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Research Article

Optimization of Profit Growth: The Impact of Debt to Equity Ratio, Total Assets Turn Over, and Net Profit Margin on Food and Beverage Sub Sector Companies

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ABSTRACT

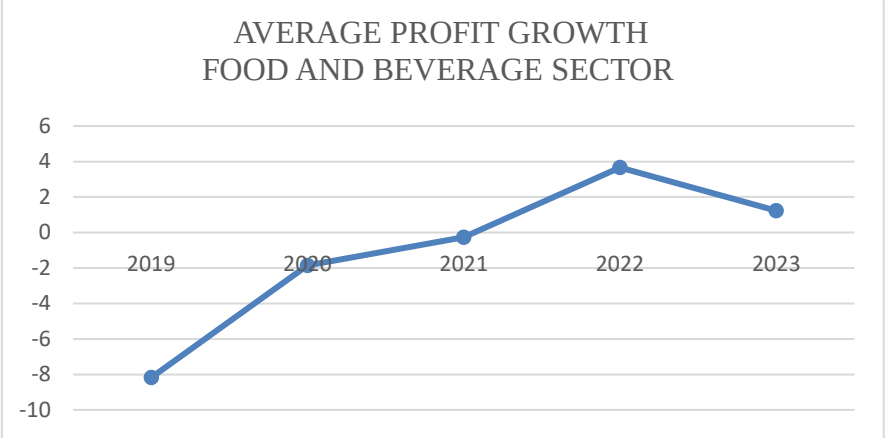
Profit growth shows that there are fluctuations in the food and beverage sub-sector, which are influenced by various factors, including the impact of the COVID-19 pandemic and product-related issues. This study aims to empirically prove that DER (Debt to Equity Ratio), TATO (Total Assets Turn Over), and NPM (Net Profit Margin) affect profit growth in the food and beverage sub-sector listed on the IDX (Indonesia Stock Exchange) for the period 2019 to 2023. The sampling technique used was purposive sampling so a sample of 25 companies was obtained from a population of 97 companies. In this study, the data analysis method used was panel data regression. Data analysis techniques by processing using Eviews 12. The results prove that NPM (Net Profit Margin) has a significant effect on profit growth. However, DER (Debt to Equity Ratio) and TATO (Total Assets Turn Over) have no significant effect on profit growth. This research is expected to contribute to company management in designing more effective long-term financial strategies to increase profitability. Thus, the company can increase more stable and consistent profits, so as to ensure stronger business sustainability and growth.

Keywords: Debt to Equity Ratio; Total Assets Turn Over; Net Profit Margin; Profit Growth

INTRODUCTION

Financial statements are information about company performance, cash flow, and other information that can be seen by parties external to the company. One of the most important elements for external parties that is useful in decision-making is profit information. (Dharma, Ramadhani and Reitandi, 2023). One critical indicator of an enterprise's financial health is its profit, which serves as a metric for assessing managerial effectiveness over a specified period. It is imperative for every enterprise to pursue the opportunity to increase its annual profits. In this context, the organization can enhance its profit growth to accurately reflect its financial performance. Profit growth is defined as the difference between the organization's current and future earnings compared to the previous period. (Estininghadi, 2019). However, the actual revenue for the upcoming year remains uncertain due to fluctuations in average income growth (Aisyah and Widhiastuti, 2021).

Profit growth within the food and beverage industry has garnered significant attention from both researchers and industry experts. The period from 2019 to 2023 witnessed notable fluctuations in average profit growth, primarily attributed to the impacts of the COVID-19 pandemic. (Suryani, 2023). The average profit growth chart for the food and beverage sector 2019-2023 is as follows:



Source: Processed by the author, 2024

Figure 1. Average Profit Growth in the Food and Beverage Sector 2019-2023

As illustrated in Figure 1.1, the average profit growth in the food and beverage subsector experienced substantial volatility from 2019 to 2023. In 2019, the sector experienced a negative growth rate of -8.1794. However, there was a slight improvement in 2020, with a rate of -1.8487, followed by further moderation at -0.2672 in 2021. The subsector reached its peak growth rate of 3.6617 in 2022 and again experienced a decline of 1.2335 in 2023. These fluctuations highlight the instability of profit growth in the subsector, influenced by several external factors, including the pandemic.

