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The Influence of Quich Ratio, Gross Profit Margin and Total Asset Turnover on Profit Growth at PT. Food Sejahtera Tbk

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Abstract

This study aims to examine the effect of financial performance indicators, namely Quick Ratio (QR), Gross Profit Margin (GPM), and Total Asset Turnover (TATO), on profit growth at PT Food Sejahtera Tbk, a company listed on the Indonesia Stock Exchange during the 2014–2023 period. The research employs a quantitative associative approach using secondary data derived from the company's annual financial statements. The analysis method applied is multiple linear regression, supported by classical assumption tests, including normality, multicollinearity, heteroscedasticity, and autocorrelation tests, as well as hypothesis testing through t-test and F-test. The results indicate that partially, QR, GPM, and TATO do not have a significant effect on profit growth. Simultaneously, these variables also show no significant influence on profit growth. The coefficient of determination (R^2) value of 0.547 suggests that 54.7% of the variation in profit growth can be explained by the three independent variables, while the remaining 45.3% is influenced by other factors not included in this study. These findings imply that liquidity, profitability, and asset utilization efficiency are not the main determinants of profit growth in the observed company. Therefore, it is recommended that management consider other strategic factors such as operational efficiency, marketing strategies, and product innovation to enhance profit growth performance in the future.

1. Introduction

In the context of increasingly dynamic and competitive business environments, financial performance has become a crucial determinant of corporate sustainability and growth. Rapid economic development, coupled with market uncertainty, places significant pressure on companies to maintain stability and achieve consistent performance. One of the most critical aspects in assessing a company's viability is its financial condition, as it directly reflects the effectiveness of managerial decisions and operational efficiency. Poor financial management may lead to instability and, in extreme cases, corporate bankruptcy. Therefore, companies must continuously evaluate and monitor their financial performance to remain competitive and ensure long-term sustainability. Financial performance is closely associated with a firm's ability to generate profit, which serves as a primary indicator of success.

Profit not only reflects operational efficiency but also represents the return on investment expected by shareholders. From an investor's perspective, profit is defined as the increase in wealth obtained from investment activities after deducting all associated costs. Consequently, changes in profit levels, commonly referred to as profit growth, become a key consideration in investment decision-making. A higher rate of profit growth signals improved company performance and increases the likelihood of dividend distribution, thereby attracting more investors. Conversely, declining profit growth may indicate inefficiencies or structural weaknesses within the firm, potentially discouraging investment.

Profit growth is widely recognized as an essential measure of corporate performance. It reflects the company's ability to increase net income over time and serves as a benchmark for evaluating managerial effectiveness. According to previous studies, profit growth is defined as the percentage change in net income from one period to another, indicating whether a company is experiencing financial improvement or decline. Sustainable profit growth is vital not only for enhancing shareholder value but also for supporting

business expansion, improving production capacity, and ensuring organizational resilience in a competitive market.

Given its importance, identifying the determinants of profit growth has become a significant area of research in financial management. Various financial ratios are commonly used to evaluate company performance and predict profit growth. Among these, liquidity, profitability, and activity ratios are considered fundamental indicators. This study focuses on three key financial ratios: Quick Ratio (QR), Gross Profit Margin (GPM), and Total Asset Turnover (TATO), which represent different dimensions of financial performance. The Quick Ratio is a liquidity ratio that measures a company's ability to meet its short-term obligations using its most liquid assets, excluding inventory.

It provides a more stringent assessment of liquidity compared to the current ratio, as it considers only assets that can be quickly converted into cash. A low Quick Ratio may indicate liquidity problems and a higher risk of default, which can hinder operational activities and negatively affect profit generation. On the other hand, an excessively high Quick Ratio may suggest inefficient asset utilization, as it indicates the presence of idle resources that are not being productively employed. Therefore, maintaining an optimal level of liquidity is essential to support both operational stability and profit growth. Gross Profit Margin, as a profitability ratio, measures the proportion of gross profit relative to net sales. It reflects the company's ability to manage production costs and pricing strategies effectively.

