

Profit Growth: Redefining Success with an Advanced ROA Model

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ABSTRACT

This study investigates the impact of Return on Assets (ROA) on profit growth in the food and beverage industry subsector listed on the Indonesia Stock Exchange (ISSI). The research adopts a quantitative approach, utilizing regression analysis to examine financial data from 11 companies over the period of 2019 to 2023. ROA is used as a key indicator of how effectively a company is managing its assets to generate profit, while profit growth is measured as an indicator of overall business sustainability. The results indicate a significant positive relationship between ROA and profit growth, suggesting that companies with higher ROA tend to exhibit stronger profit growth. The findings emphasize the importance of efficient asset management for boosting profitability in this sector. This study contributes to the literature by exploring the ROA-profit growth relationship within the Indonesian context and provides practical recommendations for businesses to enhance financial performance through better asset utilization. Future research should consider expanding the sample size and examining other industries for broader generalizability.

Keywords: *ROA, Profit Growth, Food Industry, Performance*

INTRODUCTION

The Indonesian food and beverage industry faces challenges in optimizing performance and profitability. Studies have identified several key factors influencing profit growth and firm performance in this sector. Operational capacity, agency costs, and intellectual capital have a significant impact on firm performance. Higher levels of operational capacity contribute positively to revenue generation and enhance customer satisfaction (Widjaja & others, 2024). Financial ratios such as current ratio, total asset turnover, and net profit margin have been found to influence profit growth, with efficient operations and low liquidity promoting higher sales growth (Endri et al., 2020). Total efficiency plays a crucial role in achieving profit growth, while asset management significantly affects total efficiency (Suwardi et al., 2023). However, cash turnover has been found to have a significant negative impact on profitability, whereas receivables turnover does not significantly affect profitability in the food and beverage sector (Sapitri et al., 2024). These findings provide valuable insights for companies aiming to enhance their financial performance and competitiveness in the dynamic Indonesian market.

Recent studies have examined profitability determinants in Indonesia's food and beverage industry, focusing on various financial metrics and their impact on Return on Assets (ROA). Novian Chrisnando et al. (2024) found that firm size, efficiency, and market power positively influence ROA, while leverage has a negative impact (Chrisnando et al., 2024). However, Jumeida Simatupang & Eka Purnama Sari (2021) reported no significant effects of working capital, asset turnover, and sales growth on ROA (Simatupang & Sari, 2021). Melda Febi Jeri Pratiwi et al. (2023) discovered that receivable turnover positively affects ROA, while inventory turnover shows no significant impact (Pratiwi et al., 2023). Galang Adi Prasongko & Heni Hirawati (2022) It was concluded that Net Profit Margin, ROA, and Return on Equity do not individually influence profit

growth, but they do collectively. These findings underscore the complexity of factors impacting profitability in the Indonesian food and beverage sector, highlighting the importance of strategic market positioning, operational efficiency, and prudent financial management.

This summary consolidates findings from four studies investigating financial performance in the Indonesian food and beverage industry. It was found that Return on Assets (ROA) has a significant negative impact on profit growth. (Cinta Ruth Sipahutar et al., 2024). However, ROA significantly influenced profitability when combined with other factors like sales growth and inventory turnover (I Gusti Ayu Kade Sri Wahyuniati & I Ketut Yudana Adi, 2021). The leverage ratio showed an influence on profit growth, while liquidity and activity ratios did not (Amalina Firda Purnawan & R. A. Suwaidi, 2021). Total Asset Turnover (TATO), Net Profit Margin (NPM), and ROA collectively explained 79.9% of profit growth variance (S. Sulistyowati & Bambang Suryono, 2017). These studies utilized quantitative methods, specifically multiple linear regression analysis, and purposive sampling to select companies listed on the Indonesia Stock Exchange. The results offer insights into the complex relationships between financial ratios and profit growth within this industry sector.

Recent research has explored the relationship between financial ratios and profit growth in the Indonesian food and beverage industry. Return on Assets (ROA) has been shown to significantly impact profit growth, although the direction of this relationship varies among studies (Cinta Ruth Sipahutar et al., 2024; S. Sulistyowati & Bambang Suryono, 2017). Other financial metrics, such as Net Profit Margin (NPM) and Total Asset Turnover (TATO), have also shown significant influences on profit growth (L. Sari & Endang Tri Widyarti, 2015; S. Sulistyowati & Bambang Suryono, 2017). However, the effectiveness of these ratios in predicting profit growth may be limited, as one study found that only 29.3% of profit growth could be explained by financial ratios (L. Sari & Endang Tri Widyarti, 2015). Additionally, total efficiency has been identified as a significant factor affecting profit growth, while leverage and asset management have shown mixed results in their impact on efficiency and profit growth (Suwardi et al., 2023).

Framework of thinking

Researchers can develop a framework of thinking as follows:

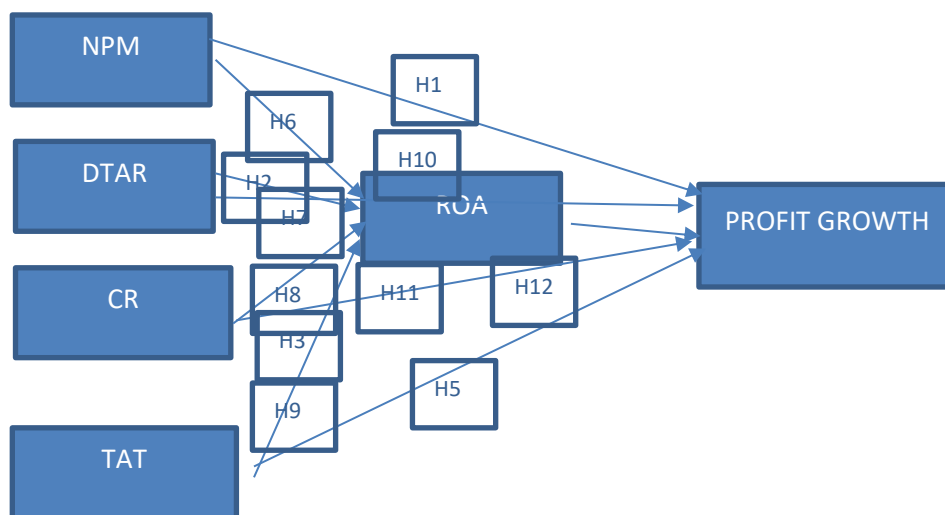


Figure 1. Framework of thinking

In this research, five variables are used that describe this ratio, the five variables are NPM, DTAR, CR and TAT as well as ROA, the intervening (mediation) variable. It is hoped that the higher the NPM, ROA, DTAR, CR and TAT ratios, the higher the profit growth, therefore these five ratios can have a positive effect on profit growth. Based on theory and previous research results regarding the relationship between NPM, DTAR, ROA, CR and TAT ratios on profit growth.

