

# The Effect of Return on Assets (ROA), Current Ratio (CR), Net Profit Margin (NPM), Debt to Equity Ratio (DER), and Firm Size (SIZE) on Profit Growth in Food and Beverage Sub-Sector Companies Listed on the Indonesia Stock Exchange for the 2020-2024 Period

Alicia Zainul<sup>1</sup>, Nova Anggrainie<sup>2</sup>

<sup>1</sup> Universitas Gunadarma, [aliciaazainul@gmail.com](mailto:aliciaazainul@gmail.com)

<sup>2</sup> Universitas Gunadarma, [nova\\_a@staff.gunadarma.ac.id](mailto:nova_a@staff.gunadarma.ac.id)

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## ABSTRACT

The purpose of this study is to analyze the simultaneous, partial, and variable effects of Return on Assets (ROA), Current Ratio (CR), Net Profit Margin (NPM), Debt to Equity Ratio (DER), and Firm Size (SIZE) on Profit Growth in food and beverage companies listed on the Indonesia Stock Exchange for the period 2020-2024. The data used in this study is secondary data with 208 samples. The analytical tools used in this study are Descriptive Statistics Test, Classical Assumption Test, Multiple Linear Regression Test, and Hypothesis Test. The results of the study indicate that ROA, CR, NPM, DER, and SIZE simultaneously affect Profit Growth. Partially, ROA and DER affect Profit Growth, while CR, NPM, and SIZE do not affect Profit Growth in companies in the food and beverage sub-sector for the period 2020-2024, and the dominant variable is DER.

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## Corresponding Author:

Name: Alicia Zainul

Institution: Faculty of Economics, Universitas Gunadarma

Email: [aliciaazainul@gmail.com](mailto:aliciaazainul@gmail.com)

## 1. INTRODUCTION

The economy is an important indicator of a country's performance, including Indonesia, which ranks as the 15th largest economy in the world by nominal GDP. In the Indonesian economy, various indicators are used to assess national economic performance. One of the most important indicators is gross domestic product (GDP) growth. Gross Domestic Product (GDP) refers to the market value of all final goods and services produced in an economy within a certain period and serves as an indicator of economic income and expenditure. GDP assessment is also used by a country as a metric for evaluating economic growth. The use of GDP as a primary parameter provides a comprehensive overview of economic activity within a given period, so changes in its value may reflect the direction of development and the stability of the national economy. The following figure presents Indonesia's GDP at current prices and constant prices for the 2020-2024 period according to Statistics Indonesia (BPS) (Mankiw, as cited in Yuni & Hutabarat, 2021).

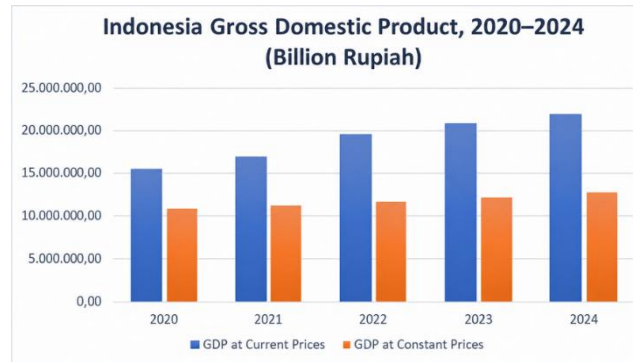


Figure 1. Graph of Indonesia's Gross Domestic Product (GDP), 2020-2024  
 Source: Central Statistics Agency (Processed Data) (2025)

Based on the figure above, Indonesia's Gross Domestic Product (GDP) can be classified into two types: GDP at current prices (nominal GDP) and GDP at constant prices (real GDP). Nominal GDP increased consistently from 2020 to 2024, reaching Rp22,138,964.00 billion in 2024. Real GDP also increased consistently from 2020 to 2024, reaching Rp12,920,281.70 billion in 2024. The increase in both nominal and real GDP during the 2020-2024 period contributed positively to Indonesia's economy. GDP growth is also influenced by one of its components, namely corporate income or profit.