A higher Gross Profit Margin indicates that the company can generate more profit from its sales after covering the cost of goods sold, suggesting operational efficiency and strong market positioning. Conversely, a lower margin may signal inefficiencies in production or pricing strategies, which could adversely affect profitability. Improvements in Gross Profit Margin are generally associated with better cost control and increased revenue, both of which contribute positively to profit growth. Total Asset Turnover is an activity ratio that evaluates how efficiently a company utilizes its total assets to generate sales. It indicates the effectiveness of asset management in supporting revenue generation. A higher Total Asset Turnover ratio suggests that the company is using its assets more efficiently to produce sales, which can lead to increased income and improved profitability.

However, high sales volume does not necessarily guarantee higher profits, as it may be accompanied by increased operational costs. Therefore, the relationship between asset efficiency and profit growth may vary depending on the company's cost structure and management practices. Despite the theoretical relationships between these financial ratios and profit growth, empirical findings in previous studies remain inconsistent. Some studies suggest that liquidity, profitability, and activity ratios significantly influence profit growth, while others report no significant relationship. These mixed results indicate the need for further investigation, particularly in specific industrial contexts and time periods. This study focuses on PT Food Sejahtera Tbk, a company operating in the food and beverage industry in Indonesia.

The company has undergone several transformations since its establishment in 1990, including changes in its corporate name and structure. Initially known as Asia Intiselera, the company later became Tiga Pilar Sejahtera Food in 2003 and was rebranded as PT Food Sejahtera Tbk in 2021. The company went public through an Initial Public Offering (IPO) on June 11, 1997, and has since been listed on the Indonesia Stock Exchange. As a major player in the food industry, the company's financial performance provides valuable insights into the dynamics of profit growth within this sector. The food and beverage industry is characterized by intense competition, fluctuating raw material prices, and changing consumer preferences. These factors create challenges for companies in maintaining stable profit growth.

Therefore, analyzing the impact of financial ratios on profit growth in this industry

is particularly relevant. By examining the financial performance of PT Food Sejahtera Tbk over the period 2014–2023, this study aims to provide empirical evidence on the relationship between liquidity, profitability, and asset efficiency with profit growth. Specifically, this research seeks to answer the following questions: (1) Does the Quick Ratio significantly affect profit growth? (2) Does the Gross Profit Margin influence profit growth? (3) Does Total Asset Turnover contribute to profit growth? and (4) Do these variables collectively have a significant impact on profit growth? Addressing these questions will help clarify the role of financial ratios in predicting corporate performance and provide insights for both academics and practitioners.

The contribution of this study lies in its focus on a single company within a specific industry over an extended period, allowing for a detailed analysis of financial performance dynamics. Furthermore, the findings are expected to offer practical implications for corporate management in formulating financial strategies. If traditional financial ratios such as QR, GPM, and TATO are found to have limited influence on profit growth, companies may need to consider alternative factors, such as operational efficiency, innovation, and market strategy, to enhance their performance. In conclusion, understanding the determinants of profit growth is essential for ensuring corporate sustainability and competitiveness.

Financial ratios provide useful tools for evaluating company performance; however, their effectiveness in predicting profit growth may vary depending on contextual factors. Therefore, this study aims to contribute to the existing literature by providing empirical evidence on the relationship between key financial ratios and profit growth in the Indonesian food industry, with a case study of PT Food Sejahtera Tbk.

2. Literature Review

2.1 Quick Ratio (QR)

The Quick Ratio (QR) is a liquidity ratio that measures a company's ability to meet its short-term liabilities using its most liquid assets. Unlike the current ratio, the Quick Ratio excludes inventory from current assets due to its relatively low liquidity. According to Kasmir (2012), the Quick Ratio reflects the company's capability to fulfill short-term obligations without relying on inventory liquidation. Similarly, Hanafi and Halim (2012) define the Quick Ratio as the proportion of current assets minus inventory to current liabilities, emphasizing its role in evaluating immediate liquidity conditions.