Research Hypothesis Development

1. The Influence of Net Profit Margin on Profit Growth

Net profit margin can be defined as a ratio used to show a company's ability to generate net profit after tax (Azmi et al., 2016). In research conducted by Marlina Widiyanti (2019), it shows that *net profit margin* has a positive effect on profit growth (Widiyanti, 2019). Based on the research above, researchers can propose the following hypothesis;

H 1: Net Profit Margin significant positive effect on profit growth

2. The Effect of Debt to Asset Ratio on Profit Growth

The debt to assets ratio is defined as the ratio used to show the extent to which a company's debt can be covered using assets with a greater ratio that is safer (Harahap, 2010: 304) (Hassan & Syafri Harahap, 2010b). In research conducted by Rachmawati (2014), it shows that the debt to asset ratio has a significant positive effect on profit growth. Based on the research above, researchers can propose the following hypothesis;

H 2: Debt to Asset Ratio significant negative effect on profit growth

3. The Effect of Current Ratio on Profit Growth

The current ratio is defined as a ratio used to measure a company's ability to pay its current debt (Sumarsan, 2013 : 44) (Rachmawati & Sitohang, 2019). In research conducted by Kartikasari (2005), it shows that the return current ratio has a positive effect on profit growth (Kartikasari & others, 2005). Based on the research above, researchers can propose the following hypothesis;

H 3: Current Ratio has a significant positive effect on profit growth

4. Effect of Total Asset Turnover on Profit Growth

Total asset turnover is the ratio of sales to the company's total assets, where this ratio describes the speed of turnover of total assets in a certain period. This ratio is a ratio that can show the level of efficiency in using all assets to produce a certain sales volume (Syamsuddin, 2009:19) (Panji et al., 2018).

Ou (1990)'s research shows that total asset turnover has a significant effect on profit growth, meaning that this research has a positive effect on profit growth (Wicaksono, 2017). Based on the research above, researchers can propose the following hypothesis;

H 4: Total Asset Turnover has a significant positive effect on profit growth

5. The Effect of Return on Assets on Profit Growth

Return on assets can be defined as a ratio to measure the extent of a company's ability to generate net profits based on the level of assets. In research conducted by Puspitasari, M., & Thoha, MNF (2021), it shows that return on assets has a significant positive effect on profit growth (Puspitasari & Thoha, 2021). Based on the research above, researchers can propose the following hypothesis;

H 5: Return on Assets significant positive effect on profit growth

6. Influence of Debt to Asset Ratio on ROA

The debt to assets ratio is defined as the ratio used to show the extent to which a company's debt can be covered using assets with a greater ratio that is safer (Harahap, 2010: 304). In research conducted by Rachmawati (2014), it shows that the debt to asset ratio has a significant negative effect on ROA. Robi Pramana Kusuma (2016) which shows that the results are partial DTAR has no effect on Profitability . Based on the research above, researchers can propose the following hypothesis;

H 6: Debt to Asset Ratio significant negative effect on profit growth

7. The Influence of Current Ratio on Return on Assets

The current ratio is defined as a ratio used to measure a company's ability to pay its current debt (Sumarsan, 2013: 44). In research conducted by Kartikasari (2005), it shows that the return current ratio has a positive effect on ROA. Based on the research above, researchers can propose the following hypothesis;

H 7: Current Ratio has a significant positive effect on ROA

8. The Effect of *Total Asset Turnover* on *Return on Assets*

Total asset turnover is the ratio of sales to the company's total assets, where this ratio describes the speed of turnover of total assets in a certain period. This ratio is a ratio that can show the level of efficiency in using all assets to produce a certain sales volume (Syamsuddin, 2009:19). Ou's (1990) research shows that total asset turnover has a significant effect on ROA, meaning that this research has a positive effect on profit growth. Based on the research above, researchers can propose the following hypothesis;

H 8: Total Asset Turnover is thought to have a significant positive effect on ROA

9. The influence of *Net Profit Margin* on profit growth through Return on Assets

Net Profit Margin (NPM) and Return on Assets (ROA) are both financial ratios that can be used to measure a company's effectiveness in generating profits. However, NPM and ROA have different focuses in measuring company profitability. Research conducted by Zhou and Sun (2014) found that NPM had a positive influence on profit growth and ROA directly and indirectly. The results show that NPM positively influences ROA, which in turn affects profit growth. The research hypothesis is:

H 9 : Net Profit Margin has a positive effect on profit growth through Return on Assets

10. The influence of *Debt to Asset Ratio* on profit growth through Return on Assets

Debt to Asset Ratio is a ratio that measures how large a proportion of a company's assets are funded by debt. Return on Assets (ROA) is a ratio that measures a company's ability to generate profits from the assets it owns. Research Title: "The Impact of Debt to Asset Ratio on Profit Growth through Return on Assets: Empirical Evidence from Publicly Traded Companies in Indonesia." The research results show that the Debt to debt-asset ratio has a significant negative influence on Return on Assets, which in turn has a significant positive influence . The hypotheses of this research are:

H10 : Debt to Asset Ratio has a negative effect on profit growth through Return on Assets

11. The influence of *the Current Ratio* on profit growth through Return on Assets

Current Ratio measures a company's ability to meet its short-term obligations. The higher the Current Ratio, the greater the company's ability to pay its short-term obligations. However, a Current Ratio that is too high can also indicate that the company is not using its assets effectively to generate profits. A study by Maharani and Meiranto (2019) in Indonesia found that the current ratio has a positive and significant influence on profit growth through ROA in manufacturing companies.