Profit plays a crucial role in maintaining a company's existence; the higher the profit generated, the better the company's financial performance and welfare. Therefore, companies need to increase profit because profit growth is a key concern for both internal and external stakeholders. An increase in profit reflects an overall improvement in company performance, although a decline in profit may still occur. One possible cause is a decline in public purchasing power or deflationary conditions. When facing declining profit, companies need to conduct financial evaluations to identify the components that influence profit so that corrective actions can be taken appropriately. Several components that may influence profit include return on assets, current ratio, net profit margin, debt to equity ratio, and firm size.

The Indonesia Stock Exchange (IDX) consists of various sectors classified based on the IDX Industrial Classification (IDX-IC). One of these sectors is the primary consumer goods sector (consumer non-cyclicals), which consists of four sub-sectors. One of them is the food and beverage sub-sector. Food and beverage sub-sector companies are classified as part of the manufacturing industry, which processes raw materials into ready-to-consume products. From a national perspective, this industry is a strategic sector because it plays a major role in driving Indonesia's economic growth. This contribution is supported by increasing public income and rising expenditure on food and beverage products, particularly among the middle class. The following figure presents the GDP growth rate of the food and beverage industry during the 2020-2024 period.

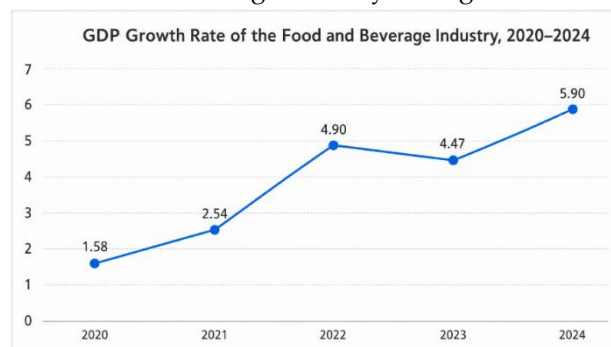


Figure 2. GDP Growth Rate of the Food and Beverage Industry, 2020-2024  
 Source: Central Statistics Agency (Processed Data) (2025)

Based on the figure above, the GDP growth rate of the food and beverage industry was 1.58% in 2020. In 2021, GDP growth increased to 2.54%. In 2022, it rose significantly to 4.9%. In 2023, GDP growth declined to 4.47%, while in 2024 it increased again to 5.9%. During the 2020-2021 period, the world, including Indonesia, experienced the COVID-19 pandemic, which affected the food and beverage industry. This can be seen from the GDP growth rates in 2020 and 2021, which were 1.58% and 2.54%, respectively; these figures were much lower than the 2019 growth rate of 7.78%. As Indonesia's economic condition recovered, GDP growth in the food and beverage industry increased from 4.9% in 2022 to 5.9% in 2024.

## 2. LITERATURE REVIEW

### 2.1 *Signaling Theory*

A signal is an action taken by management to provide detailed and accurate information about the company's internal condition and future prospects to external parties. Through such signals, managers communicate the company's condition to stakeholders by presenting accounting information such as financial statements. The information received by investors is then analyzed to determine whether it contains positive or negative signals. Profit in the income statement is used as one of the main indicators. An increase in profit is perceived as a positive signal reflecting a stable company condition, whereas a decline in profit is viewed as a negative signal indicating less optimal performance.

### 2.2 *Agency Theory*

Agency theory explains a contractual relationship between managers (agents) and owners (principals). This theory describes the separation between the management function and the ownership function held by shareholders. The relationship between management and shareholders may create agency problems. These problems arise when two parties have different interests and each seeks to achieve its own objectives. Agency theory is related to profit growth because management, as the agent, is expected to manage the company in order to generate favorable returns (Anton, Mellyan, & Hadi, 2023).