The rationale behind excluding inventory lies in the assumption that inventory requires more time to be converted into cash compared to other current assets such as cash and receivables. Therefore, the Quick Ratio provides a stricter and more conservative measure of liquidity. The formula for calculating the Quick Ratio is as follows:

$$QR = \frac{Current\ Assets - Inventory}{Current\ Liabilities} \times 100\%$$

A low Quick Ratio indicates potential liquidity problems, suggesting that the company may face difficulties in meeting its short-term obligations. Conversely, an excessively high Quick Ratio may imply inefficient asset utilization, as it indicates idle resources that are not being used productively. Therefore, an optimal balance is required to ensure both liquidity and profitability.

2.2 Gross Profit Margin (GPM)

Gross Profit Margin (GPM) is a profitability ratio that measures the percentage of gross profit generated from net sales. It reflects the company's efficiency in controlling production costs relative to its sales revenue. According to Kasmir (2019), Gross Profit Margin represents the difference between net sales and the cost of goods sold, expressed as a percentage of net sales. Mamduh and Halim (2009) further explain that GPM indicates the firm's ability to produce goods efficiently and sell them at a profitable price.

A higher Gross Profit Margin suggests that the company is effectively managing its production costs and pricing strategy, thereby generating greater returns from its sales activities. Conversely, a lower margin indicates inefficiencies, such as high production costs or weak pricing power, which may negatively affect profitability. Syamsuddin (2009) emphasizes that a strong gross profit margin reflects a favorable operational condition, where the cost of goods sold is significantly lower than the selling price.

The formula for calculating Gross Profit Margin is as follows:

$$GPM = \frac{Gross\ Profit}{Net\ Sales} \times 100\%$$

An increase in GPM indicates improved operational efficiency and better cost control, which are essential for enhancing overall financial performance and supporting profit growth.

2.3 Total Asset Turnover (TATO)

Total Asset Turnover (TATO) is an activity ratio that measures the efficiency with which a company utilizes its total assets to generate sales. According to Hery (2016), TATO reflects the company's ability to produce revenue based on its asset base. A higher ratio indicates that the company is using its assets more efficiently to generate sales, while a lower ratio suggests underutilization of assets. Sutrisno (2009) defines Total Asset Turnover as an indicator of how effectively a company manages its resources to support operational activities. Efficient asset utilization is critical for maximizing revenue generation and improving overall financial performance. The formula for calculating TATO is as follows:

$$TATO = \frac{Net\ Sales}{Total\ Assets}$$

An increase in TATO generally leads to higher sales, which may contribute to improved profitability. However, the relationship between asset turnover and profit growth is not always linear, as higher sales may also be accompanied by increased operational costs.

2.4 Profit Growth

Profit growth is a key indicator of a company's financial performance and reflects its ability to increase net income over time. According to Erselina (2014), profit represents the outcome of a company's operational activities within a specific accounting period. Profit growth, therefore, measures the percentage change in net income from one period to another. A consistent increase in profit growth signals strong managerial performance and operational efficiency, while declining profit growth may indicate inefficiencies or financial distress. Profit growth also plays a significant role in influencing investor decisions, as it provides insight into the company's future prospects.

The formula for calculating profit growth is as follows:

$$Profit\ Growth = \frac{Net\ Income_t - Net\ Income_{t-1}}{Net\ Income_{t-1}}$$

This measure provides a dynamic view of financial performance and is widely used in evaluating company success.

2.5 Relationship between Quick Ratio and Profit Growth

The relationship between liquidity and profit growth has been widely discussed in financial literature. The Quick Ratio, as a measure of liquidity, indicates the company's ability to meet short-term obligations, which is essential for maintaining operational stability. Adequate liquidity ensures that the company can continue its operations without financial disruptions, thereby supporting profit generation.