H11: Current Ratio has a significant positive effect on profit growth through Return on Assets

12. The effect of *Total Asset Turnover* on profit growth through Return on Assets

In the context of the relationship between Total Asset Turnover (TAT), Return on Assets (ROA), and profit growth, research has shown that TAT and ROA have a positive influence on profit growth, but the influence of TAT on profit growth is not always through the influence of ROA as an intervening variable. . Rahmawati and Prasetyo (2018). This research finds that TAT has a significant positive effect on profit growth through its positive influence on ROA as an intervening variable in the banking sector in Indonesia

H12: Total Asset Turnover has a positive effect on profit growth through Return on Assets

LITERATURE REVIEW

Recent studies have investigated the relationship between financial performance metrics and profitability in Indonesian food and beverage companies. According to Ilyas et al. (2023), Return on Assets (ROA) and Net Profit Margin (NPM) were found to have no significant effect on stock prices, whereas Return on Equity (ROE) demonstrated a positive correlation (Prasongko & Hirawati, 2022). Prasongko & Hirawati (2022) reported that ROA, NPM, and ROE collectively

influenced profit growth, although individually they had no significant impact (Prasongko & Hirawati, 2022). Anggraini & Rivandi (2023) observed a positive effect of ROA on profit growth in consumer goods companies (Anggraini et al., 2023). Alghifari et al. (2013) demonstrated that ROA significantly affected Tobin's Q, a measure of market value, in food and beverage companies (Alghifari et al., 2013). These studies highlight the complex relationships between financial ratios and company performance in the Indonesian context, suggesting that while ROA and other metrics can be valuable indicators, their impact may vary depending on the specific measure of financial performance examined.

The agency theory, focusing on aligning interests between managers and owners to enhance company performance, has been extensively studied. Jensen and Meckling's work on agency problems, where managers may prioritize self-interest over shareholders', is foundational (Jassim et al., 1988). Research shows that stronger alignment between CEO and shareholder returns is associated with improved firm performance (Nyberg et al., 2009). Asset management, measured by Fixed Asset Turn Over (FATO), positively influences financial performance, as indicated by Return on Assets (ROA) (Purba & Bimantara, 2020). The relationship between managerial ownership and firm value is complex, with both alignment-of-interest and entrenchment effects observed as insider ownership increases (Hughes & Moon, 2004). However, ownership by outside block-holders can mitigate the entrenchment effect (Hughes & Moon, 2004). These studies collectively emphasize the importance of aligning managerial actions with shareholder interests and efficient asset management in driving profitability and organizational success.

Recent research explores the relationship between financial metrics and market performance, particularly focusing on Return on Assets (ROA) and its impact on investor perceptions. Studies have found a significant positive correlation between ROA and dividend yield, supporting signaling theory by suggesting that higher profitability is associated with larger dividend payouts (Amir et al., 2024). This relationship extends to stock returns, with ROA showing a significant positive effect on Shariah stock returns (Lorenza et al., 2022). However, the impact of ROA on firm market value has been found to be insignificant in some contexts (Rahman et al., 2017). The research also highlights the importance of other financial metrics, such as Loans to Deposit Ratio (LDR) in banking, which significantly impacts ROA (Runtuwuwu & Hussin, 2024). These findings contribute to our understanding of how financial performance indicators influence investor behavior and market valuation, emphasizing the dual role of ROA in operational efficiency and market signaling.

Recent studies have examined the relationship between financial ratios and profit growth in various Indonesian industries. Juwita and Pardosi (2024) found no significant effect of Return on Assets (ROA) and Net Profit Margin (NPM) on profit growth in the automotive sector (Juwita & Pardosi, 2024). Similarly, Muharrom and Hermawati (2024) reported that operational efficiency ratio had no significant impact on ROA in the banking industry (Muharrom & Hermawati, 2024). However, Ikhwal (2016) demonstrated that both ROA and Return on Equity (ROE) significantly influenced profitability in banking companies listed on the Indonesia Stock Exchange (Ikhwal, 2016). Safitri and Mukaram (2018) found mixed results in the consumer goods industry, with ROA having a significant negative effect on profit growth, ROE showing no significant impact, and NPM exhibiting a significant positive effect (Safitri & Mukaram, 2018). These studies highlight the variability in the relationship between financial ratios and profitability across different sectors in Indonesia, emphasizing the need for industry-specific analyses.

Despite the valuable insights provided by these research trends, there are notable gaps and limitations. Firstly, many studies have a broad focus, covering multiple sectors and markets, which dilutes the specific insights for the food and beverage industry. Secondly, the emphasis on general financial performance metrics often overlooks the unique challenges and opportunities within the Indonesian market. Previous studies also tend to use aggregated data, which may not capture the nuanced impact of ROA on individual companies' profit growth. This indicates a need for more focused and detailed research that considers industry-specific factors and localized market conditions.

Given these gaps, this study aims to narrow the focus to the Indonesian food and beverage industry, providing a detailed analysis of the relationship between ROA and profit growth. By employing a quantitative research design and analyzing financial data from a purposive sample of

companies, this research will offer practical insights tailored to the unique characteristics of the Indonesian market. The study will investigate how efficient asset utilization, as indicated by ROA, influences profitability in this sector. This approach will provide actionable recommendations for industry stakeholders, helping them develop strategies to enhance financial performance and competitive standing. This new direction will contribute to filling the existing literature gap and support the practical needs of companies operating in the Indonesian food and beverage industry.

METHOD

This study focuses on organizations within the food and beverage industry subsector listed on the Indonesia Stock Exchange Sectoral Index (ISSI). The unit of analysis is the organization, specifically examining the financial performance metrics, particularly Return on Assets (ROA), and their impact on profit growth. The choice of this focus is due to the significant role these organizations play in the Indonesian economy and the specific challenges they face, such as intense competition and evolving consumer preferences. By targeting organizations within this sector, the study aims to generate insights that are highly relevant and actionable for industry stakeholders.

The research design of this study is quantitative. This approach was selected because it enables the objective measurement and analysis of numerical data, offering a clear and precise understanding of the relationships between variables. The study utilizes statistical techniques, particularly regression analysis, to examine the impact of ROA on profit growth. This method is appropriate for testing the hypothesis that higher ROA is associated with better profit growth, enabling the research to draw robust and generalizable conclusions. The quantitative design ensures that the findings are based on empirical evidence and statistical validity.

