesis can be formulated:

H1: Current Ratio Has an Effect on Profit Growth

### **7. The Relationship Between Net Profit Margin and Profit Growth**

Net Profit Margin (NPM) measures a company's ability to generate profits with sales achieved by the company. The higher ratio indicates that the company is more efficient in production, personnel, marketing, and finance (Sudanan, 2011; Irawan, 2018). According to Kasmir (2009) and Suyono & Marina (2020), a high Net Profit Margin (NPM) shows that companies get large or high profits. A healthy company should have a positive Net Profit Margin (NPM) because it indicates that the company does not face a loss. Research conducted by Suyono and Marina (2020) and Wati (2018) found that Net Profit Margin (NPM) has a significant positive effect on profit growth. Meanwhile, Irawan's (2018) research shows that Net Profit Margin (NPM) has a positive and insignificant effect on profit growth. Panjaitan's research (2018) shows that Net Profit Margin (NPM) does not significantly affect profit growth. Based on previous research, the following hypothesis can be formulated:

H2: Net Profit Margin Affects Profit Growth

### **8. Relationship Between Debt-to-Equity Ratio to Profit Growth**

This ratio helps know the amount of funds the borrower provides and the company's owner or functions to determine every rupiah of its capital used for debt collateral. The greater the ratio, the more destructive the impact on the company's performance because the higher the level of debt that the company receives. Conversely, suppose the ratio shows good company performance due to increased refunds and greater security for

borrowers. In that case, this ratio provides a general indication of the feasibility and financial ratios of the company (Kasmir, 2018). Research Estininghadi (2018), Panjaitan (2018), and Hanifah et al. (2020) found that the Debit to Equity Ratio (DER) affects profit growth. Research by Suyono and Marina (2020) and Mardjono et al. (2020) shows that the Equity Ratio (DER) does not have a significant effect on profit growth.

H3: Debit to Equity Ratio Has an Effect on Profit Growth

### **9. Relationship Between Total Asset Turnover and Profit Growth**

Pudjiastuty (2004) in Hanifah et al. (2020), Total Asset Turnover (TATO) is a measure of the extent to which these assets have been used in company activities or show how many times the operating asset has rotated in a certain period. The higher the Total Asset Turnover (TATO), the more influential the use of these assets. Suyono and Marina's research (2020) and Agustina and Mulyadi (2019) show that Total Asset Turnover (TATO) has a significant effect on profit growth. Wati (2018), while Hanifah et al. (2020), in their research, show that Total Assets Turnover (TATO) does not affect profit growth.

H4: Total Assets Turnover Has an Effect on Profit Growth

## **C. RESEARCH METHOD**

This research uses a type of associative causal research. Causal research aims to analyze the relationship between one variable and another or how a variable can influence other variables.

Dependent Variable (Y): Profit growth is the current year's net profit minus the previous year's net profit, then divided by the previous year's net profit (Harahap, 2013). Independent Variable (X): (1) Current Ratio (X1) is the comparison between the total current assets and current liabilities (Irawan & Sitohang, 2018). (2) Net Profit Margin (X2), Net profit margin (NPM) is a comparison of net profit to sales (Harahap, 2013). (3) Debt to Equity Ratio (X3): debt to equity ratio (DER) is a ratio used to assess debt to

equity (Kasmir, 2018). (4) Total Asset Turnover (X4) is a ratio that shows the level of efficiency in the use of the company's overall assets in generating a specific sales volume (Irawan & Sitohang, 2018).

**Table 2.** Measurement of Dependent & Independent Variables

Variable	Symbol	Formula	Scale
Profit Growth	Y	$\frac{Net\ Income_t - Net\ Income_{t-1}}{Net\ Income_{t-1}}$	Ratio
Current Ratio (CR)	X1	$\frac{Current\ Asset}{Current\ Liabilities}$	Ratio
Net Profit Margin (NPM)	X2	$\frac{Net\ Sales - Cost\ of\ Goods\ Sold}{Sales}$	Ratio
Debt Equity Ratio (DER)	X3	$\frac{Total\ Debt}{Total\ Equity}$	Ratio
Total Assets Turnover (TATO)	X4	$\frac{sales}{Total\ assets}$	Ratio