### 2.3 *Return on Asset*

Return on Assets (ROA) is one of the profitability ratios used to assess the extent to which a company can generate profit through the utilization of all assets used in its operational activities. According to Ghonio, as cited in Martini and Siddi (2021), ROA is a measurement tool that explains the company's ability to generate profit by utilizing all available assets.

$$\text{Return on Assets} = \text{Net Income} / \text{Total Assets}$$

### 2.4 *Current Ratio*

Current Ratio, also known as the liquidity ratio, is used to evaluate the extent to which a company's current assets can cover its short-term liabilities or current debt based on various types of financial statements. According to Darsono and Azhari, as cited in Kantun (2020), the higher the current ratio, the greater the company's ability to pay its current liabilities. However, an excessively high current ratio may reflect ineffective management of liquid resources. Therefore, current ratio assessment should be adjusted to the company's condition, management strategy, and industry environment (Meidiyustiani & Niazi, 2021).

$$\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$$

### 2.5 *Net Profit Margin*

One of the ratios classified under profitability ratios is Net Profit Margin. Net Profit Margin (NPM) measures a company's ability to generate net profit from total sales. According to Harjito and Martono, as cited in Nabela, Fitriano, and Hidayah (2023), Net

Profit Margin represents sales profit obtained after deducting all expenses and income tax (Kasmir, as cited in Puspitasari & Yahya, 2020).

$$\text{Net Profit Margin} = \text{Net Income} / \text{Net Sales}$$

## 2.6 Debt to Equity Ratio

Debt to Equity Ratio is a solvency ratio commonly used in fundamental analysis to evaluate a company's ability to fulfill its obligations using its equity. According to Siregar (2020), Debt to Equity Ratio is a ratio used to examine the use of debt compared to the equity owned by a company. This ratio measures how much of the company's equity is used as collateral for debt (Kantun, 2020).

$$\text{Debt to Equity Ratio} = \text{Total Debt} / \text{Total Equity}$$

## 2.7 Firm Size

According to Riyanto, as cited in Putra and Susila (2020), firm size refers to a company's scale based on the amount of equity, sales, or assets. Cahyadi et al. (2020) state that firm size is a measurement used to classify the scale of a company and describe its various activities and advantages. Pattinaja and Siahainenia (2020) classify companies into three categories: large firms, medium firms, and small firms.

$$\text{Firm Size} = \text{Ln}(\text{Total Assets})$$

## 2.8 Profit Growth

Profit is defined as the gain obtained from a company's operational activities during an accounting period. Information about profit plays an important role for both companies and shareholders. For investors, an increase in profit is considered favorable, while a decrease in profit is viewed unfavorably (Surenjani et al., 2023).

Profit growth refers to the percentage change that indicates an increase or decrease in company profit within a certain period. As profit growth increases, a company's financial condition can be considered more stable. If profit increases sustainably over a yearly period, this condition reflects the company's ability to manage its business effectively and becomes a positive signal regarding its future performance and prospects (Kusoy & Priyadi, 2020).

$$\text{Profit Growth} = (\text{Net Income}_t - \text{Net Income}_{t-1}) / \text{Net Income}_{t-1}$$

## 2.9 Research Hypotheses

This study analyzes the effect of Return on Assets, Current Ratio, Net Profit Margin, Debt to Equity Ratio, and Firm Size on Profit Growth in food and beverage sub-sector companies listed on the Indonesia Stock Exchange during the 2020-2024 period. The independent variables consist of Return on Assets (X1), Current Ratio (X2), Net Profit Margin (X3), Debt to Equity Ratio (X4), and Firm Size (X5), while the dependent variable is Profit Growth (Y). The following hypotheses are formulated based on the conceptual framework:

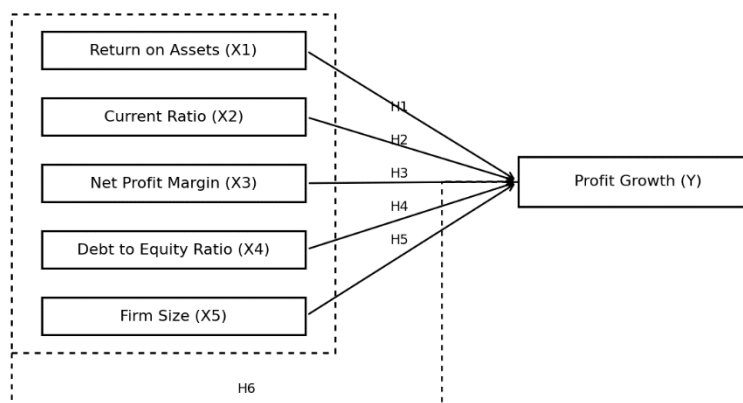


Figure 3. Research Model

Source: Processed by the authors (2025)

H1: Return on Assets affects Profit Growth

H2: Current Ratio affects Profit Growth

H3: Net Profit Margin affects Profit Growth

H4: Debt to Equity Ratio affects Profit Growth

H5: Firm Size affects Profit Growth

H6: Return on Assets, Current Ratio, Net Profit Margin, Debt to Equity Ratio, and Firm Size affect Profit Growth.