Data for this study are sourced from secondary information, specifically the financial statements of the companies listed on the ISSI. These financial statements are publicly accessible and offer comprehensive data on various financial metrics, including ROA, net profit margins, total assets, and profit growth. Using secondary data is advantageous as it ensures the accuracy and reliability of the information, given that these documents are audited and regulated. Moreover, secondary data allows for the inclusion of a larger sample size, enhancing the study's generalizability and reliability.

The data collection process involves systematically extracting pertinent financial information from the annual reports and financial statements of the sampled companies. This process includes gathering data on ROA, net profits, total assets, and other pertinent financial indicators. The data will then be organized and formatted for analysis, ensuring consistency and completeness. Utilizing secondary data collection methods ensures efficiency in obtaining the required financial metrics, and it minimizes potential biases that could arise from primary data collection techniques.

Table 1. Operational definition of variables

NO	Variable	Definition	Measurement	Scale
1.	Dependen Profit Growth	Profit growth is the increase or decrease in profit per year, which can be expressed as a percentage (Irmayanti, 2011).	$\Delta Eit = \frac{Eit - Ei(t-1)}{Ei(t-1)}$ (Harahap, 2011:301).	Ratio
2.	Independen Net Profit Margin (X ₁)	Net Profit Margin is the ratio of net profit after tax to total sales (Sartono, 2011:114).	NPM = (Net Profit After Tax) / (Net Sales) (Gumanti, 2011).	Ratio
3.	Debt to Asset Ratio (X ₃)	Debt to Asset Ratio is the ratio of total liabilities to total assets (Fahmi, 2011).	Debt to Asset Ratio = (Total Debt) / (Total Assets) (Kasmir, 2010:122).	Rasio

3.	Current Ratio (X ₄)	Current Ratio is the ratio of current assets to current liabilities (Riyanto, 2008: 25).	Current Ratio = (Current Assets) / (Current Liabilities) (Hanafi and Halim, 2009:77).	Ratio
4.	Total Asset Turnover (X ₅)	Total Asset Turnover is the ratio of asset turnover to measure how effectively a company uses all its assets to generate sales and profit (Sartono, 2011:114).	Total Asset Turnover = Sales / (Total Assets) (Kasmir, 2008:168).	Ratio
5.	Intervening Return On Assets (X ₂)	Return on Assets is the ratio of net profit after tax to total equity (Sartono, 2011:114)..	Return on Assets = (Net Profit) / (Total Assets) (Hery, 2015:228).	Ratio

Sumber: combination of references, 2024

Data analysis will be conducted following the three-stage process outlined by Miles and Huberman: data reduction, data display, and data verification. Initially, the data will be reduced to focus on the most relevant financial metrics, filtering out any extraneous information. The reduced data will then be displayed in tables and graphs to facilitate easier interpretation and analysis. Finally, the data will be subjected to regression analysis to test the hypothesis and draw conclusions about the relationship between ROA and profit growth. This systematic approach ensures a thorough and rigorous analysis, providing reliable and valid findings that can inform strategic decisions in the Indonesian food and beverage industry.

Model Which used in study this is model causality or connection influence. For test hypothesis Which submitted in study this then technique analysis Which used is analysis track or path analysis Whichoperated through program AMOS. Objective from modeling study through Analysis Track possible a researcher can answer question studywhich is quite complex. The computer program used to estimate the modelis an AMOS program using techniques *maximum likelihood estimation*. Analysis track used For analysis because the model is more complex compared regression linear multiple However each *variables* is is variables measurable (*observed variables*).

$$Z = b_1 X_1 + b_2 X_2 + b_3 X_3 + e_1$$

$$Y = b_4 + b_5 X_2 + b_6 X_3 + b_7 Z + e_2$$

RESULT

Descriptive Statistical Test

Descriptive statistics that will be discussed include: Number of data (N), sample average (mean), minimum value, maximum value and standard deviation (δ) of each variable, as in table 1 of the results of descriptive analysis.

Table 1. Descriptive Analysis Results

Variable	Number of data (N)	Minimum	Maximum	Average (Mean)	Standard Deviation (δ)
NPM	55	.0005	.2842	.093753	.0626407
DTAR	55	.1406	.7734	.410280	.1530316
CR	55	.4118	5.1130	2.163069	1.2396304
TATTOO	55	.4503	3.1575	1.273007	.6730090
ROA	55	.0005	.4666	.108851	.0956179
PL	55	-.7528	2.2540	.231175	.5458872

Source: Secondary data processed , 2024

Based on table 1, the results of descriptive analysis on *Net Profit Margin* (NPM) show a minimum value of 0.0005 while the maximum value is 0.2842 and the average value is 0.93753 which means that on average the company can earn a profit of 0.93753 with a high sales at a standard deviation of 0.0626407 is equal to 6% at a small level of data variation or which means the data is homogeneous or does not vary. The minimum value of *the Debt To Asset Ratio* (DTAR) is 0.1406 and the maximum value is 0.7734, while the average value is 0.410280, which means that the average company debt can be covered using its assets of .410280 at a standard deviation level of .1530316 or equal to 15% with the level small data variations or which means the data is homogeneous or does not vary. The minimum value of *the Current Ratio* (CR) is 0.4118 and the maximum value is 5.1130, while the average value is 2.1632, which means that the company's average payment of current debt or short-term debt is 2.1632 at a standard deviation level of 1.2396304 or equal to 124% with a small level of data variation or which means the data is homogeneous or does not vary. The minimum value of *Total Asset Turnover* (TATO) is 0.4503 and the maximum value is 3.1575 while the average value is 1.273007 which means that the total assets of a company can rotate 1.273007 times in one year at a standard deviation level of .6730090 or equal to 67% with the level of data variation smaller than the average value or which means the data is homogeneous or does not vary. The minimum value of *Return On Assets* (ROA) is 0.0005 and the maximum value is 0.4666, while the average value is 0.108851 which means that the company's average net profit can gain a profit of 0.108851 with a standard deviation rate of .0956179 equal to 10% in the level of data variation is small or which means the data is homogeneous or does not vary. The minimum value of the profit growth variable is -0.7528, it can be said that the condition of food and beverage companies from 2019 to 2023 is experiencing a decline or the company is experiencing a loss of -75% and has a maximum value of 2.2540, meaning that the food company and beverages from 2019 to 2023 are experiencing quite large profit growth with a value of 225%. Meanwhile, the average (mean) value of profit growth from 2019 to 2023 is 0.231175 with a standard deviation of 0.231175 or equal to 23% with a large level of data variation or which means the data is heterogeneous or very varied.

