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The Effect of Current Ratio, Net Profit Margin and Debt to Equity Ratio to Profit Growth in Subsector Food and Beverages Companies Registered at The Indonesia Stock Exchange Period 2017-2021

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At this writing, this research is intended to determine the effect that CR, NPM, and DER have on profit growth in food and beverage sub-sector companies listed on the Indonesia Stock Exchange. In this study, the authors used a purposive sampling method in taking samples and processing them using SPSS 25 statistical software. This study uses a population, namely food and beverage sub-sector companies listed on the Indonesia Stock Exchange for the 2017-2021 period. The number of samples that have been collected in this study is 6 companies with a time limit of 5 years so the total sample collected in this study is 30 companies. After analyzing the data, the results obtained are that based on the results of the partial test, a significant value of Current Ratio (X1) is found to be 0.515 so it can be said that X1 does not affect profit growth, then for a significant value of Net Profit Margin (X2) it is 0.045 so that it can be said that X2 does not affect profit growth, then for a significant value the Debt to equity ratio (X3) is 0.640 so that it can be said that X3 does not affect profit growth, and based on the results of the F test that of all the independent variables namely Current Ratio (X1), Net Profit Margin (X2) and Debt to Equity Ratio (X3) simultaneously have a significant influence on profit growth (Y).

Keywords : Current Ratio, Debt to Equity Ratio, Indonesia Stock Exchange, Net Profit Margin, Profit Growth

Introduction

Today, we can feel the rapid pace of business development in Indonesia, where both large and small business are required to maintain and even develop profits for the company's survival. and as we know that to continue the sustainability of they own business, the business management is required to develop its profits and monitor its financial growth.

The food and beverage industry in Indonesia has good prospects in future because as we know that one of the primary needs is food and drink, it can be concluded that business will never stop. Therefore, researchers are interested in researching food and beverage companies listed on IDX. Then so that companies can monitor its financial growth, which can be done by using several financial ratios that are used as independent variables in this thesis, namely the CR, NPM, and DER.

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Literature Review Management

Based on (Normi, 2018, 3) describe that management is the stage of work by using various company resources, be it human resources or others, to achieve what has been determined through the functions of planning, organizing, staffing, leadership, directing, and controlling. Based on (Ruyatnasih & Megawati, 2018, 1) describe that management is managing, regulating, directing, and leading so that the goals of a business entity can be achieved as desired.

Based on (Nurdiansyah & Rahman, 2019, 3) that management is a series of activities that include planning, implementation, monitoring, and control to achieve a predetermined target through the utilization of human resources and other resources. Based on (Desyanah, 2022) describe the universal understanding of management is the use of human resources in a company by involving processes such as planning, organizing, directing, controlling, and supervising effectively and efficiently to achieve goals and high work productivity to achieve the company's goals.

Current Ratio

Based on (Primatua 2019, 55) explain that the current ratio, is the current preparation, the smoothness level which describes the capability of a business entity in paying off its short-term debts. Based on (Anwar 2019, 172) describe that this ratio describes the capability of a business entity in meeting its short-term debt from its current assets.

Based on (Hamidah 2019, 48) describe that current ratio is used to measure the capability of a business entity in paying off its short-term debt, calculated by dividing current assets by current liabilities. Based on (Hantono, 2018, 9) that CR explain total current liabilities which is supported by the repayment of current assets. Below is formula to calculating this ratio :

$$CR = \frac{\text{Current Asset}}{\text{Short - Term Liabilities}}$$

Net Profit Margin

Based on (Ekananda, 2019, 174) explain that NPM is a ratio that describes how much profit a business entity can generate from each rupiah of sales created. Based on (Prihadi, 2019, 174) explain that The NPM ratio is a measurement of the capability of a business entity aimed at providing benefits to shareholders.