In 2023, a similar incident occurred involving PT Nippon Indosari Corpindo Tbk, where allegations arose regarding the presence of Sodium Dehydroacetate in its Aoka bread. This issue has led to heightened consumer concerns and is anticipated to result in a significant decline in sales for the company. Such a decline may erode consumer trust in the product, consequently impeding profit growth and adversely affecting the company's financial performance. The correlation between declining net profits and plummeting sales revenue is evident, as the net profit margin (NPM) is currently being adversely impacted by this sales downturn. This scenario exemplifies a situation where escalating costs coincide with diminishing sales, leading to a more substantial reduction in net income than the drop in revenue itself. Furthermore, the debt-to-equity ratio (DER) is likely to be negatively influenced by the marked decrease in revenue. The company may find itself compelled to incur additional debt to sustain operations or offset losses, further exacerbating the decline in profits. Similarly, total asset turnover (TATO) is negatively affected, as owned assets fail to generate adequate sales, resulting in diminished asset utilization efficiency. In other words, the organization's ability to effectively leverage its assets to generate income is consequently reduced.

Previous research empirically proves the factors that influence profit growth. (Aisyah and Widhiastuti, 2021) Demonstrated that "the current ratio (CR), debt-to-asset ratio (DAR), and net profit margin (NPM) negatively impact profit growth, while total asset turnover (TATO) and debt-to-equity ratio (DER) have a positive influence". Conversely, research by (Suyono. and Yusrizal., 2019) Found "no significant relationship between variables such as CR, DER, inventory turnover, total asset turnover, receivable turnover, and company size with profit growth". Furthermore, (Citra and Hayati, 2021) Indicated that "DER has minimal impact on profit growth". Research "conducted on food and beverage companies listed on the Indonesia Stock Exchange (IDX) between 2017 and 2019 corroborated the negative relationship between NPM, TATO, and profit growth". Collectively, these studies identify DER, TATO, and NPM as variables influencing profit growth. The debt-to-equity ratio (DER) serves as a measure of a company's ability to cover its liabilities using its equity, which can impact profit growth. A higher DER suggests greater reliance on debt financing, which has been linked to increased profit growth. Several studies, including those by Estininghadi (2019) and Agustina and Mulyadi (2019) support this correlation. However, other research, such as that by Desi and Arisudhana (2020) and Purnama (2021), found that "DER does not significantly affect profit growth".

Total Asset Turnover (TATO) is a crucial metric influencing future income growth, defined as the ratio of total assets used to the income generated over a specified period. This ratio can also quantify the frequency at which

assets are converted into revenue or the extent to which they are employed in business operations. According to (Syarafina and Syahputera, 2024), "a higher TATO indicates that assets are being utilized more effectively to generate income". Empirical studies conducted by Agustina and Mulyadi (2019) and Lestari *et al* (2019) Demonstrate that "TATO significantly influences income growth". In contrast, research by Purnama (2021) and Apriliyani and Yudiantoro (2022) "provides evidence suggesting that TATO has no effect on income growth. The Net Profit Margin (NPM), calculated by dividing net profit by total income after expenses and taxes, is another critical determinant of profitability, reflecting a company's operational efficiency. (Dianitha, Masitoh and Siddi, 2020). A higher NPM indicates more effective cost management. (Apriwandi, 2022). Studies by Marlina (2019) and Lestari *et al* (2019) Have shown that "NPM significantly contributes to income growth". However, Handayani and Nurulrahmatia (2020) Found "no significant effect of NPM on profit growth".