However, the relationship between liquidity and profitability is often complex. While insufficient liquidity may hinder operations and reduce profitability, excessive liquidity may indicate idle assets that do not contribute to revenue generation. Empirical studies show mixed results. Some researchers, such as Wahyuni et al. (2017), Rustianawati

(2023), and Amaroh (2022), found that the Quick Ratio has a significant effect on profit growth. In contrast, other studies, including Dianitha (2020) and Maryati (2018), reported no significant relationship. Based on these findings, the first hypothesis is formulated as follows:

H1: Quick Ratio has a significant effect on profit growth.

2.6 Relationship between Gross Profit Margin and Profit Growth

Gross Profit Margin reflects the company's ability to generate profit from its core operations. A higher GPM indicates better cost efficiency and pricing strategies, which are expected to contribute positively to profit growth. Companies with strong gross margins are generally more capable of sustaining profitability and adapting to market changes.

Nevertheless, empirical evidence remains inconclusive. Studies by Wijaya and Arisman (2023), Marita and Ni'am (2023), and Arnita and Aulia (2020) suggest that GPM significantly affects profit growth. On the other hand, Yani (2024) and Ridwan and Fajar (2020) found no significant relationship between GPM and profit growth.

Based on this discussion, the second hypothesis is formulated as follows:

H2: Gross Profit Margin has a significant effect on profit growth.

2.7 Relationship between Total Asset Turnover and Profit Growth

Total Asset Turnover is closely related to the efficiency of asset utilization in generating sales. According to signal theory, a high TATO ratio sends a positive signal to investors regarding the company's performance, as it indicates efficient use of resources. Efficient asset management is expected to increase sales and ultimately improve profitability.

However, similar to other financial ratios, the relationship between TATO and profit growth is not always consistent. Some studies, such as Irawan (2018), Arnita (2020), and Syahida (2021), found a positive and significant effect of TATO on profit growth. In contrast, Trirahaju (2017) and Mahmudah and Mildawati (2021) reported no significant relationship.

Thus, the third hypothesis is formulated as follows:

H3: Total Asset Turnover has a significant effect on profit growth.

2.8 Simultaneous Effect of Financial Ratios on Profit Growth

Financial performance is multidimensional, and profit growth is influenced by various factors simultaneously. Liquidity, profitability, and activity ratios collectively reflect the company's overall financial condition. The integration of these ratios provides a more comprehensive understanding of the determinants of profit growth.

Previous studies have produced mixed findings regarding the simultaneous effect of these variables. Amaroh (2022) and Yayuk (2019) found that Quick Ratio, Gross Profit Margin, and Total Asset Turnover jointly influence profit growth. However, Keso and Huda (2023) and Yani (2024) reported no significant simultaneous effect.

Therefore, the fourth hypothesis is formulated as follows:

H4: Quick Ratio, Gross Profit Margin, and Total Asset Turnover simultaneously have a significant effect on profit growth.

3. Research Methodology

3.1 Research Design

This study employs a quantitative approach with an associative research design to examine the relationship between financial performance indicators and profit growth. Associative research aims to identify and analyze the influence of independent variables on a dependent variable. In this study, the independent variables consist of Quick Ratio (QR), Gross Profit Margin (GPM), and Total Asset Turnover (TATO), while the dependent variable is profit growth. The research is designed to determine both the partial and simultaneous effects of these financial ratios on profit growth.

3.2 Data and Research Instrument

The study utilizes secondary data derived from the annual financial statements of PT Food Sejahtera Tbk. The data include key financial information such as sales, gross profit, total assets, current liabilities, and net income. The observation period covers ten years, from 2014 to 2023. The research instrument consists of financial ratio measurements calculated from the company's financial statements. These ratios are used to operationalize the variables in the study and provide quantitative indicators for analysis.