Based on (Hantono, 2018, 9) explain that NPM describes the level of profit earned from a business or describes how well a business entity is in managing its business. And based on (Fahmi, 2017, 136) below is the net profit margin formula :

$$NPM = \frac{\text{Earning After Tax}}{\text{Sales}}$$

Debt to Equity Ratio

Based on (Kasmir 2019, 157) describe that the DER is a ratio that can be used to rate between debt and equity. Based on (Cahyani & Winarto, 2017) explain that the DER is a ratio that gives an idea of the extent to which a business entity is capable of paying its obligations with its total capital. Based on (Prihadi, 2019, 229) explain that the DER is to compare liabilities with capital only. The way to burn DER is with multiple units where the greater the DER results, the more solvency conditions

will be. One variant of DER is using market value equity for companies going public. below is the DER formula :

$$DER = \frac{\text{Total Debt}}{\text{Total Equity}}$$

Profit Growth

Based on (Indri Adinda & Sari Nurul 2021, 239) describe that profit growth is a financial performance measurement tool that is calculated based on the company's productivity capability when earning profits in its operational activities. Based on (Fauzi *et al.*, 2019, 24) explain that profit growth is the change in annual financial reports. Based on (Yanti, 2022, 287) explain that profit growth is the companies capability to improve net income and evaluate from the previous year. below is the profit growth formula :

$$Y = \frac{Y_t - (Y_t - 1)}{(Y_t - 1)}$$

Desc. :

- Y = Profit Growth
- Y_t = Current Profit Period
- Y_{t-1} = Previous Profit Period

Problem Formulation

The problem in this research is there any effect of CR, NPM and DER on profit growth in food and beverage companies listed on IDX for the 2017-2021 period either partially or simultaneously ?

Framework

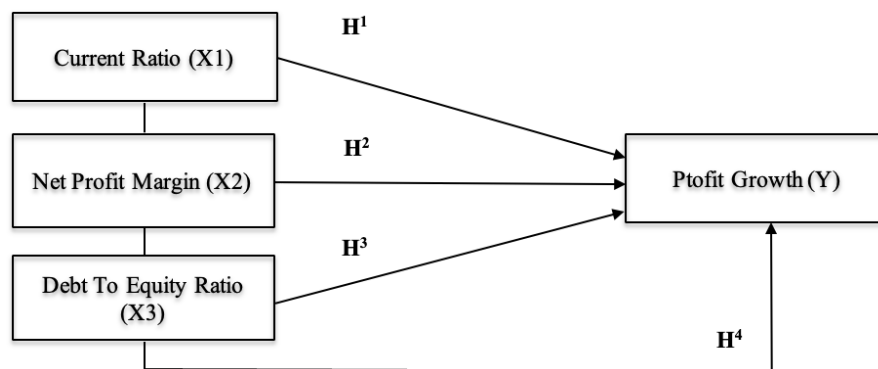


Figure 1. Framework

Hypothesis Formulation :

- H1 : It is suspected that there is an effect of the Current Ratio (X1) on profit growth (Y).
- H2 : It is suspected that there is an effect of the Net Profit Margin (X2) on profit growth (Y).
- H3 : It is suspected that there is an effect of the Debt to Equity Ratio (X3) on profit growth (Y).
- H4 : Allegedly jointly all independent variables influence profit growth (Y).

Methods

Descriptive methods is the method used in this research. Refer on (Ramdhan, 2021, 7) states that descriptive methods is research with a method to describe a research result. This research is quantitative descriptive because the data in this research contains numbers and analysis using statistics and based on (Sugiyono, 2019, 22) describe that quantitative method is called the traditional method because it is based on the philosophy of positivism. This method is a scientific method because it fulfills scientific principles, namely concrete/empirical, objective, measurable, rational, and systematic. This method is said to be quantitative because the research data contains numbers and the analysis uses statistics.

In this research, the sample used was the financial statements of food and beverage sub-sector companies listed on the Indonesian stock exchange for the 2017-2021 period where secondary data was taken from www.idx.co.id. The conclusions in this study refer to the results of the t-test and f test.