These studies present mixed conclusions regarding the factors influencing profit growth. Therefore, this research aims to further investigate the effects of the debt-equity ratio (DER), Total Asset Turnover (TATO), and Net Profit Margin (NPM) on profit growth in food and beverage manufacturing companies listed on the Indonesia Stock Exchange from 2019 to 2023. The findings are expected to assist business managers in formulating more effective financial strategies, leading to enhanced profitability and enabling more informed long-term planning and decision-making. Consequently, companies can achieve more stable and sustainable profit growth, ultimately improving their overall business performance.

LITERATURE STUDY

Literature Review

1) Agency Theory

According to the theory of agency, the owner of an enterprise is obligated to fulfill specific responsibilities concerning the management of the organization. (Syarafina and Syahputera, 2024). The relationship between theory agency and profit maximization is characterized by the potential for conflict arising when agents and principals possess divergent responsibilities and objectives. This misalignment can lead to the implementation of profit management strategies by managers, aimed at maximizing their personal benefits. Consequently, managerial decisions regarding profit management may inadvertently hinder overall profit growth. (Gunawan Aji *et al.*, 2023).

A significant issue associated with agency theory emerges when managers or owners, as internal parties, have access to more information about the state of the enterprise compared to the owners. This information increases the likelihood of dysfunctional behavior, as managers may manipulate financial reports to enhance their personal gains. From this perspective, a conflict of interest is likely to exist between the agent and the owner, as both parties are driven predominantly by self-interest. Owners can assess the performance of their managers by examining profitability and utilizing key financial metrics, such as the Debt-debt-equity ratio (DER), Total Asset Turnover (TATO), and Net Profit Margin (NPM) (Putri and Andriansyah, 2022).

2) Profit Growth

Profit growth is defined as the difference between the profits of a given period and those of a prior period, serving as a metric for forecasting future earnings. (Christine and Hidayat, 2023). This growth is crucial for stakeholders such as lenders, investors, managers, and government entities, as it provides insights into potential future earnings increases. (Ahmad Yani, 2024).

The profit growth ratio reflects an organization's capacity to increase net profits relative to the previous year, indicating whether the company's financial performance has improved (Hasanah, 2023). Profit growth serves as a tool for organizations to monitor profit over time and allows for the identification of significant increases or decreases in profit (Siringoringo *et al.*, 2022).

According to Candradevi dan Alliyah (2024) In their research, another formula for finding profit growth is:

$$\text{Profit Growth} = \frac{\text{Net Profit Year}_t - \text{Net Profit Year}_{t-1}}{\text{Net Profit Year}_{t-1}} \text{ x } 100\%$$

3) Debt to Equity Ratio (DER)

The Debt to Equity Ratio (DER) serves as an important indicator that reflects the relationship between a company's equity and its debt obligations. (Sukmawati and Saleh, 2023). A high DER suggests potential difficulties in debt

repayment, indicating that the company's debt exceeds its equity. (Ahmad Yani, 2024).
This ratio serves as a measure of the proportion of a company's financing that is derived from creditors as opposed to shareholders. (Anindia and Amrizal, 2023).
The ratio can be performed using the following formula, as outlined by Kasmir (2019):

$$\textbf{DER} = \frac{\textbf{Total Liabilitas}}{\textbf{Total Ekuitas}}$$

4) Total Assets Turn Over (TATO)
Total Asset Turnover (TATO) measures a company's sales relative to its total assets over a specified period. (Wijaya, 2023). TATO can also be employed to determine the frequency with which assets are converted into revenue within a defined timeframe, thereby reflecting the extent to which these assets are leveraged in business operations. According to (Syarafina and Syahputera, 2024), The higher the TATO ratio, the more effective the overall use of assets to generate sales.
In this context, revenue is expected to grow proportionately with the firm's overall asset turnover. The profitability of a company indicates its effectiveness in utilizing assets to generate income, which in turn influences overall sales performance. This capability enables the firm to achieve substantial profits, fostering further income growth (Purwanti and Puspitasari, 2019).
According to Candradevi and Alliyah (2024) In their research, the formula for finding Total Assets Turn Over is:

$$\text{TATO} = \frac{\text{Net Sales}}{\text{Total Assets}} \text{ x } 100\%$$

5) Net profit margin (NPM)
Net Profit Margin (NPM) serves as an indicator of a company's profitability after accounting for all expenses and income taxes. This ratio calculates the net profit return on net sales, effectively linking net income to net sales, and illustrating how efficiently the business is managing its operational costs. A higher NPM indicates improved operational performance within the company. (Yuliantin and Aprianti, 2022).
Furthermore, NPM is a critical metric for assessing an entity's capacity to generate profit. An entity that successfully generates profit and increases its profit margin is more likely to operate sustainably. (Aisyah and Widhiastuti, 2021). Consequently, a higher net profit margin ratio signifies greater success in deriving profit from ongoing operations
According to Kasmir (2019), the formula for finding Net Profit Margin is:

$$\text{NPM} = \frac{\text{Net Profit}}{\text{Net Sales}}$$

Hypothesis Development
Aisyah and Widhiastuti (2021) “The Effect of Financial Ratios on Profit Growth in Food and Beverage Industry Companies Listed on the IDX for the 2010-2019 Period” prove empirically that Debt to Equity Ratio (DER) has a positive and significant effect on Profit Growth. Estininghadi’s “The Effect of Current Ratio, Debt Equity Ratio, Total Assets Turn Over and Net Profit Margin on Profit Growth” proves empirically that Debt to Equity Ratio has a significant effect on profit growth. Syarafina and Syahputera (2024) “The Effect of Current Ratio, Debt to Equity Ratio and Total Assets Turn Over on Profit Growth” prove empirically that Debt to Equity Ratio has no significant effect on profit growth.

H1: Debt to Equity Ratio Affects Profit Growth

Estininghadi (2019) “The Effect of Current Ratio, Debt Equity Ratio, Total Assets Turn Over and Net Profit Margin on Profit Growth” proves empirically that Total Assets Turn Over has a significant effect on profit growth. Aisyah and Widhiastuti (2021) “The Effect of Financial Ratios on Profit Growth in Food and Beverage Industry Companies Listed on the IDX for the 2010-2019 Period” proves empirically that Total Assets Turn Over (TATO) has a positive and significant effect on Profit Growth. Syarafina and Syahputera (2024) “The Effect of Current Ratio, Debt to Equity

Ratio and Total Assets Turn Over on Profit Growth" prove empirically that Total Assets Turn Over (TATO) has no significant effect on profit growth.

H2: Total Assets Turnover has an effect on profit growth

Aisyah and Widhiastuti (2021) "The Effect of Financial Ratios on Profit Growth in Food and Beverage Industry Companies Listed on Bei for the 2010-2019 Period" proves empirically that Net Profit Margin (NPM) has a negative and significant effect on profit Growth. Agustina and Mulyadi (2019) "The Effect of Debt to Equity Ratio, Total Assets Turn Over, Current Ratio and Net Profit Margin on Profit Growth in Manufacturing Companies on the Indonesia Stock Exchange" prove empirically that Net Profit Margin has a significant effect on profit growth. Estininghadi (2019) "The Effect of Current Ratio, Debt Equity Ratio, Total Assets Turn Over and Net Profit Margin on Profit Growth" proves empirically that Net Profit Margin (NPM) has no significant effect on profit growth.