Based on the results in table 1, it can be seen that from 11 companies with 55 observations, the average value in the table can be used as an indication for each variable which is greater than the standard deviation value, meaning that food and beverage companies from 2019 to 2023 is in good shape. Likewise, it is best if the average value in the table for each variable is smaller than the standard deviation value, meaning that food and beverage companies from 2017 to 2022 are in bad condition. Therefore, as management, it is necessary to carry out an evaluation in the year concerned in order to find a solution and so that the company returns to good condition.

Goodness of Fit Test Model

The *goodness of fit test* is used to test the significance of the model in explaining the relationship between variables as hypothesized. The following is a table of *goodness of fit test* results . Waluyo (2016) stated that for testing *the Goodness of Fit*, the first evaluation model used was the chi-square test and *fit index*. *Chi-square* depends on the sample size, then some indices of model fit and adequacy that are not sensitive to sample size are needed. These indices are RMR, GFI, AFGI, PGFI, CMIN/DF and RMSEA. The following is a summary of decision making for chi-square and *fit tests index*.

Table 2. Goodness of Fit Indices

<i>Goodness of Fit Indices</i>	<i>Cut – Off Value</i>
X2 Chi Square	Expected to be Small
Probability	≥ 0.05
CMIN/DF	≤ 3.00
RMSEA	≤ 0.08
GFI	≥ 0.90
AGFI	≥ 0.90
TLI	≥ 0.90

CFI	≥ 0.95
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Source: Imam Ghozali, 2014, 67-68

Based on table 2, it is known that CMIN/DF is the *chi-square value* divided by *the degree of freedom*. According to Byrne (in Ghozali, 2014: 67) suggests that this ratio value <2 is a measure of fit. *Root Mean Square Error of Approximation (RMSEA)* is a measure that tries to improve the tendency of *the chi square statistic* to reject models with large sample sizes. RMSEA values between 0.05 to 0.08 are an acceptable measure.

GFI (*Goodness of Fit Index*) is a non-statistical measure and its value ranges from 0 (*poor fit*) to 1.0 (*perfect fit*). Researchers recommend a value above 90% as a measure of *Goodness of Fit* . AGFI (*Adjusted Goodness of Fit Index*) is a development of the GFI which is adjusted to *the ratio of degree of freedom for the proposed model to the degree of freedom for the null model* . The recommended value is equal to or more than 0.90. TLI (*Tucker Levis Index*) combines a measure of parsimony into a comparison index between *the proposed model* and *the null model* and the TLI value ranges from 0 to 1.0. The recommended TLI value is the same or >0.90 (Ghozali, 2014:68). CFI (*Comparative Fit Index*) is a measure of the suitability of a comparative-based model with a null model. The CFI value is expected to be greater than 0.90.

The evaluation results of Goodness of Fit The research model indicators are shown in the following figure:

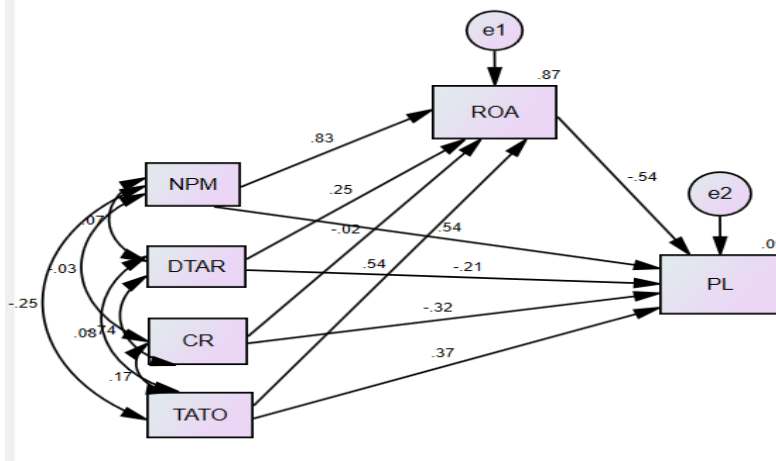


Figure 1. Model Test Results

Based on the results of *the goodness of fit model test* in Figure 2, it shows that the chi-square value is 0.000 with a *degree of freedom (df)* value of 0 at a probability level of 0.05, the chi-square table value is $X^2(1,0.05) = 3,841$ with a probability sig value of 0.000.

Analysis Track

To test the influence of intervening variables, you can use the path analysis method. Path analysis is an extension of regression analysis to assess the causal relationship between variables that have been previously determined based on theory. Path analysis itself cannot determine causal relationships and also cannot be used as a substitute for researchers to see causal relationships between variables. Causality relationships are established with models based on theoretical foundations. According to Ghozali (2013), path analysis determines the pattern of relationships between three or more variables and can be used to confirm or reject imaginary causality hypotheses.