This study using a purposive sampling technique whics means the selected sample must meet the requirements and criteria specified by the author and Below are some criteria that have been set by the author :

1. Food and beverage subsector companies listed on the IDX for the 2017-2021 for the period.
2. Companies in the food and beverage subsector which publish complete annual financial reports for the 2017-2021 for the period.
3. Complete financial report data is available according to the variables studied for the 2017-2021 for the period.
4. Data on companies in the food and beverage subsector whose annual financial reports did not experience a loss in their net profit during the 2017-2021 period. From the several criteria above, the sample that fulfilled the requirements was 6 companies with financial data for the 2017-2021 for the period.

Below are the variable parameters in this study :

Table 1. Variable

Variable	Sub Variable	Indeks	Skala
X1 = Current Ratio (CR)	Liquidity	$CR = \frac{Current\ Assets}{Short - term\ Liabilities}$	Ratio
X2 = Net Profit Margin (NPM)	Profitability	$NPM = \frac{Total\ Liability}{Sales}$	Ratio
X3 = Debt to Equity Ratio (DER)	Solvability	$DER = \frac{Total\ Liability}{Total\ Equity}$	Ratio
Y = Profit Growth		$Y = \frac{Y_t - (Y_t - 1)}{(Y_t - 1)}$	Ratio

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Results

This study used 6 companies listed on the IDX with a total research period of 5 years, below are some of the companies used in the research :

Table 2. Sample

No.	Companies Code	Companies Name
1	MYOR	PT. Mayora Indah Tbk.
2	ICBP	PT. Indofood CBP Sukses Makmur Tbk.
3	ROTI	PT. Nippon Indosari Corpindo Tbk.
4	ULTJ	PT. Ultra Jaya Milk Industry & Trading Company Tbk.
5	CEKA	PT. Wilmar Cahaya Indonesia Tbk.
6	STTP	PT. Siantar Top Tbk.

The following are some of the results of data processing :

Table 3. Current Ratio, Net Profit Margin, Debt to Equity Ratio & Profit Growth

Company Name	Year	CR	NPM	DER	PG
PT. Mayora Indah Tbk.	2017	2,3860	0,0754	1,0282	0,1485
	2018	2,6546	0,0750	1,0593	0,0736
	2019	3,4286	0,0807	0,9230	0,1368
	2020	3,6943	0,0835	0,7547	0,0223
	2021	2,3282	0,0464	0,7533	0,8268
PT. Indofood CBP Sukses Makmur Tbk.	2017	2,4283	0,0992	0,5557	-0,0249
	2018	1,9517	0,1355	0,5135	0,2395
	2019	2,5357	0,1356	0,4514	0,1308
	2020	2,2576	0,1591	1,0587	0,2775
	2021	1,7992	0,1502	1,1575	0,0610
PT. Nippon Indosari Corpindo Tbk.	2017	2,2586	0,0500	0,6168	-1,0669
	2018	3,5712	0,0493	0,5063	-0,0644
	2019	1,6933	0,0665	0,5140	0,4623
	2020	3,8303	0,0453	0,3794	-0,4028
	2021	2,6532	0,0888	0,4709	0,4007
PT. Ultra Jaya Milk Industry & Tarding Company Tbk.	2017	4,1919	0,1424	0,2324	0,0026
	2018	0,8121	0,1283	0,1635	-0,0239
	2019	4,4441	0,1651	0,1686	0,3227
	2020	2,4034	0,1904	0,8307	0,0665
	2021	3,1126	0,1891	0,4415	0,1309
PT. Wilmar Cahaya Indonesia Tbk.	2017	2,2244	0,0245	0,5422	-1,3245
	2018	5,1130	0,0277	0,1969	-0,1594
	2019	4,7997	0,0686	0,2314	0,5700
	2020	4,6627	0,0520	0,2427	-0,1851
	2021	4,7971	0,0347	0,2235	0,0281
PT. Siantar Top Tbk.	2017	2,6409	0,0764	0,6916	0,1937
	2018	1,8485	0,0914	0,5982	0,1531
	2019	2,8530	0,1385	0,3415	0,4714
	2020	2,4050	0,1626	0,2902	0,2323
	2021	4,1649	0,1479	0,1873	-0,0179

All of the above data, was processed into SPSS 25 to perform the classic assumption test and find research conclusions based on the t-test and F test.