H3: Net Profit Margin affects profit growth

The research model is based on the theories that have been conveyed, the authors make a theoretical framework using a chart as shown below:

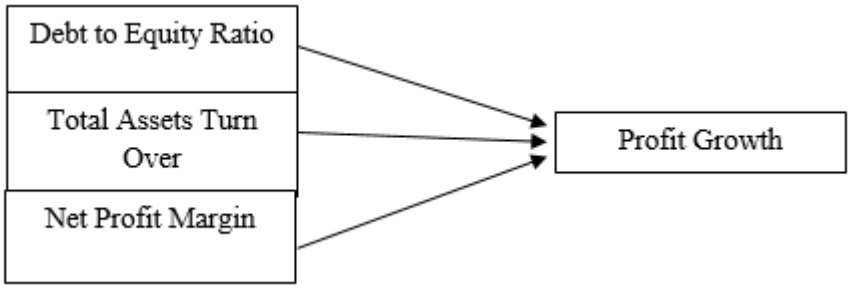


Figure 2 The Research Model Theoretical Framework

METHODS

Population and Sample

This study analyzes all food and beverage sub-sector companies on the Indonesia Stock Exchange (IDX) from 2019 to 2023, encompassing a total of 97 firms as reported on www.idx.co.id A purposive sampling method was employed to select participants based on specific criteria, which include: 1) Companies firms in the food and beverage sector listed on the IDX during the period of 2019–2023, 2) Companies that provided complete financial reports within that timeframe, 3) Companies possessing data relevant to the study variables, 4) Companies with some financial data that do not experience gaps during the period 2019 to 2023. Based on these criteria, a final sample of 25 companies was established, resulting in a total of 125 financial report analyses.

Operational Definition of Variables

This study investigates four key variables, outlined as follows: 1) Profit Growth: The primary focus of this study is profit growth, calculated by comparing the current year's net income to that of the previous year. An increase in profits signifies the company's ability to attract potential investors. The formula for calculating profit growth, as outlined by Candradevi and Alliyah (2024), is as follows: Profit growth = Current year net income - Last year net income / Last year net income x 100%, 2) Debt to Equity Ratio (DER): In this research, the Debt to debt-to-equity ratio (DER) is a critical variable. This ratio compares a company's total debt to its total equity. A higher DER implies an increased risk of insolvency. The calculation for DER, as described by Kasmir (2019), is as follows: DER = Total Debt / Total Equity, 3) Total Assets Turn Over (TATO): Total Asset Turnover (TATO) is another significant variable in this study, reflecting how effectively a company utilizes its assets to generate revenue. A higher TATO indicates greater operational efficiency. The formula for TATO, as presented by Candradevi and Alliyah (2024), is: TATO = Total Sales / Total Assets, 4) Net Profit Margin (NPM) : The Net Profit Margin (NPM) is also a key variable for this analysis. This ratio represents net income as a percentage of total sales, providing insight into the company's

profitability. A higher NPM indicates a larger proportion of revenue being converted into profit. Kasmir (2019) defines NPM with the following formula: NPM = Net Income / Total Sales

Data Used (Type and Source)

This research employs quantitative data, defined as data that can be measured and expressed numerically. (Septinia, 2022). The secondary data were sourced from the financial statements of food and beverage companies listed on the IDX from 2019 to 2023, accessible through the IDX website. (Syarafina and Syahputera, 2024).

Data Collection Technique

Data collection involved reviewing the annual reports of food and beverage companies for the years 2019 to 2023. This review included pertinent financial metrics such as the Debt to debt-equity ratio, Total Asset Turnover, Net Profit Margin, and Profit Growth.

Data Analysis Techniques (Model Analysis)

To analyze the data, panel data regression analysis was performed using Eviews 12 for Windows. According to Aisyah and Widhiastuti (2021), "panel data regression combines both cross-sectional and time-series data." Additionally, descriptive statistics were employed to summarize key data features, including maximum, minimum, mean, and standard deviation, as noted by Agustina and Mulyadi (2019).

Prior to conducting the regression analysis, classical hypothesis testing was performed. A model selection test was conducted before verifying classical assumptions. To understand the impact of the Debt to debt-to-equity ratio, Total Asset Turnover, and Net Profit Margin on Profit Growth, further investigation and hypothesis validation will be necessary.