3.3 Population and Sample

The population of this study includes all financial statements of PT Food Sejahtera Tbk from 1997 to 2023, totaling 26 years of data. The sample is selected using a purposive sampling technique, which involves choosing data based on specific criteria relevant to the research objectives. The criteria for sample selection are as follows:

1. Availability of complete financial statement data for ten consecutive years (2014–2023).
2. The selected period adequately represents the company's financial performance for the purpose of analysis.

Based on these criteria, the final sample consists of 10 observations (N = 10), corresponding to the annual financial data for the selected period.

3.4 Research Location and Data Sources

This research focuses on PT Food Sejahtera Tbk, a company listed on the Indonesia Stock Exchange (IDX). The data were obtained from publicly accessible sources, including the official IDX website, financial data platforms, and the company's official website.

The unit of analysis is the firm-level financial performance of PT Food Sejahtera Tbk over the period 2014–2023.

3.5 Data Collection Techniques

Data collection in this study is conducted using two main methods:

1. **Documentation Method**
   This method involves collecting financial data from official documents such as balance sheets and income statements. The data are obtained from reliable sources, including the Indonesia Stock Exchange and financial reporting platforms.
2. **Literature Study**
   A literature review is conducted to support the theoretical framework and interpretation of results. Relevant sources include textbooks, academic journals, and previous research studies related to financial ratios and profit growth.

3.6 Variable Measurement

The variables in this study are operationalized using financial ratios derived from the company's financial statements. Each variable is measured using the following formulas:

- **Quick Ratio (QR)**
  The Quick Ratio measures the company's ability to meet its short-term liabilities using its most liquid assets, excluding inventory:
  $$QR = \frac{Current\ Assets - Inventory}{Current\ Liabilities}$$
- **Gross Profit Margin (GPM)**
  Gross Profit Margin indicates the proportion of gross profit generated from net sales:
  $$GPM = \frac{Gross\ Profit}{Net\ Sales}$$
- **Total Asset Turnover (TATO)**
  Total Asset Turnover reflects the efficiency of asset utilization in generating sales revenue:
  $$TATO = \frac{Net\ Sales}{Total\ Assets}$$
- **Profit Growth (PG)**
  Profit Growth measures the percentage change in net income between two consecutive periods:
  $$PG = \frac{Net\ Income_t - Net\ Income_{t-1}}{Net\ Income_{t-1}}$$

3.7 Data Analysis Technique

3.7.1 Multiple Linear Regression Analysis

To test the proposed hypotheses, this study employs multiple linear regression analysis to examine the relationship between the independent variables—Quick Ratio (QR), Gross Profit Margin (GPM), and Total Asset Turnover (TATO)—and the dependent variable, namely profit growth. This method is used to assess both the partial and simultaneous effects of the independent variables on the dependent variable.

The regression model is specified as follows:

$$PG = \alpha + \beta_1 QR + \beta_2 GPM + \beta_3 TATO + \varepsilon$$

Where:
PG = Profit Growth
α = Constant (intercept)
β_1, β_2, β_3 = Regression coefficients of each independent variable
QR = Quick Ratio
GPM = Gross Profit Margin
TATO = Total Asset Turnover
ε = Error term

3.7.2 Classical Assumption Tests

To ensure the validity and reliability of the regression model, several classical assumption tests are conducted:

- **Normality Test**
  The Kolmogorov–Smirnov test is used to assess whether the residuals are normally distributed.
- **Multicollinearity Test**
  Multicollinearity is evaluated using tolerance and Variance Inflation Factor (VIF) values. A tolerance value greater than 0.10 and VIF less than 10 indicate no multicollinearity.
- **Heteroscedasticity Test**
  The Glejser test is applied to detect heteroscedasticity. A significance value greater than 0.05 indicates homoscedasticity.
- **Autocorrelation Test**
  The Durbin–Watson test is used to identify autocorrelation. A model is considered free from autocorrelation if the value lies between DU and (4 – DU).

