The Influence Of Financial Ratio and Dividend Policy On Profit Growth In Consumer Goods Industry Sector Companies Listed on the Indonesia Stock Exchange 2016-2020

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ABSTRACT

This study aims to determine the relationship of financial ratio and dividend policy consisting of current ratio, debt to equity ratio, total assets turnover, net profit margin, dividend payout ratio, sales growth, and firm size on profit growth in consumer goods industry sector companies listed on IDX 2016-2020. The research method used is a quantitative research method with purposive sampling technique with samples obtained as many as 10 companies and use analysis panel data regression.

Based on the research results, current ratio has a negative effect on profit growth. net profit margin has a positive effect on profit growth. dividend payout ratio has a positive effect on profit growth. sales growth has a positive effect on profit growth. debt to equity ratio, total assets turnover, and firm size has no effect on profit growth.

Keywords: Profit Growth, Profitability, Liquidity, Leverage, Activity, Dividend Policy, Sales Growth, Firm Size.

1. Introduction

Consumer goods industrial sector companies are companies engaged in manufacturing, where the products produced are products related to daily consumption needs. Companies in the consumer goods industry sector are the most important sectors and support the growth and development of manufacturing in Indonesia. This is because the high level of public consumption makes producers in the consumer goods industry have a high level of sales and have a good impact on the growth of the sector.

The following is a table of profit growth data for several consumer goods industrial sector companies listed on the Indonesia Stock Exchange from 2016 to 2020:

Table 1.1 Data on Profit Growth in the Consumer Goods Sector in 2016-2020

Company name	2016	2017	2018	2019	2020
Kalbe Farma Tbk.	14.25	4.35	1.79	1.61	10.32
Indofood Sukses Makmur tbk.	41.98	(2.31)	(2.65)	18.96	48.27
Sido Muncul Herbal and Pharmaceutical Industry Tbk.	9.84	11.08	24.36	21.66	15.64
Gudang Garam Tbk.	3.41	16.23	0.49	39.62	(29.71)

Based on table 1.1 above, shows that every year there are fluctuations in the increase and decrease in profits obtained by companies in the consumer goods sector from 2016-2020. In 2017, Gudang Garam Tbk's profit growth experienced a significant increase from the previous year due to an increase in sales during that period. In 2020 Gudang Garam Tbk experienced a significant decrease in profit from the previous year's profit growth caused by increased operating expenses due to the covid-19 virus outbreak (www.cnbcindonesia.com). In 2017 the profit growth of Indofood Sukses Makmur Tbk experienced a drastic decline from the previous year. This happened because there was no profit for the year from discontinued operations (www.bareksa.com). This shows that there is a fluctuating profit growth phenomenon in companies in the consumer goods industry sector.

Profit growth is an increase in profits obtained by the company compared to the previous year (Keown et al., 2011). Companies that experience profit growth indicate that their company has a good performance. A financial manager often needs information about earnings growth to make decisions. For investors, profit growth is the main consideration for investing in the capital market. Profit growth can be seen by using financial ratios.

The liquidity ratio is a ratio that represents the company's ability to meet the short-term debt. The liquidity ratio can be measured by the current ratio. The current ratio is a ratio that measures the company's ability to pay short-term debt or debt that must be paid immediately after being billed in full.

A solvency ratio or leverage ratio is a ratio used to measure the company's ability to meet its long-term financial obligations as a whole. Solvency ratio can be measured by debt to equity ratio. The debt to equity ratio is a comparison between the amount of short-term debt and long-term debt to equity.

The activity ratio is the ratio used to measure the level of effectiveness of a company in using company resources (Kasmir, 2012). The activity ratio can be measured by total assets turnover. Total assets turnover is a ratio used to measure the effectiveness of the use of all assets in generating sales.

A profitability ratio is a ratio used to assess a company's ability to generate profits (Kasmir, 2012). Profitability ratios can be measured by net profit margin. Net profit margin is the company's ability to generate profits at a certain level of sales.

In addition to using financial ratios, profit growth can be seen by calculating dividends, sales growth, and the company size of a company. The dividend policy is the percentage of profit paid to shareholders. Sales growth is a ratio that shows an increase in the number of company sales from year to year. Firm size is the size of a company that can be categorized in various ways such as income, total assets, total equity, and others.

Previous studies examining the effect of financial ratios, dividend policy, sales growth, and firm size on profit growth still have different results. Endri et al., (2020), Rukoyah et al., (2020), Arnott and Asness (2003), and Inyiama and Victoria (2014) found that financial ratios, dividend policy, sales growth, and firm size had a positive effect on profit growth. Other studies conducted by Subing et al., (2021), Nikmah and Wahyuningrum (2020), Manurung (2017), Firman and Salvia (2021), and Simamora (2018) found different results, namely financial ratios, dividend policy, growth sales, and company size have a negative effect on profit growth.

Based on the phenomena and research gap above, researchers are interested in conducting this study to examine the effect of financial ratios, dividend policy, sales growth, and company size on profit growth in consumer goods industrial sector companies listed on the Indonesia Stock Exchange (IDX) in 2016 -2020.