With a model that is fit, the parameter tests as hypothesized can be interpreted. The parameter testing results were obtained as follows:

Table 3. Regression Weight Model Path

			Estimate	S.E	CR	P	Label
ROA	<---	DTAR	,154	,049	3,155	,002	par_5

			Estimate	S.E	CR	P	Label
ROA	<---	CR	-.001	,006	-.196	,844	par_6
ROA	<---	TATTOO	,077	,008	9,877	***	par_7
ROA	<---	NPM	1,264	,079	16,050	***	par_15
PL	<---	NPM	4,691	<u>2,846</u>	1,648	,099	par_1
PL	<---	DTAR	-.735	,801	-.917	,359	par_2
PL	<---	CR	-.143	,092	-1,560	,119	par_3
PL	<---	TATTOO	,297	,197	1,507	.132	par_4
PL	<---	ROA	-3,061	2,047	-1,496	.135	par_8
NPM	<-->	DTAR	,001	,001	,494	,621	par_9
CR	<-->	TATTOO	,140	.113	1,239	,215	par_10
NPM	<-->	TATTOO	-.011	,006	-1,808	.071	par_11
DTAR	<-->	TATTOO	,009	.014	<u>.617</u>	,537	par_12
DTAR	<-->	CR	-.138	,032	-4,374	***	par_13
NPM	<-->	CR	-.002	,010	-.235	,814	par_14

Source: Processed secondary data, 2024

Note: *** Indicates Significance 0.000

DISCUSSION

Net Profit Margin and Profit Growth

Net Profit Margin (NPM) serves as a key indicator of a company's efficiency and profitability, which can potentially drive future profit growth. A high NPM suggests that the company is efficiently converting its revenue into profit, thereby facilitating better growth prospects. Research consistently supports this positive relationship between NPM and profit growth, as seen in studies by Djanah (2017) and Endri (2020), both of which confirm that higher NPM is linked with accelerated profit growth. Nevertheless, while NPM is an important factor, it is also crucial to consider other variables such as market competition, production costs, and regulatory changes, which can also significantly impact profit growth. For instance, Wijaya (2023) emphasize that factors like company size, debt-to-equity ratio, and managerial ownership also play roles in influencing profit growth. Therefore, companies must conduct a comprehensive analysis that includes these factors to fully understand how NPM affects their profit growth over a given period (Djannah & &Triyonowati, 2017; Endri et al., 2020; Wijaya & Pujiarti, 2023).

The relationship between NPM and profit growth is further supported by theories such as agency theory and signaling theory. In the context of agency theory, a high NPM may incentivize company management to enhance performance in order to maximize profits, thereby aligning their goals with those of the shareholders. Management, motivated by maintaining their reputation or receiving performance-based incentives, may be driven to improve the company's efficiency and profitability. On the other hand, signaling theory suggests that an increase in NPM acts as a positive signal to the market, indicating that the company has robust performance and the ability to generate sustainable profits. Therefore, while NPM positively impacts profit growth, the extent of its influence can vary depending on external factors such as industry conditions, business strategies, and regulatory environments.

Debt-to-Asset Ratio and Profit Growth

The Debt-to-Asset Ratio (DTAR) is a financial metric that assesses the proportion of a company's debt relative to its total assets. This ratio provides insights into the company's leverage and its ability to manage debt. The impact of DTAR on profit growth is complex and can vary based on factors like industry, company size, and economic conditions. In general, a high DTAR might signal greater financial risk, potentially leading to lower profit growth due to the increased burden of debt management. Studies such as those by Djanah. (2017) and Endri et al. (2020) indicate a significant negative relationship between DTAR and profit growth, suggesting that higher debt levels may constrain a company's ability to grow profits. Conversely, research by Wijaya (2023) suggests that, under certain conditions, a higher DTAR could positively influence

profit growth, as companies might leverage debt to invest in profitable ventures. This mixed evidence highlights the need for a nuanced understanding of DTAR's impact on profit growth, considering other influencing factors (Djannah & Triyonowati, 2017; Endri et al., 2020; Wijaya & Pujiarti, 2023).

The relationship between DTAR and profit growth is also explored through the lenses of agency theory and signaling theory. Agency theory suggests that high levels of debt can exacerbate conflicts between shareholders and management. While management might take on higher risks to achieve greater profits, shareholders may prefer risk minimization to protect their investments. In contrast, signaling theory posits that a high DTAR could be perceived as a negative signal to the market, indicating potential financial instability, which might reduce investor confidence and negatively affect the company's growth prospects. As such, while DTAR can influence profit growth, the nature of this influence is context-dependent, necessitating careful debt management to balance leveraging debt for growth while maintaining financial stability.

Current Ratio and Profit Growth

The Current Ratio (CR) is a liquidity measure that evaluates a company's ability to meet its short-term obligations with its current assets. Traditionally, the CR is not seen as a direct driver of profit growth because it primarily reflects the company's short-term financial health rather than its profitability. However, some studies suggest that a higher CR can contribute to profit growth by ensuring that the company maintains financial stability and reduces the risk of insolvency. For example, Endri (2020) found a positive and significant relationship between CR and profit growth, indicating that companies with a higher CR may have a better ability to fulfill their obligations, which can positively impact their profitability (Endri et al., 2020). On the other hand, other research, such as that by Dwijayani (2023), argues that the CR does not have a significant impact on profit growth, implying that too much liquidity could indicate underutilized assets, which might hinder profitability (Dwijayani et al., 2023).

The relationship between CR and profit growth is also considered through the perspectives of agency theory and signaling theory. In agency theory, a high CR might be indicative of management's cautious approach to liquidity management, aligning with shareholders' interests by ensuring financial stability. However, if the approach leads to underutilized assets, it could conflict with shareholders' desire for higher returns. Signaling theory suggests that a high CR sends a positive signal to the market about the company's financial health, potentially increasing investor confidence. Nevertheless, the extent to which CR influences profit growth through Return on Assets (ROA) remains ambiguous, with research indicating that CR's impact may be more about maintaining operational stability than directly driving profitability. Thus, while CR plays a role in ensuring a company's financial health, its influence on profit growth is moderated by how effectively the company manages its resources and operations.

Total Asset Turnover and Profit Growth

Total Asset Turnover (TATO) is a financial metric that measures a company's efficiency in generating sales from its assets. A higher TATO indicates greater efficiency in asset usage, which can potentially lead to higher profit growth. Studies by Suryanto and Prasetijo (2020) and Tursina et al. (2021) support the notion that TATO positively influences profit growth, particularly in manufacturing and retail sectors. However, other studies, like those by Endri (2020), suggest that TATO's impact on profit growth is not always significant. This indicates that while TATO is an important measure of asset efficiency, it may not be the sole determinant of profit growth (Endri et al., 2020). The variability in findings suggests that the relationship between TATO and profit growth may be influenced by industry-specific factors, company strategy, and external market conditions.