3.7.3 Coefficient of Determination (R^2)

The coefficient of determination is used to measure the proportion of variance in the dependent variable explained by the independent variables. The value ranges from 0 to 1, where higher values indicate better explanatory power.

3.7.4 Hypothesis Testing

- **t-test (Partial Test)**
  The t-test is used to determine the individual effect of each independent variable on profit growth. A significance level of 5% (α = 0.05) is applied. If the p-value is less than 0.05, the hypothesis is accepted.
- **F-test (Simultaneous Test)**
  The F-test is used to evaluate the simultaneous effect of all independent variables on the dependent variable. A significance level of 0.05 is used as the decision criterion.

3.8 Summary of Methodological Approach

Overall, this study adopts a quantitative framework using financial ratio analysis and regression modeling to investigate the determinants of profit growth. The combination of statistical tests and financial indicators provides a comprehensive approach to understanding the relationship between liquidity, profitability, asset efficiency, and firm performance.

4. Results and Discussion

4.1 Results

a. Classical Assumption Tests

Prior to conducting regression analysis, several classical assumption tests were performed to ensure the validity and reliability of the model. The normality test was conducted using the Kolmogorov–Smirnov method. The result shows that the significance value (Asymp. Sig.) is 0.200, which is higher than the significance level of 0.05. This indicates that the residuals are normally distributed, and the regression model satisfies the normality assumption. A normal distribution of residuals is essential to ensure unbiased parameter estimation and valid hypothesis testing.

The multicollinearity test was performed using tolerance values and Variance Inflation Factor (VIF). The results indicate that all independent variables—Quick Ratio (QR), Gross Profit Margin (GPM), and Total Asset Turnover (TATO)—have tolerance values greater than 0.10 and VIF values below 10. This suggests that there is no multicollinearity problem among the independent variables, meaning that each variable provides unique information in explaining profit growth.

The autocorrelation test was conducted using the Durbin–Watson (DW) statistic. The initial result showed a DW value of 2.896, which indicated a potential autocorrelation issue. Therefore, a run test was conducted as a corrective measure. The run test results show a significance value of 0.762, which is greater than 0.05, indicating that there is no autocorrelation problem in the data. This confirms that the residuals are independent.

The heteroscedasticity test was conducted using the Glejser test. The results show that the significance values for QR, GPM, and TATO are 0.458, 0.046, and 0.097, respectively. Overall, the values indicate that the model does not suffer from heteroscedasticity, as the residual variance is relatively constant across observations.

b. Multiple Linear Regression Analysis

The regression analysis results produce the following equation:

$$PG=-11.424+1.283QR+6.617GPM+13.178TATO+\varepsilon$$

The constant value of -11.424 indicates that when all independent variables are assumed to be zero, profit growth is expected to decrease by 11.424 units. This suggests that without the contribution of financial ratios, the company may experience negative profit growth. The coefficient of QR is 1.283, meaning that a 1% increase in the Quick Ratio is associated with an increase in profit growth by 1.283 units, assuming other variables remain constant. The coefficient of GPM is 6.617, indicating that a 1% increase in Gross Profit Margin leads to a 6.617 increase in profit growth. Meanwhile, the TATO coefficient of 13.178 shows that a one-unit increase in asset turnover contributes significantly to profit growth.

c. Correlation and Determination Coefficients

The correlation coefficient (R) value of 0.740 indicates a strong relationship between the independent variables (QR, GPM, and TATO) and profit growth. This suggests that the combined variables have a substantial association with the dependent variable. The coefficient of determination (R^2) is 0.547, which means that 54.7% of the variation in profit growth can be explained by QR, GPM, and TATO. The remaining 45.3% is influenced by other variables not included in this study, such as operational efficiency, market conditions, and managerial decisions.

d. Hypothesis Testing

The t-test results show that individually, none of the independent variables significantly affect profit growth. The significance value for QR is 0.458 (>0.05), indicating that QR has no significant effect. Similarly, GPM has a significance value of 0.056 (>0.05), and TATO has a value of 0.097 (>0.05), both indicating no significant influence. The F-test results show that the simultaneous effect of QR, GPM, and TATO on profit growth is not significant. The F-value is 2.417, which is lower than the critical value of 3.59, and the significance value is 0.165 (>0.05). Therefore, the null hypothesis cannot be rejected, indicating that these variables do not jointly influence profit growth.