Classical Assumption Test

a. Normality Test

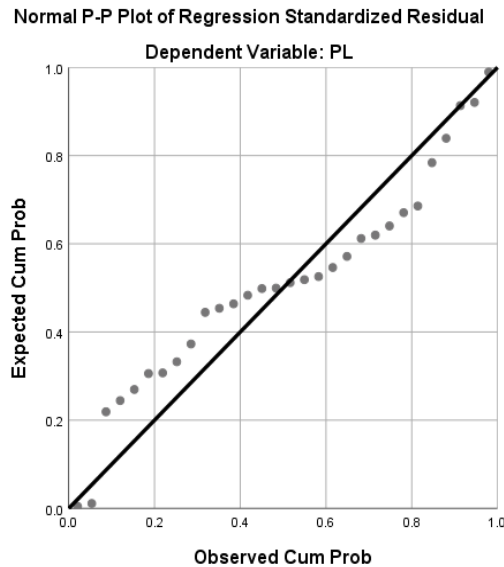


Figure 2. Normality Test

Based on (Fadilah *et al*, 2022, 52) describe that normality test is one part of the classic assumption test which aims to determine the normal distribution of the residual variable or confounding variable. Referring to the picture above, it can be seen that the distribution of the points follows the direction of the diagonal line, so it can be concluded that the data is normally distributed.

b. Multicollinearity Test

Table 7. Coefficients^a

Model		Collinearity Statistics	
		Tolerance	VIF
1	Current Ratio	.721	1.387
	Net Profit Margin	.929	1.077
	Debt to Equity Ratio	.768	1.302

a. Dependent Variable: Profit Growth

Based on (Sujarweni, 2017, 227) describe that multicollinearity test aims to test whether the regression model found a correlation between the independent variables or not. Referring to the table above, none of the independent variables has a VIF of more than 10, which means that there is no multicollinearity in the regression model.

c. Autocorrelation Test

Table 8. Autocorrelation Test

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.377 ^a	.442	.343	.20888	1.972
a. Predictors: (Constant), DER, NPM, CR					
b. Dependent Variable: Profit Growth					

Based on (Agustina et al., 2019, 7) describe that autocorrelation test aims to test whether in the linear regression model, there is a correlation between the confounding errors in period t and the confounding errors in the previous period. Referring to the table, as we know the value of d, namely Durbin Watson, is 1,972 which is below +2 and above -2. So it can be said that there is no autocorrelation in the regression model.

d. Heteroscedasticity Test

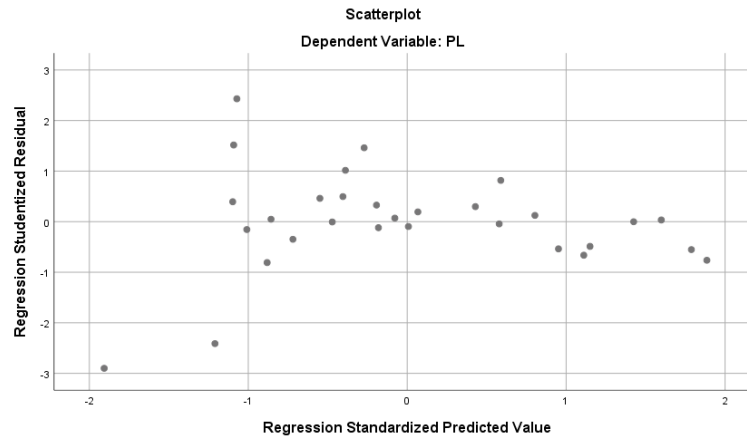


Figure 2. Scatterplot Graph

The distribution of points occurs randomly and lies above the number 0 on the Y axis, therefore in this regression model there is no heteroscedasticity.

d. Multiple Linear Regression Analysis

To find the existence of a relationship between the CR, NPM, and DER on profit growth, and in order to calculate how big the correlation is, the SPSS 25 statistical software will be used in carrying out the regression analysis.