The influence of TATO on profit growth can also be understood through agency theory and signaling theory. Agency theory posits that management may be incentivized to improve TATO as a way of demonstrating their effectiveness in asset management, which aligns with shareholders' interests. Signaling theory suggests that a high TATO sends a positive signal to the market about the company's operational efficiency, potentially enhancing its attractiveness to investors and driving profit growth. However, the relationship between TATO and profit growth is complex and

may not always be straightforward, as it depends on how effectively the company can translate asset efficiency into increased sales and profitability.

Net Profit Margin and Return on Assets

Net Profit Margin (NPM) is a crucial metric that measures a company's ability to convert revenue into net profit, while Return on Assets (ROA) evaluates how efficiently a company uses its assets to generate profits. A positive relationship between NPM and ROA indicates that as a company becomes more efficient in generating net profit from its revenue, it is also likely to generate higher returns from its assets. Studies such as those by Dewi (2021) and Purnawan (2021) confirm this positive correlation, showing that companies with higher NPMs tend to have better ROAs. However, the relationship between NPM and ROA is not always linear, as other factors like cost structure, competition, and market conditions can influence this relationship. Therefore, while NPM generally has a positive effect on ROA, the strength of this relationship can vary depending on the specific context of the company (Dewi & Samrotun, 2021; Purnawan & Suwaidi, 2021).

The connection between NPM and ROA can be further analyzed through agency theory and signaling theory. In agency theory, a high NPM may motivate management to maximize asset utilization to enhance profitability, aligning with shareholders' interests. Signaling theory, on the other hand, suggests that an increase in NPM serves as a positive signal to the market about the company's operational efficiency and profitability, which can enhance investor confidence and support higher ROA. However, the extent to which NPM influences ROA—and subsequently profit growth depends on various factors, including the company's financial management practices and the broader economic environment.

Debt to Asset Ratio and Return on Assets

The Debt to Asset Ratio (DAR) measures the extent to which a company's assets are financed by debt, while Return on Assets (ROA) assesses the company's efficiency in generating profits from its assets. The relationship between DAR and ROA has been a topic of debate, with studies such as those by Dwijayanti (2023) suggesting a positive relationship, while others, like Hudzaifah (2024), indicate a negative effect. Generally, a high DAR is associated with increased financial risk, which can negatively impact ROA as the company may struggle to generate sufficient returns to cover its debt obligations. This negative relationship underscores the importance of maintaining a balanced capital structure to optimize ROA and minimize financial risk (Dwijayani et al., 2023; Hudzaifah et al., 2024).

The implications of DAR on ROA can be further understood through agency theory and signaling theory. In agency theory, high debt levels may create conflicts between management and shareholders, as management might take on higher risks to achieve greater profits, potentially jeopardizing the company's financial stability and reducing ROA. Signaling theory suggests that a high DAR could be perceived as a negative signal by the market, indicating potential financial distress, thereby reducing investor confidence. Therefore, while DAR can influence ROA, the nature of this influence is complex and context-dependent, requiring careful management of debt levels to ensure they do not adversely affect the company's profitability and overall financial health.

Current Ratio and Return on Assets

The Current Ratio (CR) is a liquidity metric that indicates a company's ability to meet its short-term obligations using its current assets, while Return on Assets (ROA) measures the company's efficiency in generating profits from its assets. The relationship between CR and ROA is not always straightforward; while a high CR suggests strong liquidity, it does not necessarily correlate with higher profitability. Research such as that by Hudzaifah (2024) and Tascha (2021) suggests that CR can have a positive effect on ROA, but this relationship is often contingent on the company's ability to manage its assets effectively. In some cases, an excessively high CR might indicate underutilized assets, which could hinder profitability and reduce ROA. Thus, while liquidity is crucial for financial stability, its impact on ROA and, consequently, profit growth depends on how well the company manages its resources (Hudzaifah et al., 2024; Tascha & Mustafa, 2021).

The relationship between CR and ROA is also explored through agency and signaling theories. In agency theory, a high CR might reflect management's cautious approach to ensuring liquidity,

which could align with shareholders' interests if it leads to financial stability and enhanced profitability. However, if this approach results in underutilized assets, it could conflict with shareholders' desire for higher returns. Signaling theory suggests that a high CR could be perceived as a positive signal of the company's financial health, potentially boosting investor confidence. However, the actual impact of CR on ROA—and thus on profit growth—requires a balanced approach to liquidity management, ensuring that assets are effectively utilized to generate maximum returns.

Total Asset Turnover and Return on Assets

Total Asset Turnover (TATO) is a financial ratio that measures how efficiently a company uses its assets to generate sales, while Return on Assets (ROA) reflects the company's overall profitability from its assets. A positive relationship between TATO and ROA suggests that efficient asset management can lead to higher profitability. Studies by Sulystiowati (2017) confirm this positive correlation, indicating that companies with higher TATO tend to achieve better ROA. However, the relationship between TATO and ROA is not always consistent, as other factors such as industry dynamics, competitive strategies, and economic conditions can influence this relationship. Therefore, while TATO is an important indicator of asset efficiency, its impact on ROA and profit growth may vary depending on the broader business context (Sulistyowati & Suryono, 2017).

The relationship between TATO, ROA, and profit growth can be further analyzed through agency and signaling theories. Agency theory posits that an increase in TATO could indicate that management is effectively utilizing company assets to maximize sales and profitability, aligning with shareholders' interests. Signaling theory suggests that a high TATO sends a positive signal to the market about the company's operational efficiency, potentially boosting investor confidence and supporting higher ROA. However, the extent to which TATO influences ROA—and consequently profit growth—depends on how effectively the company can manage its assets and navigate external market conditions.

Net Profit Margin and Profit Growth through ROA

Net Profit Margin (NPM) and Return on Assets (ROA) are both key indicators of a company's profitability, although they measure different aspects. NPM indicates how efficiently a company converts its revenue into net profit, while ROA reflects how effectively the company uses its assets to generate profits. While these two ratios are distinct, they can collectively influence profit growth. Research by Dewi (2021) and Sulistyowati (2017) suggests that NPM positively impacts ROA, which in turn contributes to profit growth. However, the relationship between NPM, ROA, and profit growth is complex and may be moderated by factors such as company size, industry conditions, and market dynamics (Dewi & Samrotun, 2021; Purnawan & Suwaidi, 2021; Sulistyowati & Suryono, 2017).