Overall, the results indicate that although financial ratios show a positive direction in coefficients, they do not have statistically significant effects on profit growth in this case.

4.2 Discussion

The findings of this study reveal that Quick Ratio (QR), Gross Profit Margin (GPM), and Total Asset Turnover (TATO) do not have a

significant effect on profit growth, either partially or simultaneously. This result provides important insights into the complexity of financial performance and its relationship with profitability.

a. Effect of Quick Ratio on Profit Growth

The results indicate that the Quick Ratio does not significantly affect profit growth. Although liquidity is crucial for ensuring the smooth operation of a company, excessive liquidity may indicate inefficient use of resources. A high Quick Ratio suggests that the company holds a large amount of liquid assets, which may remain idle and not contribute to revenue generation. This finding supports previous studies that argue liquidity does not directly influence profitability. While sufficient liquidity is necessary to meet short-term obligations, it does not guarantee improved financial performance. Companies may prioritize maintaining liquidity over investing in productive assets, which can limit profit growth.

b. Effect of Gross Profit Margin on Profit Growth

The analysis shows that Gross Profit Margin does not significantly influence profit growth. This suggests that even if a company is efficient in managing production costs, it does not necessarily lead to increased profit growth. One possible explanation is that higher gross profit may be offset by increased operating expenses, such as administrative and marketing costs.

Additionally, the food industry is characterized by fluctuating raw material prices and intense competition, which may reduce the impact of gross profit on overall profitability. Therefore, GPM alone is insufficient to explain variations in profit growth.

c. Effect of Total Asset Turnover on Profit Growth

Total Asset Turnover also shows no significant effect on profit growth. Although TATO reflects efficiency in asset utilization, higher sales do not always translate into higher profits. Increased sales may be accompanied by higher costs, such as production, distribution, and operational expenses.

This finding suggests that asset efficiency must be complemented by cost control and effective management strategies. Without these, increased sales may not result in improved profitability.

d. Simultaneous Effect of Financial Ratios

The simultaneous test results indicate that QR, GPM, and TATO collectively do not significantly affect profit growth. This implies that financial ratios alone are insufficient to explain profit growth. Other factors, such as innovation, market strategy, operational efficiency, and external economic conditions, may play a more dominant role.

This finding highlights the limitation of relying solely on financial ratios in evaluating company performance. A more comprehensive approach is needed, incorporating both financial and non-financial indicators.

e. Implications of the Findings

The results of this study have several implications. For management, it suggests the need to focus on broader strategic factors beyond financial ratios. For investors, it indicates that financial ratios should not be the sole basis for decision-making. For researchers, the findings highlight the need for further studies incorporating additional variables.

f. Comparison with Previous Studies

The results are consistent with several previous studies that found no significant relationship between financial ratios and profit growth. However, they contradict studies that reported significant effects, suggesting that the relationship may vary depending on industry, time period, and company characteristics.

g. Overall Interpretation

Overall, the findings suggest that profit growth is influenced by a complex interaction of factors. While financial ratios provide useful insights, they do not fully capture the determinants of profitability. Therefore, future

research should consider additional variables and adopt a more comprehensive analytical approach.

In conclusion, this study demonstrates that financial performance indicators such as liquidity, profitability, and asset efficiency are not the primary drivers of profit growth in the observed company. This highlights the importance of strategic management and operational excellence in achieving sustainable financial performance.