### 3. RESEARCH METHOD

#### 3.1 Research Object

The objects of this study are Return on Assets (ROA), Current Ratio (CR), Net Profit Margin (NPM), Debt to Equity Ratio (DER), Firm Size (SIZE), and Profit Growth in food and beverage sub-sector companies listed on the Indonesia Stock Exchange during the 2020-2024 period.

#### 3.2 Population and Sample

The population of this study consists of food and beverage sub-sector companies listed on the Indonesia Stock Exchange during the 2020-2024 period. The total population comprises 62 companies.

The sample was determined using a purposive sampling method. The criteria applied in this study were as follows: (i) listed on the Indonesia Stock Exchange during the 2020-2024 period, (ii) annual reports had been published, (iii) financial statements were presented in rupiah, and (iv) complete data were available for all research variables. Based on these criteria, 51 companies were selected as the research sample.

#### 3.3 Type and Source of Data

The type of data used in this study is quantitative data, while the data source used as the basis of the study is secondary data.

#### 3.4 Data Collection Method

The data collection technique used in this study is documentation. The documents used include annual reports and financial statements of food and beverage sub-sector companies listed on the Indonesia Stock Exchange (IDX) during the 2020-2024 period. Another technique used as supporting data is literature review. The literature review was conducted to formulate the research problem appropriately and develop hypotheses based on secondary data from reliable sources.

### 3.5 Data Analysis Technique

The data analysis technique used in this study is multiple linear regression analysis because the model includes more than one independent variable. The regression equation model used is:

$$PL = \alpha + \beta_1ROA + \beta_2CR+ \beta_3NPM + \beta_4DER + \beta_5SIZE + e$$

Description:

- PL = Profit Growth
- $\alpha$  = Constant/Intercept
- $\beta_1 \beta_2 \beta_3 \beta_4 \beta_5$  = Regression Coefficients
- ROA = Return on Asset
- CR = Current Ratio
- NPM = Net Profit Margin
- DER = Debt to Equity Ratio
- SIZE = Firm Size
- e = Error

## 4. RESULTS AND DISCUSSION

### 4.1 Results

#### a. Descriptive Statistical Analysis

Table 1. Descriptive Statistical Test Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
ROA	208	-0,52	0,60	0,0545	0,11110
CR	208	0,06	13,40	2,5578	2,41140
NPM	208	-2,73	0,94	0,0294	0,31676
DER	208	-23,62	92,50	1,3893	6,80488
SIZE	208	24,60	32,94	28,9732	1,72826
PL	208	-10,96	1,75	0,1022	1,01168
Valid N (listwise)	208				

Source: Processed Data with SPSS 25 (2025)

The results of descriptive statistical analysis for each research variable after outlier testing can be seen in Table 1.

#### b. Normality Test

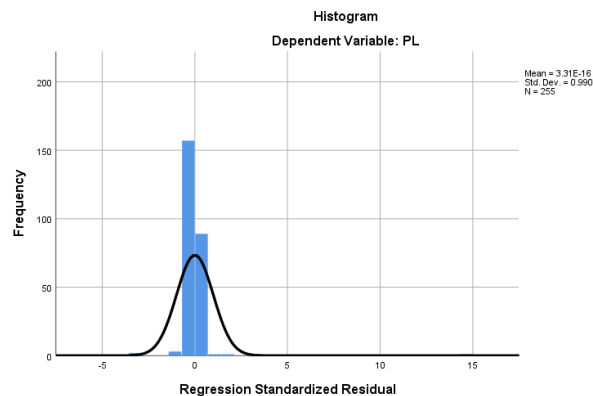


Figure 4. Histogram Normality Test Results before Outlier Removal

Source: Processed Data with SPSS 25 (2025)