The object of this research is the agricultural sector companies listed on the Indonesia Stock Exchange (BEI) in 2014-2019. The population in the research of agricultural sub-sector companies listed on the Indonesia Stock Exchange (BEI) in 2014-2019 amounted to 17 companies. The sample is eight companies. The purposive sampling technique determined the sample. The criteria for the companies that are sampled in this study are Agricultural companies listed on the Indonesia Stock Exchange (IDX) in 2014 - 2019, presenting financial statements in rupiah currency, and not experiencing losses. The Sample List of Agricultural Companies: (1) Bisi Internasional Tbk. (2) Astra Agro Lestari Tbk. (3) Dharma Satya Nusantara Tbk. (4) PP London Sumatra Indonesia Tbk. (5) Sampoerna Agro Tbk. (6) Sawit Sumbermas Sarana Tbk. (7) Tunas Baru Lampung Tbk. (8) Dharma Samudera Fishing Industries Tbk.

The method of analysis in this study uses multiple linear analysis. Previously, descriptive statistical tests and classical assumption tests were used—the SPSS (Statistical Package for Social

Science '24 software was used to make it easier to analyze.

#### D. RESULTS AND DISCUSSION

The Current Ratio (CR) has an average (mean) value of 2.40634 with a standard deviation of 1.867383, which is smaller than the average value. This explains that the data deviation is relatively minor. The minimum value of the Current Ratio is 0.581 for the Sampoerna Agro Tbk company with the SGRO code in 2019, and the maximum value of the Current Ratio (CR) of 7.247 for the company Bisi Internasional Tbk with the code BISI in 2014.

Net Profit Margin (NPM) has an average (mean) value of 0.10527 with a standard deviation of 0.074349, which is smaller than the average value. This explains that the data deviation is relatively smaller. The minimum Net Profit Margin value is 0.004 in the company Sawit Sumbermas Sarana Tbk with the SSMS code in 2019, and the maximum Net Profit Margin value is 0.338 for the company Sawit Sumbermas Sarana Tbk with the SSMS coded in 2014.

The Debt-to-Equity Ratio (DER) has an average (mean) value of 1.09209 with a standard deviation of 0.791514, which is smaller than the average value. This explains that the data deviation is relatively smaller. The minimum value of the Debt-to-equity Equity Ratio is 0.166 at the Bisi International Tbk company with the BISI code in 2014, and the maximum Debt-to-equity Equity Ratio value is 2.683 in the Tunas Baru Lampung Tbk company with the code TBLA in 2016.

Total Asset Turnover (TATO) has an average (mean) value of 0.65697 with a standard deviation of 0.385684, which is smaller than the average value; this explains that the data deviation is relatively smaller. The minimum value for Total Asset Turnover is 0.277 for the company Sawit Sumbermas Sarana Tbk with the SSMS coded in 2019, and the maximum

**Table 3.** Descriptive Analysis Test

	Descriptive Statistics				
	N	Minimum	Maximum	Mean	Std. Deviation
Profit growth	48	-,890	4,043	,21362	1,030124
CR	48	,581	7,247	2,40634	1,867383
NPM	48	,004	,338	,10527	,074349
DER	48	,166	2,683	1,09209	,791514
TATO	48	,277	1,844	,65697	,385684
Valid N (listwise)	48				

Value for Total Asset Turnover is 1,844 at the Dharma Samudera Fishing Industries Tbk company with the DSFI code in 2015.

Profit growth has an average (mean) value on profit growth of 0.21362 with a standard deviation of 1.030124, which is smaller than the average value. This explains that the data deviation is relatively minor. The minimum value of profit growth was -0.890 for the SSMS-coded company in 2018, and the maximum profit growth value of 4.043 for the TBLA code company in 2014.

### 1. Normality test

The normality test uses the Kolmogorov-Smirnov (KS) method. If the probability value is  $> 0.05$ , it indicates that the data is normally distributed. The probability value obtained by the Kolmogorov-Smirnov method is  $0.000 < 0.05$  or 5%, meaning it is not normally distributed (Appendix 1). With this regression model, what is not normally distributed can be normalized by transforming. The results of the normality test explain that the Kolmogorov-Smirnov (KS) asymptotic significance (2-tailed) value is 0.200, which means that the value  $> 0.05$ , the data in this study has a residual value that is normally distributed and can be continued to the next test stage (Appendix 2).

### 2. Classical Assumption Test

The data present no multicollinearity (Appendix 3). It means that no independent variables have a tolerance value of less than 0.10 and a Variance Inflation Factor (VIF) of more than 10.