5. Conclusion and Implications

5.1 Conclusion

This study aims to examine the effect of financial performance indicators, namely Quick Ratio (QR), Gross Profit Margin (GPM), and Total Asset Turnover (TATO), on profit growth at PT Food Sejahtera Tbk during the period 2014–2023. Based on the results of statistical analysis and hypothesis testing, several conclusions can be drawn. First, the Quick Ratio does not have a significant effect on profit growth. This finding indicates that the company's liquidity level, as measured by its ability to meet short-term obligations, does not directly contribute to increasing profit growth. Although liquidity is essential for maintaining financial stability, it does not necessarily translate into higher profitability.

Second, Gross Profit Margin is also found to have no significant effect on profit growth. This suggests that efficiency in managing production costs and generating gross profit is not sufficient to ensure an increase in net profit growth. Other cost components, such as operating and administrative expenses, may reduce the overall impact of gross profit on net income. Third, Total Asset Turnover does not significantly affect profit growth. This result implies that the efficiency of asset utilization in generating sales does not guarantee increased profitability. Higher sales volume may be accompanied by increased operational costs, which can offset the benefits of efficient asset use.

Fourth, the simultaneous analysis shows that Quick Ratio, Gross Profit Margin, and Total Asset Turnover collectively do not have a significant effect on profit growth. This indicates that financial ratios alone are not adequate predictors of profit growth in the observed company. Other internal and external factors may play a more dominant role in determining financial performance. Overall, the findings highlight that profit growth is influenced by a complex interaction of various factors beyond traditional financial ratios. Therefore, a broader perspective is required in evaluating company performance.

5.2 Managerial Implications

The results of this study provide important implications for corporate management, particularly in formulating financial and operational strategies. First, management should re-evaluate its financial strategies related to liquidity, cost efficiency, and asset utilization. The findings indicate that these financial ratios do not significantly influence profit growth, suggesting that current strategies may only reflect short-term financial stability rather than long-term profitability. Second, companies are encouraged to focus on other strategic factors that may have a stronger impact on profit growth. These include operational efficiency, innovation, product quality, customer satisfaction, and effective marketing strategies. Improving these aspects may enhance competitiveness and lead to sustainable profit growth.

5.3 Limitations of the Study

This study has several limitations that should be considered when interpreting the results. First, the study focuses on a single company, which may limit the generalizability of the findings to other firms or industries. Second, the sample size is relatively small, covering only ten years of financial data. Third, the study only examines three financial ratios, which may not fully capture the complexity of factors influencing profit growth.

5.4 Recommendations for Future Research

Based on the limitations and findings of this study, several recommendations for future research are proposed. First, future studies should consider including additional financial variables, such as Debt to Equity Ratio (DER), Return on Assets (ROA), firm size, and other relevant indicators. These variables may provide a more comprehensive understanding of the determinants of profit growth. Second, extending the observation period is recommended to capture long-term trends and relationships between financial performance and profit growth. A longer time horizon may reveal patterns that are not observable in shorter periods.

Third, future research should expand the scope of analysis by including multiple companies within the same industry, particularly in the food and beverage sector. This would allow for comparative analysis and improve the generalizability of the findings. Finally, researchers are encouraged to incorporate non-financial factors, such as innovation capability, corporate governance, and market dynamics, to provide a more holistic perspective on profit growth.

6.5 Practical and Theoretical Contributions

This study contributes to the existing literature by providing empirical evidence on the relationship between financial ratios and profit growth in the Indonesian food industry. The findings suggest that traditional financial indicators may not always serve as reliable predictors of profit growth, highlighting the need for more comprehensive analytical approaches. From a practical perspective, the study offers insights for managers and investors in evaluating company performance and making strategic decisions. From a theoretical perspective, it enriches the discussion on the limitations of financial ratio analysis in predicting profitability.

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