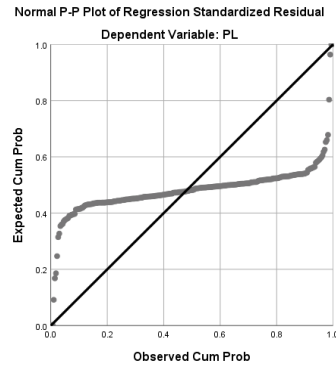


Figure 5. P-P Plot Normality Test Results before Outlier Removal  
 Source: Processed Data with SPSS 25 (2025)

Based on the histogram and Normal P-P Plot presented in Figures 4 and 5, the initial observation data were not normally distributed. Therefore, outlier testing was conducted using the Z-score method, with criteria of  $\geq 2.5$  or  $\leq -2.5$ . The Z-score value used was the studentized residual from SPSS. The test results showed that 47 samples were identified as outliers, so the number of observations after testing became 208 observations.

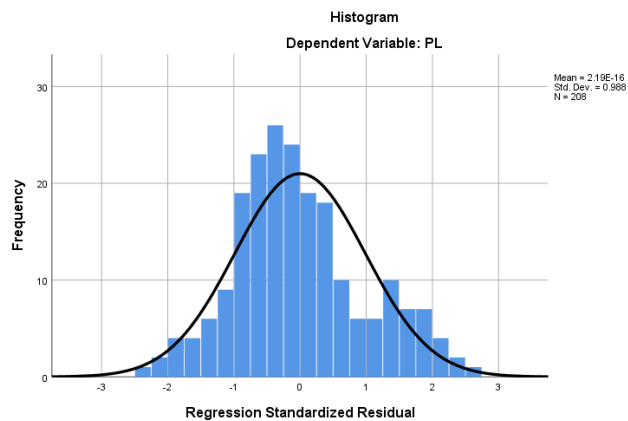


Figure 6. Histogram Normality Test Results after Outlier Removal  
 Source: Processed Data with SPSS 25 (2025)

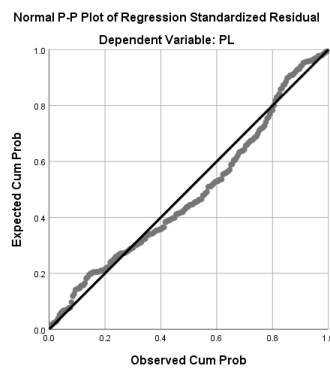


Figure 7. P-P Plot Normality Test Results after Outlier Removal  
 Source: Processed Data with SPSS 25 (2025)

Based on Figure 6, the histogram shows a bell-shaped curve with a symmetrical data distribution, indicating that the data passed the normality test. Meanwhile, Figure 7, in the form of a P-P Plot, shows that most points are located close to the diagonal line and are relatively evenly distributed from the beginning to the end. The results shown in both figures indicate that the observation data after outlier testing meet the normal distribution assumption.

**c. Multicollinearity Test**

Table 2. Multicollinearity Test Results

Coefficients <sup>a</sup>				
Model		Collinearity Statistics		
		Tolerance	VIF	
1	ROA	0,488	2,050	
	CR	0,925	1,081	
	NPM	0,575	1,739	
	DER	0,903	1,107	
	SIZE	0,919	1,088	

a. Dependent Variable: PL

Source: Processed Data with SPSS 25 (2025)

Based on Table 2, all independent variables, namely ROA, CR, NPM, DER, and SIZE, have VIF values below 10.00 and tolerance values above 0.10. These findings indicate that the regression model is free from multicollinearity and that no strong linear relationship exists among the independent variables.