The results of the autocorrelation test show the Asymp Sig (2-tailed) value of  $0.996 > 0.05$ , so no autocorrelation symptom exists (Appendix 4).

Furthermore, the heteroscedasticity test using the Glejser test shows that the independent

variables in the study have a probability value above the significance level of 0.05 (5%) so that they are free from heteroscedasticity and are feasible for use in regression models (Appendix 5)

### 3. Multiple Regression Analysis Test

The regression result shows that the multiple linear regression equation models:

$$Y = -1,090 + 0,014 \text{ CR} + 4,774 \text{ NPM} + 0,089 \text{ DER} + 0,513 \text{ TATO} + e$$

The regression equation can be explained as follows:

- Constant is negative at -1.090, this means the Current Ratio (CR) is X1, Net Profit Margin (NPM) is X2, Debt to Equity Ratio (DER) is X3, Total Asset Turnover (TATO) is X4 cash or the same with zero, the profit growth will decrease by -1.090.
- The regression coefficient value of the Current Ratio (CR) is 0.014. It is positive, meaning that if the Current Ratio has increased and the assumption of other independent variables is constant, profit growth will increase by 0.014.
- The regression coefficient value of the Net Profit Margin (NPM) is 4.774. It is positive, meaning that if the Net Profit Margin variable has increased and the assumption of other independent variables is constant, profit growth will increase by 4.774.
- The Debt-to-Equity Ratio (DER) regression coefficient value is 0.089 and is positive, meaning that if the Debt-to-Equity Ratio variable increases and the assumption of other independent

**Table 4.** Results of Multiple Line Regression Analysis

Model		Coefficients			T	Sig.
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta		
1	(Constant)	-1,090	,257		-4,242	,000
	CR	,014	,031	,067	,468	,643
	NPM	4,774	,829	,748	5,761	,000
	DER	,089	,080	,168	1,103	,279
	TATO	,513	,326	,199	1,572	,126

a. Dependent Variable: Profit Growth

(Independent) variables are constant; then profit growth will increase by 0.089.

- e. The regression coefficient value for Total Asset Turnover (TATO) is 0.513. It is positive, meaning that if the Total Asset Turnover variable has increased and the assumption of other independent variables is constant, then profit growth will increase by 0.513.

#### 4. Hypothesis Test (t-test)

Partial test results (t-test) explain the xxx. The result is as follows (Appendix 6):

- The current Ratio does not affect profit growth because the significant level is  $0.643 > 0.05$ . Thus, the hypothesis that the Current Ratio has no significant effect on Profit Growth is rejected.
- Net Profit Margin affects profit growth because the significant level is  $0.000 < 0.05$ . Thus, the initial hypothesis says that the Net Profit Margin significantly affects the growth of received profits.
- Debt to Equity Ratio does not affect profit growth because the significant level is  $0.279 > 0.05$ . Thus, the hypothesis that the Debt to debt-equity ratio has no significant effect on Profit Growth is rejected.
- Total Asset Turnover does not affect profit growth because the significant level is  $0.126 > 0.05$ . Thus, the hypothesis that the Debt-to-Equity Ratio has no significant effect on Profit Growth is rejected.

#### 5. Model Feasibility Test (F-Test)

The F-test shows a significance value of  $0.000 < 0.05$ , so the Current Ratio (CR), Net Profit Margin

(NPM), Debt to Equity Ratio (DER), and Total Asset Turnover (TATO) both affect profit growth and research tests (Appendix 7).

#### 6. Determination Coefficient Test (R2)

The adjusted R Square value of 0.543 or 54.3 per cent, then the influence given by the Current Ratio (CR), Net Profit Margin (NPM), Debt to Equity Ratio (DER), and Total Asset Turnover (TATO) on profit growth is 54, 3 per cent and the remaining 55.7 per cent is an explanation of other independent variables outside other research regression models (Appendix 8).

#### Discussion

##### Effect of Current Ratio (CR) on Profit Growth

The results showed that the Current Ratio (CR) has no significant effects on profit Growth in the agricultural sub-sector companies in Indonesian Stock Foam for 2014-2019. These results indicate that the decline in profits experienced by the company is caused by the amount of debt owned by the company, with the profits earned by the company bearing the debt owed by the company. A high Current Ratio (CR) indicates an excess of current assets that is not good for company profits. Thus, company profits used to bear debt will decrease profit growth (Wati, 2018). In this case, the current ratio variable cannot determine profits' ups and downs because investors think high current assets can cause risk. After all, the presence of current assets that are too high indicates that the company also has a high inventory. High inventories can cause the risk of increasing costs due to costs to maintain

the quality of the inventory (Irawan & Sihombing, 2018).