The interaction between NPM, ROA, and profit growth can also be understood through agency theory and signaling theory. In agency theory, a high NPM might motivate management to optimize asset utilization, thereby improving ROA and aligning with shareholders' expectations for profit growth. Signaling theory suggests that an increase in NPM serves as a positive signal to the market, indicating strong profitability and operational efficiency, which can enhance investor confidence and support higher ROA and profit growth. However, while NPM and ROA are important factors in profit growth, their combined impact can vary depending on the broader business environment and the specific strategies employed by the company.

Debt to Asset Ratio and Profit Growth through ROA

The Debt to Asset Ratio (DAR) measures the extent to which a company's assets are financed by debt, while Return on Assets (ROA) assesses the company's efficiency in generating profits from its assets. The relationship between DAR and profit growth through ROA is complex, with some studies suggesting that a high DAR can negatively impact ROA and, by extension, profit growth. Research by Dwijayani. (2023) supports this view, showing that DAR negatively influences ROA, which in turn affects profit growth (Dwijayani et al., 2023). This indicates that while debt can be used to finance asset acquisition, excessive debt may reduce the company's ability

to generate returns, thereby limiting profit growth.

The influence of DAR on profit growth through ROA can also be understood through agency theory and signaling theory. In agency theory, a high DAR may lead to conflicts between management and shareholders, as management may pursue high-risk strategies to generate returns, potentially jeopardizing the company's financial stability and reducing ROA. Signaling theory suggests that a high DAR could be perceived as a negative signal by the market, indicating financial instability and reducing investor confidence. Therefore, while DAR can influence profit growth through ROA, the relationship is contingent on effective debt management and the broader economic context, requiring a careful balance between leveraging debt for growth and maintaining financial stability.

Current Ratio and Profit Growth through ROA

The Current Ratio (CR) reflects a company's liquidity, while Return on Assets (ROA) measures its profitability. The relationship between CR and profit growth through ROA is not always straightforward, as liquidity alone does not guarantee profitability. Research indicates that while a high CR can enhance financial stability, it may not directly contribute to profit growth unless the company effectively utilizes its assets. Studies by Hudzaifah (2024) and Agustinus (2021) highlight the mixed impact of CR on profit growth, with some findings suggesting a positive relationship through ROA, while others indicate that excessive liquidity might limit profitability (Hudzaifah et al., 2024). This suggests that while liquidity is important, its impact on profit growth is moderated by how well the company manages its assets and operations.

The relationship between CR, ROA, and profit growth can also be analyzed through agency and signaling theories. In agency theory, a high CR might indicate management's cautious approach to maintaining liquidity, aligning with shareholders' interests by ensuring financial stability. However, if this results in underutilized assets, it could conflict with shareholders' expectations for higher returns. Signaling theory suggests that a high CR sends a positive signal about the company's financial health, potentially enhancing investor confidence and supporting profit growth through improved ROA. However, the actual impact of CR on profit growth requires a balanced approach to liquidity management, ensuring that assets are effectively utilized to maximize profitability.

Total Asset Turnover and Profit Growth through ROA

Total Asset Turnover (TATO) measures a company's efficiency in generating sales from its assets, while Return on Assets (ROA) reflects the company's overall profitability. Research suggests that while TATO and ROA can both positively influence profit growth, the relationship between TATO and profit growth is not always mediated by ROA. Studies by Dewi. (2021) and Khasanah (2017) indicate that TATO can independently drive profit growth without necessarily impacting ROA, suggesting that asset efficiency alone can be a strong driver of profitability. This highlights the importance of understanding the specific dynamics between TATO, ROA, and profit growth, as their interactions may vary across industries and economic conditions (Dewi & Samrotun, 2021; Khasanah & Adhi, 2017)..

The relationship between TATO, ROA, and profit growth can be further explored through agency and signaling theories. In agency theory, an increase in TATO might indicate that management is effectively utilizing company assets to maximize sales and profitability, aligning with shareholders' interests. Signaling theory suggests that a high TATO sends a positive signal to the market about the company's operational efficiency, potentially boosting investor confidence and supporting higher profit growth. However, the extent to which TATO influences profit growth through ROA depends on how effectively the company manages its assets and navigates external market conditions, indicating that a nuanced understanding of these dynamics is crucial for optimizing financial performance.

Novelty of the Research

This study contributes new insights by examining the relationship between Return on Assets (ROA) and profit growth specifically in the food and beverage sector listed on the Indonesia Stock Exchange (ISSI). Unlike previous studies that focused on general profitability determinants across multiple industries, this research narrows the scope to a specific sector within the Indonesian

market. By providing detailed analysis based on recent financial data, this research highlights the importance of efficient asset management in driving profit growth. The study also introduces a localized understanding of how financial ratios, particularly ROA, affect long-term profitability in this critical industry.

CONCLUSION

The key finding of this research is the significant impact of efficient asset utilization and effective financial management on profit growth in the Indonesian food and beverage industry. Companies with higher Net Profit Margin (NPM), Debt to Asset Ratio (DTAR), Total Asset Turnover (TATO), and Return on Assets (ROA) tend to achieve better profitability. This study underscores the critical role of optimizing financial practices and leveraging technology to enhance operational efficiency and drive business success. The key takeaway is that focusing on these financial metrics can lead to sustained profit growth and a stronger competitive position within the industry.

The strength of this research lies in its contribution to the academic understanding of financial performance metrics in the context of the Indonesian food and beverage industry. By providing localized insights, this study enriches the existing literature with specific data and analysis pertinent to this sector. The research introduces a detailed examination of how NPM, DTAR, TATO, and ROA influence profit growth, offering new perspectives on the importance of financial efficiency. Additionally, the study highlights the need for strategic financial planning and technological literacy, contributing valuable concepts and variables for future research.

Despite its contributions, this research has several limitations. It primarily relies on secondary data from financial statements, which may not capture all aspects of financial performance. Furthermore, the analysis is limited to companies listed on the Indonesia Stock Exchange Sectoral Index (ISSI), potentially restricting the generalizability of the findings to other sectors or smaller enterprises. Future research should incorporate primary data through surveys or interviews to gain deeper insights into company practices. Additionally, expanding the scope to include other industries and geographical regions would provide a more comprehensive understanding of the factors driving profit growth.

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