**d. Heteroscedasticity Test**

Table 3. Glejser Test Results

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,572	0,480		3,276	0,001
	ROA	-1,358	0,354	-0,357	-3,840	0,000
	CR	-0,026	0,012	-0,147	-2,175	0,031
	NPM	0,325	0,114	0,243	2,844	0,005
	DER	0,002	0,004	0,033	0,479	0,633
	SIZE	-0,031	0,017	-0,128	-1,885	0,061

a. Dependent Variable: ABS\_RES

Source: Processed Data with SPSS 25 (2025)

Based on Table 3, the test results indicate that the DER and SIZE variables have significance values above 0.05, whereas ROA, CR, and NPM have significance values below 0.05. These results show that the regression model still contains heteroscedasticity problems. As a corrective step, data transformation was applied, with ROA and CR transformed using the inverse approach, while a constant of 0.9 was added to the ROA variable.

Table 4. Glejser Test Results after Data Transformation

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,097	0,611		1,795	0,074

Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
ROA	0,332	0,210	0,149	1,576	0,117
CR	0,025	0,020	0,094	1,289	0,199
NPM	0,152	0,112	0,114	1,355	0,177
DER	0,004	0,005	0,066	0,849	0,397
SIZE	-0,033	0,018	-0,135	-1,876	0,062

a. Dependent Variable: ABS\_RES\_2

Source: Processed Data with SPSS 25 (2025)

Based on Table 4, the variables ROA, CR, NPM, DER, and SIZE have significance levels above 0.05. Thus, after data transformation was applied to the two variables, the regression model no longer showed heteroscedasticity problems.

#### e. Autocorrelation Test

Table 5. Durbin-Watson Test Results

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,744 <sup>a</sup>	0,554	0,543	0,68380	2,261

a. Predictors: (Constant), SIZE, DER, CR, NPM, ROA

b. Dependent Variable: PL

Source: Processed Data with SPSS 25 (2025)

Based on Table 5, the Durbin-Watson (DW) value is 2.261, with a dL value of 1.72554 and a dU value of 1.82294. Based on these values, the DW value falls within the range of 4 - dU (2.17706) to 4 - dL (2.27446), so the Durbin-Watson test result cannot be determined with certainty. Therefore, further testing using the runs test was conducted to identify whether autocorrelation existed in the regression model.

Table 6. Runs Test Results

Runs Test	
	Unstandardized Residual
Test Value <sup>a</sup>	-0,10063
Case < Test Value	0,104
Cases >= Test Value	0,104
Total Cases	0,208
Number of Runs	0,109
Z	0,556
Asymp. Sig. (2-tailed)	0,578

a. Median

Source: Processed Data with SPSS 25 (2025)

As shown in Table 6, the significance value of the runs test is 0.578. Because this value exceeds 0.05, it can be concluded that the regression model does not contain autocorrelation problems.

## f. Multiple Linear Regression Analysis

Table 7. Multiple Linear Regression Analysis Results

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	0,472	1,013		0,466	0,642
	ROA	-1,498	0,349	-0,280	-4,292	0,000
	CR	0,043	0,032	0,067	1,334	0,184
	NPM	-0,258	0,186	-0,081	-1,386	0,167
	DER	-0,088	0,008	-0,590	-11,076	0,000
	SIZE	0,046	0,029	0,078	1,564	0,119

a. Dependent Variable: PL

Source: Processed Data with SPSS 25 (2025)

Based on the test results in Table 7, the multiple linear regression equation is formulated as follows:

$$PL = 0,472 - 1,498ROA + 0,043CR - 0,258NPM - 0,088DER + 0,046SIZE + e$$

The regression equation can be interpreted as follows:

1. The constant value ( $\alpha$ ) of 0.472 indicates that when ROA, CR, NPM, DER, and SIZE are equal to zero, Profit Growth is 0.472.
2. The ROA regression coefficient of -1.498 indicates that each one-unit increase in ROA reduces Profit Growth by 1.498, assuming the other variables remain constant.
3. The CR regression coefficient of 0.043 indicates that each one-unit increase in CR increases Profit Growth by 0.043, assuming the other variables remain constant.
4. The NPM regression coefficient of -0.258 indicates that each one-unit increase in NPM decreases Profit Growth by 0.258, assuming the other variables remain constant.
5. The DER regression coefficient of -0.088 indicates that each one-unit increase in DER reduces Profit Growth by 0.088, assuming the other variables remain constant.
6. The SIZE regression coefficient of 0.046 indicates that each one-unit increase in firm size
7. increases Profit Growth by 0.046, assuming the other variables remain constant.