The results of this study are under previous research by Khaldun & Muda (2014), Irawan & Sihombing (2018), and Mardjono et al. (2020), which state that the Current Ratio does not affect profit growth. However, it is different from the research results of Munte & Sitanggang (2015), Suyono & Marina (2020), and Panjaitan (2018), which state that the Current Ratio affects profit growth.

#### **Effect of Net Profit Margin (NPM) on Profit Growth**

Net Profit Margin (NPM) affects Profit Growth in Agriculture Sub-Sector Companies in Indonesian Stock Foam for 2014-2019. Net Profit Margin is the ratio between clean profit and sales. The greater this ratio, the better for the company because the company has a high enough profit. The results of this study support Harahap (2013) theory, which states that a higher Net Profit Margin (NPM) means the increasing net profit achieved by the company towards its net sales. The results of this study are under previous research conducted by Munte & Sitanggang (2015), Minggu et al. (2020), Suyono & Marina (2020), and Wati & Yahya (2018), who say that Net Profit Margin affects profit growth. However, it is different from the results of research conducted by Heikal et al. (2014), Estininghadi (2019), and Agustina & Mulyadi (2019), which state that Net Profit Margin does not affect profit growth.

#### **Effect of Debt-to-Equity Ratio (DER) on Profit Growth**

Debt to Equity Ratio (DER) has no effect on Profit Growth in Agriculture sub-sector companies in Indonesian Stock Foam for 2014-2019. Debt Equity Ratio shows how much funds creditors provide to the company's owner or assess debt with equity. The enormous Debt to Equity Ratio will show the company's ability to be financed by credit and the company's dependence on capital from outsiders. The lower Debt to Equity Ratio indicates the company's performance is good due to increased refunds.

This study's results are from previous research conducted by Suyono & Marina (2020) and Mardjono et al. (2020), who say that the Debt to debt-equity ratio does not affect profit growth. However, it differs from the results of research conducted by Estininghadi (2019) and Hanifah et al. (2019), which state that the Debt to debt-equity ratio affects profit growth.

#### **Effect of Total Asset Turnover (TATO) on Profit Growth**

Total Asset Turnover (TATO) has no effect on Profit Growth in Agriculture sub-sector companies in Indonesian Stock Foam for 2014-2019. Total Asset Turnover measures the company's ability to use its assets to generate net sales. A greater Total Asset Turnover indicates that all asset users efficiently support sales activities. The greater this ratio, the better because it is considered that the company's ability to earn a profit is relatively high. Profit growth is a measure of a company's performance, so the higher the profit achieved by the company, the better the company's performance. Thus, if the Total Asset Turnover ratio is good, it will increase profit growth. Total Asset Turnover is not efficient in using assets to support sales. Companies are not good and less efficient in utilizing all assets that affect the production process in utilizing all assets that affect the production process of sales that generate profits and cause the company to suffer losses. Thus, the company management has not been able to utilize assets to increase sales and the impact of decreased profit growth.

This study's results are from previous research conducted by Wati & Yahya (2018) and Hanifah et al. (2020), which state that Total Asset Turnover does not affect profit growth. However, it differs from the results of research conducted by Salmah Ermeila (2018) and Suyono & Marina (2020), which state that Total Asset Turnover affects profit growth.

#### **E. CONCLUSION**

The results showed that the Current Ratio (CR), Debt to Equity Ratio (DER), and Total Asset

Turnover (TATO) did not affect profit growth in agricultural companies listed on the Indonesia Stock Exchange (BEI) in 2014-2019. The results of the Net Profit Margin (NPM) analysis affect profit growth in agricultural companies listed on the Indonesia Stock Exchange (BEI) in 2014-2019.