RESULTS

Descriptive statistics serve as a method to represent or describe the characteristics of the data obtained. Based on Table 1, the descriptive statistical analysis aims to characterize various components under study, such as the minimum, maximum, mean, and standard deviation values.

Table 1: Descriptive Statistical Test

	X1	X2	X3	Y
Mean	1.072764	1.038699	-0.041162	-0.216000
Median	0.939000	0.757600	0.024600	-0.017600
Maximum	4.143700	4.017800	0.384200	7.069300
Minimum	0.100400	0.035200	-2.734400	-40.45450
Std. Dev.	0.702766	0.827252	0.409623	4.134054
Observations	125	125	125	125

Source: Research Findings, 2024 (Eviews 12 Processed data)

The study analyzed 125 financial reports from various companies. In Model 1, profit growth, as measured by the Debt to Equity Ratio (DER), exhibited a maximum value of 4.143700 and a minimum value of 0.100400. The Total Assets Turnover (TATO) indicated a range of profit growth from 0.035200 to 4.017800. The average DER across the companies was 1.072764, suggesting a favorable indication of profitability. Similarly, the average TATO score was 1.038699, which also reflects profitability. In contrast, the profit growth measured by the Net Profit Margin (NPM) ranged from -2.734400 to 0.384200, with an average of -0.041162. This indicates a negative overall stock return, signifying a loss in profitability.

Model Selection Test

To determine the most suitable regression model for analyzing the panel data, a series of model selection assessments were conducted:

The Chow test was utilized to compare the Common Effect Model (CEM) with the Fixed Effect Model (FEM). A significant F-statistic in the Chow test at or below 0.05 necessitates the selection of the FEM; otherwise, the CEM is used.

Table 2: Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	0.982774	(24,97)	0.4954
Cross-section Chi-square	27.207133	24	0.2949

Source: Research Findings, 2024 (Eviews 12 Processed data)

The probability value in Table 2 is 0.2949, which exceeds 0.05, leading to the selection of the CEM. Subsequently, the Lagrange Multiplier test was conducted due to the Chow test result being greater than 0.05. If the FEM had been selected, the Hausman test would have been administered first.

The Lagrange Multiplier (LM) test assesses whether to employ the CEM or the Random Effect Model (REM). A p-value from the LM test below 0.05 would warrant the selection of the REM; otherwise, the CEM is retained.

Table 3: Lagrange Multiplier Test

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	0.530370	0.231762	0.762132
	(0.4665)	(0.6302)	(0.3827)

Source: Research Findings, 2024 (Eviews 12 Processed data)

As shown in Table 3, the LM test yields a probability of 0.4665, which is greater than 0.05, thereby confirming the choice of the CEM model. The next step involved conducting the classical assumption tests, specifically assessing multicollinearity and heteroscedasticity.

Classical Assumption Test

The classical assumption tests evaluate whether the Ordinary Least Squares (OLS) regression model adheres to essential criteria that ensure the reliability and validity of the analysis results. Two primary tests were employed: the Multicollinearity Test and the Heteroscedasticity Test.

The multicollinearity test examines the presence of strong linear relationships among independent variables in the regression model. For the independent variables in this analysis, all values were below 0.85, indicating an absence of significant multicollinearity.

Table 4: Multicollinearity Test

	X1	X2	X3
X1	1	-0.172	-0.269
X2	-0.172	1	0.206
X3	-0.269	0.206	1

Source: Research Findings, 2024 (Eviews 12 Processed data)

According to Table 4, the correlation coefficients for each independent variable, DER, TATO, and NPM, were less than 0.85, confirming that they passed the multicollinearity test and are free from significant multicollinearity.

The heteroscedasticity test assesses the equality of variance in the residuals of the regression model. The results indicated no heteroscedasticity, as all variables returned values greater than 0.05.