Table 9. Multiple Linear Regression Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.503	.420		-1.197	.242
	Current Ratio	.054	.082	.141	.661	.515
	Net Profit Margin	3.223	1.567	.388	2.056	.045
	Debt to Equity Ratio	.138	.291	.098	.473	.640

Dependent Variable: Profit Growth
Source: Results of SPSS25 Data Processing

From the coefficient values above the regression equation is obtained as follows:

$$PG (Y) = -0,503 + 0,054 X1 + 3,223 X2 + 0,138 X3 + \epsilon$$

From the above equation can be described as follows:

- a. The constant value obtained is -0.503 indicating that if the variables CR, NPM and DER are 0, then Profit Growth has decreased by -0.503.
- b. The CR variable has a regression coefficient with a positive direction of 0.054 stating that every CR improve by 1%, Profit Growth will decrease by 0.054.

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- c. The variable NPM has a regression coefficient with a positive direction of 3.223, which means that every NPM improve by 1%, Profit Growth will increase by 3.223.
- d. The DER variable has a coefficient with a positive direction of 0.138 which states that every DER improve by 1%, Profit Growth will decrease by 0.138.

T Test

Table 10. T Test Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
1 (Constant)	-.503	.420		-1.197	.242
Current Ratio	.054	.082	.141	.661	.515
Net Profit Margin	3.223	1.567	.388	2.056	.045
Debt to Equity Ratio	.138	.291	.098	.473	.640

a. Dependent Variable: Profit Growth
Source: Results of SPSS25 Data Processing

- a. Referring on the table, it can be found that the significance value for the CR is $0,515 > 0,05$ (**H1 Rejected**).
- b. Referring on the table, it can be found that the significance value for the NPM is $0,045 < 0,05$ (**H2 Accepted**).
- c. Referring on the table, it can be found that the significance value for the DER is $0,640 > 0,05$ (**H3 Rejected**).

F Test

Table 11. F Test ANOVA^a

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	.720	3	.240	3.435	.000 ^b
Residual	2.347	26	.167		
Total	3.067	29			

a. Dependent Variable: Profit Growth
b. Predictors: (Constant), Debt to Equity Ratio, Net Profit Margin, Current Ratio

- a. Referring on the table, it can be found that the significance value for all of the independent variable (CR, NPM, DER) is $0,000 < 0,05$ (**H4 Rejected**).
- b. Based on the comparison between the values of F_{Count} (3,435) and F_{Table} (2,960), then $F_{Count} > F_{table}$.

Determination Coefficient Test (R^2)

Table 12. Determination Coefficient Test

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.377 ^a	.442	.343	.20888

Predictors: (Constant), Debt to Equity Ratio, Net Profit Margin, Current Ratio

Source: Results of SPSS25 Data Processing

Referring on the table shows the Adjusted R^2 value obtained is 0.343 or 34.3%, it can be said that in this test the dependent variable can be described all of independent variables, and the remainder is 65.7 % cannot be explained by related variables but by other variables not examined in this study.

Conclusion

The CR variable has no effect on Profit Growth. based on the significant value it can be found that the significance value for CR is $0,515 > 0,05$. The NPM variable has an influence on Profit Growth. based on the significant value it can be found that the significance value for NPM is $0,045 < 0,05$. The DER variable has no effect on Profit Growth. based on the significant value it can be found that the significance value for DER is $0,640 > 0,05$. From the F test, it is obtained that the F_{Count} is $3.435 > F_{\text{Table}}$ 2.960 and the sig value is $0.000 < 0.05$, it can be said that CR (X1), NPM (X2), and DER (X3) simultaneously influences Profit Growth (Y).

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