## g. T-Test (Partial)

Table 8. T-Test Results

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	0,472	1,013		0,466	0,642
	ROA	-1,498	0,349	-0,280	-4,292	0,000
	CR	0,043	0,032	0,067	1,334	0,184
	NPM	-0,258	0,186	-0,081	-1,386	0,167
	DER	-0,088	0,008	-0,590	-11,076	0,000

Coefficients <sup>a</sup>						
Model	Unstandardized Coefficients		Standardized Coefficients		Sig.	
	B	Std. Error	Beta	t		
1	SIZE	0,046	0,029	0,078	1,564	0,119

a. Dependent Variable: PL

Source: Processed Data with SPSS 25 (2025)

Based on Table 8, the statistical test results can be described as follows:

1. The ROA variable shows a significance value of  $0.000 < 0.05$ , indicating that ROA has a negative and significant effect on Profit Growth.
2. The CR variable shows a significance value of  $0.184 > 0.05$ , indicating that CR has no significant effect on Profit Growth.
3. The NPM variable shows a significance value of  $0.167 > 0.05$ , indicating that NPM has no significant effect on Profit Growth.
4. The DER variable shows a significance value of  $0.000 < 0.05$ , indicating that DER has a negative and significant effect on Profit Growth.
5. The SIZE variable shows a significance value of  $0.119 > 0.05$ , indicating that Firm Size has no significant effect on Profit Growth.

#### h. F-Test (Simultaneous)

Table 9. F-Test Results

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	117,414	5	23,483	50,222	0,000 <sup>b</sup>
	Residual	94,451	202	0,468		
	Total	211,865	207			

a. Predictors: (Constant), SIZE, DER, CR, NPM, ROA  
b. Dependent Variable: PL

Source: Processed Data with SPSS 25 (2025)

Based on Table 9, the calculated F value is 50.222 and the significance level is 0.000, which is lower than the 0.05 threshold. These results indicate that the regression model in this study has a simultaneous effect, meaning that ROA, CR, NPM, DER, and SIZE jointly have a significant effect on Profit Growth.

#### i. Coefficient of Determination Test (R<sup>2</sup>)

Table 10. Coefficient of Determination Test Results (R<sup>2</sup>)

Model Summary <sup>a</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,734 <sup>a</sup>	0,539	0,528	0,69520

a. Predictors: (Constant), SIZE, DER, CR, NPM, ROA  
b. Dependent Variable: PL

Source: Processed Data with SPSS 25 (2025)

Based on Table 10, the Adjusted R Square value of 0.528 shows that the independent variables used in this study, namely ROA, CR, NPM, DER, and SIZE, explain 52.8% of the dependent variable, Profit Growth. The remaining 47.2% is influenced by other variables not included in the research model.

## 4.2 Discussion

### a. Effect of Return on Assets on Profit Growth

The hypothesis testing results show that Return on Assets (ROA) has a negative and significant effect on company Profit Growth. This result is consistent with signaling theory and agency theory. In signaling theory, a high ROA value can be interpreted as a signal that the company no longer has substantial room to increase profit. Investors may receive it as a negative signal because they interpret future Profit Growth as limited. Meanwhile, from the agency theory perspective, a high ROA may place management in a secure position, making it more likely to act in its own interest. As a result, even though ROA is high, company Profit Growth does not necessarily increase.

This finding is also consistent with the first hypothesis (H1) proposed earlier. A high ROA indicates a potential problem in asset-use efficiency, thereby hindering Profit Growth. This finding supports previous studies conducted by Desi and Arisudhana (2020), Septinia (2022), and Audrey (2023).

### b. Effect of Current Ratio on Profit Growth

The hypothesis testing results show that Current Ratio (CR) does not have a significant effect on company Profit Growth. This finding is inconsistent with signaling theory and agency theory. In signaling theory, a high current ratio may be interpreted positively because it shows good liquidity, but it may also be interpreted negatively because it indicates excess cash that is not productively allocated. Because of these different interpretations, CR becomes less appropriate as a measure for predicting Profit Growth. From the agency theory perspective, a high CR may indicate management's cautious attitude by accumulating current assets. However, from the shareholders' perspective, this condition is viewed less favorably because existing assets are not used optimally to generate profit.