Table 5: Heteroscedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.919638	0.759496	2.527516	0.0128
X1	-0.299453	0.473529	-0.632385	0.5283
X2	-0.080023	0.395922	-0.202118	0.8402
X3	-2.973153	0.817795	-3.635570	0.0004

Source: Research Findings, 2024 (Eviews 12 Processed data)

From Table 5, the Heteroscedasticity Test results using the Least Square (LS and AR) method showed that DER and TATO had profitability values of residuals exceeding 0.05, suggesting no heteroscedasticity. However, NPM yielded a profitability value below 0.05, indicating the presence of heteroscedasticity.

Panel Data Regression Test

Panel data regression analysis serves as a statistical technique designed to analyze data characterized by a panel structure, effectively integrating both cross-sectional and time-series data.

Y = 1.9196 - 0.2995*X1 - 0.0800*X2 - 2.9732*X3

An examination of the panel data regression equation reveals that the Debt to debt-equity ratio (DER) exerts a negative influence on Profit Growth, quantified at -0.2995. This indicates that a one-unit increase in DER correlates with an approximate decrease of 0.2995 in profit growth. Similarly, the Total Assets Turnover (TATO) demonstrates a negative impact on Profit Growth at -0.0800; a one-unit increase in TATO could lead to a decline in profit growth by 0.0800. Furthermore, the Net Profit Margin (NPM) presents a negative effect of -2.9732, suggesting that an increase of one unit in NPM may result in a decrease of 2.9732 in profit growth.

Hypothesis Test

Hypothesis testing is a methodological approach employed to assess the validity of claims or assumptions regarding a population, utilizing sample data for evaluation.

The t-test functions as a comparative analysis method to evaluate the mean differences between two data groups by contrasting the calculated t-value against the critical t-value from the t-table.

Table 6: Test t

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.919638	0.759496	2.527516	0.0128
X1	-0.299453	0.473529	-0.632385	0.5283
X2	-0.080023	0.395922	-0.202118	0.8402
X3	-2.973153	0.817795	-3.635570	0.0004

Source: Research Findings, 2024 (Eviews 12 Processed data)

The calculated t-value for the Debt to debt-to-equity ratio (DER) variable (X1), as presented in Table 6, is -0.632385. This value exceeds the critical threshold of 0.05 and is less than the essential t-value of 1.979438685 at a significance level of 0.5283. Consequently, the alternative hypothesis (Ha) is rejected, while the null hypothesis (H0) is upheld. This finding indicates that the DER does not significantly influence earnings growth within the food and beverage industry.

The calculated t-value for the Total Asset Turnover (TATO) variable (X2) is -0.202118, which is also greater than the threshold of 0.05 and falls below the critical t-value of 1.979438685. Furthermore, the significance level is 0.8402. Therefore, it can be concluded that TATO does not significantly impact income growth in the food and beverage sector, as the null hypothesis (H0) is accepted and the alternative hypothesis (Ha) is rejected.

The computed t-value for the Net Profit Margin (NPM) variable (X3) is -3.635570, which is below the significance level of 0.05 and lower than the critical t-value of 1.979438685. As a result, the alternative hypothesis (Ha) is accepted, and the null hypothesis (H0) is rejected, indicating that NPM has a significant effect on income growth in the food and beverage industry.

The F-test serves as a statistical method to assess whether one or more independent variables exert a collective influence on a dependent variable within the regression model by comparing the calculated F-value with the critical F-value from the F-table.

Table 7: Test f

R-squared	0.104123
Adjusted R-squared	0.081911
S.E. of regression	3.541361
Sum squared resid	1517.489
Log likelihood	-333.3985
F-statistic	4.687722
Prob(F-statistic)	0.003922

Source: Research Findings, 2024 (Eviews 12 Processed data)

Based on table 7. The results of the f test simultaneously with the value of f count of 4.687722> f table, namely 2.679534871 and sig value 0.003922 <0.05 then h0 is accepted and h1 is rejected. This means that the DER, TATO, and NPM variable tests affect the profit growth of food and beverage subsector manufacturing companies.The Coefficient of Determination (R^2) serves as a statistical measure that assesses the extent to which the independent variables in a regression model account for variations in the dependent variable. R^2 values range from 0 to 1, with higher values indicating a greater ability of the model to explain the variability within the data.