Based on the conclusions stated above, some suggestions can be given and are expected to be helpful for the company in the future. The suggestions are (1) For the Invertor. Investors or potential investors should optimize the Net Profitable Margin (NPM) variable because it is essential. Suppose the company has a high net income. In that case, it will show that it is very good at generating profits and considering other variables in the research—agricultural companies listed on the Indonesia Stock Exchange (IDX). Investors maintain the factors that affect profit growth, such as the current ratio, debt-to-equity ratio, and total asset turnover. Companies with high debt will tend to use profits to pay debts. So that profits for companies and investors decrease. Likewise, large companies tend to generate higher profits, thus profitable investments. (2) For further researchers, it is recommended to expand the scope of research on the effect of financial ratios so that they can provide much better research results on profit growth by using other ratios.

The limitations of this study are: (1) In this study, it has not been able to prove that the current ratio (CR), debt to equity ratio (DER), and total asset turnover (TATO) affect Profit Growth. (2) The object used in this study only focuses on agricultural companies registered continuously during 2014-2019, which did not experience losses during 2014-2019. (3) The variables used are only 4 (four) of them, namely Current Ratio (CR), Net Profit Margin (NPM), Debt to Equity Ratio (DER), and Total Asset Turnover (TATO). (4) The coefficient of determination test (Adjusted R Square) only gives a result of 0.543 or 54.3 per cent. (5) The sample used in this study was only eight samples of companies from 17 populations because they were limited to companies in the agricultural sub-sector.

Future Research Agencies, namely: (1) it is hoped that future research will focus more on the varied variables to be used in a company because different companies are undoubtedly different from the financial ratio variables used. (2) Searching for data from financial reports first for better research completeness. (3) Using more varied variables that are not limited to fundamental or internal factors but also external factors such as inflation and others.

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**Appendix**

**Appendix 1. Normality test (1)**

<b>One-Sample Kolmogorov-Smirnov Test</b>		
		<b>Unstandardize d Residual</b>
N		48
Normal Parameters <sup>b</sup>	Mean	,0000000
	Std. Deviation	,98207498
Most Extreme Differences	Absolute	,205
	Positive	,205
	Negative	-,157
Test Statistic		,205
Asymp. Sig. (2-tailed)		,000 <sup>c</sup>
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

**Appendix 2 Normality Test Results after Transformation**

<b>One-Sample Kolmogorov-Smirnov Test</b>		
		<b>Unstandardized Residual</b>
N		35
Normal Parameters <sup>b</sup>	Mean	,0000000
	Std. Deviation	,27679492
Most Extreme Differences	Absolute	,100
	Positive	,099
	Negative	-,100
Test Statistic		,100
Asymp. Sig. (2-tailed)		,200 <sup>c,d</sup>
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

**Appendix 3 Multicollinearity Test**

<b>Coefficients</b>			
<b>Collinearity Statistics</b>			
<b>Model</b>		<b>Tolerance</b>	<b>VIF</b>
1	CR	,665	1,504
	NPM	,798	1,253
	DER	,579	1,727
	TATO	,840	1,191

a. Dependent Variable: Profit Growth

**Appendix 4** Autocorrelation Test

Runs Test	
Unstandardized Residual	
Test Value	-,03072
Cases < Test Value	17
Cases >= Test Value	18
Total Cases	35
Number of Runs	19
Z	,005
Asymp. Sig. (2-tailed)	,996

a. Median

**Appendix 5** Heteroscedasticity Test Results (Glejser Test)

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	,194	,160		1,217	,233
	CR	-,001	,019	-,006	-,029	,977
	NPM	,683	,515	,260	1,325	,195
	DER	,025	,050	,117	,509	,615
	TATO	-,165	,203	-,156	-,813	,423

a. Dependent Variable: ABS\_RES

**Appendix 6.** Hypothesis Test Results (t-test)

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1,090	,257		-4,242	,000
	CR	,014	,031	,067	,468	,643
	NPM	4,774	,829	,748	5,761	,000
	DER	,089	,080	,168	1,103	,279
	TATO	,513	,326	,199	1,572	,126

a. Dependent Variable: Profit Growth

**Appendix 7. Model Feasibility Test (F-Test)**

ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3,850	4	,963	11,085	,000 <sup>b</sup>
	Residual	2,605	30	,087		
	Total	6,455	34			

a. Dependent Variable: Profit Growth

b. Predictors: (Constant), TATO, NPM, CR, DER

**Appendix 8. Determination Coefficient Test Results (R2)**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,772 <sup>a</sup>	,596	,543	,294671

a. Predictors: (Constant), TATO, NPM, CR, DER

b. Dependent Variable: Pertumbuhan laba