This result is also inconsistent with the second hypothesis (H2) proposed earlier. Excess liquidity indicates the existence of unproductive current assets, which do not contribute to profit improvement. This finding is consistent with previous studies conducted by Priyana (2023), Widjayanti and Najmudin (2024), and Sarman, Wahyuni, and Masrullah (2024).

### c. Effect of Net Profit Margin on Profit Growth

The hypothesis testing results provide evidence that Net Profit Margin (NPM) does not have a significant effect on company Profit Growth. This result is inconsistent with signaling theory and agency theory. In signaling theory, NPM is not strong enough as a signal of Profit Growth prospects because an increase in margin may result from temporary factors rather than long-term business strategy. Similarly, from the agency theory perspective, NPM is less appropriate as a reliable indicator for explaining long-term Profit Growth because it reflects short-term policy more than the company's fundamental condition.

This result is also inconsistent with the third hypothesis (H3) proposed earlier. NPM only illustrates the short-term margin from sales and does not reflect the potential for sustainable profit improvement. This finding is consistent with studies conducted by Septinia (2022), Yuliana and Djunaedi (2023), and Widjayanti and Najmudin (2024).

### d. Effect of Debt to Equity Ratio on Profit Growth

Based on the hypothesis testing results, Debt to Equity Ratio (DER) has a negative and significant effect on company Profit Growth. This finding is consistent with signaling theory and agency theory. In signaling theory, an excessively high debt ratio is viewed by investors as a negative signal because it indicates increasing interest expenses and future repayment obligations. Meanwhile, from the agency theory

perspective, a high DER may encourage management to take high-risk projects in pursuit of short-term profit, while the main risk is borne by shareholders.

This result is also consistent with the fourth hypothesis (H4) proposed earlier. A higher DER reflects an increase in the proportion of debt in the company's capital structure, thereby increasing interest expenses. Higher interest expenses may reduce net profit and influence Profit Growth. This finding is consistent with studies conducted by Priyana (2023), Rukoyah, Fauziah, and Melani (2023), and Sarman, Wahyuni, and Masrullah (2024).

**e. Effect of Firm Size on Profit Growth**

Based on the hypothesis testing results, Firm Size (SIZE) does not have a significant effect on company Profit Growth. This finding is inconsistent with signaling theory and agency theory. In signaling theory, Firm Size is not a sufficiently credible signal of Profit Growth for investors. Meanwhile, from the agency theory perspective, larger companies tend to have more complex structures, which may increase the possibility of agency problems.

This result is also inconsistent with the fifth hypothesis (H5) proposed earlier. A larger company size does not automatically mean faster profit growth because operational capability and managerial flexibility may decline as company scale increases. This finding is consistent with studies conducted by Endri et al. (2020), Derin (2021), and Yuliana and Djunaedi (2023).

**f. Effect of Return on Assets, Current Ratio, Net Profit Margin, Debt to Equity Ratio, and Firm Size on Profit Growth**

Based on the hypothesis testing results, Return on Assets (ROA), Current Ratio (CR), Net Profit Margin (NPM), Debt to Equity Ratio (DER), and Firm Size (SIZE) jointly have a significant effect on company Profit Growth. This finding shows that in developing profit improvement strategies, management must consider asset efficiency (ROA), working capital adequacy (CR), the ability to generate profit margins (NPM), financing structure (DER), and business scale (SIZE).

## 5. CONCLUSION

Based on the research results and discussion regarding the effect of Return on Assets, Current Ratio, Net Profit Margin, Debt to Equity Ratio, and Firm Size on Profit Growth in food and beverage sub-sector companies listed on the Indonesia Stock Exchange during the 2020-2024 period, it can be concluded that all independent variables simultaneously affect Profit Growth. Partially, CR, NPM, and Firm Size do not affect Profit Growth, while ROA and DER have negative effects. The variable with the most dominant effect on Profit Growth is DER.

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