Table 8: Test Coefficient of Determination (R^2)

R-squared	0.104123
Adjusted R-squared	0.081911
S.E. of regression	3.541361
Sum squared resid	1517.489
Log likelihood	-333.3985
F-statistic	4.687722
Prob(F-statistic)	0.003922

Source: Research Findings, 2024 (Eviews 12 Processed data)

Table eight presents an adjusted R^2 value of 0.081911 for the dedication coefficient (R^2). This indicates that the independent variables, namely, the Debt to debt-equity ratio (DER), Total Asset Turnover (TATO), and Net Profit Margin (NPM) account for approximately 8.19% of the variance in profit growth. Conversely, the remaining 91.81% of the variance is attributed to factors that were not examined in this study.

Discussion

The findings of this study indicate that the Net Profit Margin (NPM) significantly influences profit growth in food and beverage companies, corroborating the results of (Lestari *et al.*, 2019), which asserts that "NPM is critical in evaluating a company's management of operating costs and net income generation from sales". A higher NPM reflects enhanced operational efficiency and a greater potential for profit growth. (Dianita *et al.*, 2022). This is consistent with agency theory, which elucidates the dynamics between owners and managers, suggesting that a high NPM signifies effective cost management and increased net income, thereby mitigating conflicts of interest. However, this contrasts with the findings of Handayani and Nurulrahmatia (2020), who reported: "no significant effect of NPM on profit growth, thus affirming the importance of NPM in this study".

Furthermore, the results indicate that the Debt to debt-equity ratio (DER) does not exert a significant influence on profit growth in food and beverage companies, aligning with the conclusions of (Desi and Arisudhana, 2020) who found similar results. The liabilities of a company appear to have limited relevance in operational activities that enhance profitability. According to agency theory, this may suggest that managers are not effectively leveraging debt to drive profit growth, indicating a need for companies to prioritize operational improvements using equity to enhance profitability. Nevertheless, this conclusion diverges from the findings of (Estininghadi, 2019) which identified a significant impact of DER on profit growth. Overall, "this study concludes that DER does not significantly affect profit growth". Research indicates that Total Asset Turnover (TATO) does not have a significant impact on profit growth in food and beverage companies. (Apriliyani and Yudiantoro, 2022). This finding is supported by empirical evidence suggesting that TATO's lack of influence on profit growth aligns with agency theory, which highlights potential conflicts of interest between owners and managers. Specifically, the increase in TATO alone does not guarantee enhanced profitability; rather, ineffective management of asset utilization may impede profit growth. However, contrary to the findings of (Agustina and Mulyadi, 2019), which reported "a significant effect of TATO on profit growth, this study concludes that TATO does not influence profit growth".

CONCLUSION

This research analyzes the impact of Net Profit Margin (NPM), Debt to Equity Ratio (DER), and Total Assets Turnover (TATO) on profit growth in food and beverage companies listed on the Indonesia Stock Exchange from 2019 to 2023. Data analysis reveals that NPM empirically affects earnings growth, while DER and TATO do not appear to have a significant effect on earnings growth. Practitioners are advised to closely monitor profit growth, as it serves as a critical indicator of a company's financial performance. Positive profit growth is likely to attract the interest of current and potential investors, making it essential for companies to continuously enhance their profitability. Given the significant role of NPM in driving profit growth, management should prioritize the development of robust long-term financial strategies aimed at increasing profitability. In addition, this research also helps in strategic planning and decision-making to increase profit growth. Thus, the company can be more optimal in managing resources and improving financial performance.

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