2. Literature Review

2.1 Agency Theory

Jensen and Meckling (1976) explain agency theory related to the relationship between the principal (owner) and the agent (manager). In agency theory, there is an information imbalance (asymmetric information). Information asymmetry arises as a result of the unequal distribution of information between the principal and the agent. The Principal gets the information needed to measure the level of results from the agent's efforts. But in reality, the measure of success received by the principal cannot explain the relationship between the success achieved and the efforts made by the agent.

2.2 Signaling Theory

Signal theory was first proposed by Spence (1973) which explains that the sender (the owner of the information) gives a signal in the form of information that reflects business conditions that are beneficial to the recipient. Signal theory reduces the occurrence of asymmetry where managers have different information about the company's prospects from the owners and symmetric information where the owners and managers of the company have the same information about the prospects of the company.

2.3 Profit Growth

According to Keown et al (2011) profit growth is an increase in company profits compared to profits in the previous period. Companies with growing profits will have a large number of assets to provide a great opportunity to gain profitability. Profit growth is related to how the stability of increasing profits in the coming year.

2.4 Current Ratio

Current ratio is a ratio that measures the company's ability to pay short-term debt or debt that must be paid immediately after being billed in full. If the current ratio is low, the company lacks the capital to pay its debts. However, a high current ratio does not necessarily indicate that the company is in good condition.

2.5 Debt to Equity Ratio

Debt to equity ratio is a comparison between the company's total debt to the company's capital. The higher the level of debt, the greater the interest expense, which means it reduces profits. The higher the debt to equity ratio indicates the greater the company's burden on external parties, this is very likely to decrease the company's performance.

2.6 Total Assets Turnover

Total assets turnover is a ratio used to measure the effectiveness of the use of all assets in generating sales and to measure the number of sales made in each rupiah. The higher the ratio of total assets turnover, the more efficient the company is in managing assets to generate high profits.

2.7 Net Profit Margin

Net profit margin is the company's ability to generate profits at a certain level of sales. This ratio shows what percentage of net income is obtained from each sale. The greater the net profit margin, the company's operations can be said to be good. In addition, the higher the company's profit on net sales.

2.8 Dividend Payout Ratio

Dividend Payout Ratio is a measure of the number of dividends expressed in the form of comparison (ratio) between the amount of profit allocated for dividends and the total amount of profit generated by the company in a certain period as a percentage. The higher the Dividend Payout Ratio, the higher the company's net profit. Of course, this will attract more investors to invest.

2.9 Sales Growth

Sales growth is a ratio that shows an increase in the number of company sales from year to year. The higher the company's net sales, the higher the profit obtained, thereby increasing the company's profitability. Companies that experience regular sales growth and are supported by effective sales management can increase their profits.

2.10 Firm Size

Firm size is the size of a company that can be categorized in various ways such as income, total assets, total equity, and others. Company size is expressed in total assets. Companies with large total assets are relatively more stable than companies with small total assets, this shows that they can generate more profits.

2.11 Hypotheses and Research Models

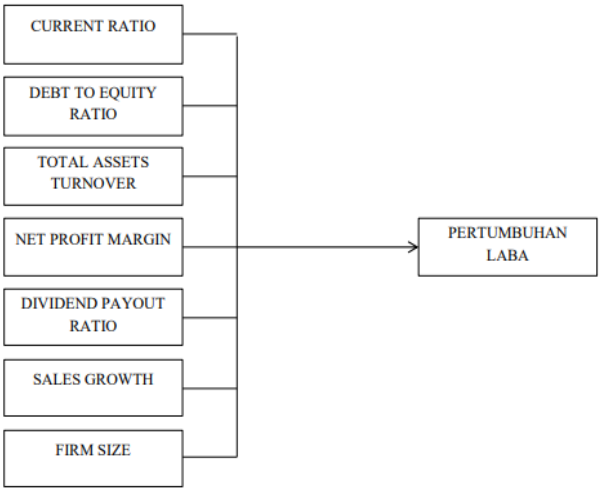

Figure 2.1 Research Model

2.12 The hypotheses in this study are as follows:

- H1: Current Ratio has a negative and significant effect on Profit Growth.
- H2: Debt to Equity Ratio has a negative and significant effect on Profit Growth.
- H3: Total Assets Turnover has a positive and significant effect on Profit Growth.
- H4: Net Profit Margin has a positive and significant effect on Profit Growth.
- H5: The dividend Payout Ratio has a positive and significant effect on Profit Growth.
- H6: Sales Growth has a positive and significant effect on Profit Growth.
- H7: Firm Size has a positive and significant effect on Profit Growth.

3. Research Methodology

3.1 Types of Research

This research is a type of quantitative research, namely research that uses data in the form of numbers or numbers (Suliyanto, 2018). This study aims to analyze the influence of a variable and other variables regarding profit growth in companies in the consumer goods industry sector.

3.2 Population and sample

The population in this study are consumer goods sector companies listed on the Indonesia Stock Exchange from 2016-2020. The method of determining the sample in this study is the purposive sampling method. The criteria used in this study are consumer goods sector companies listed on the Indonesia Stock Exchange in 2016-2020, consumer goods sector companies that publish complete financial reports during 2016-2020, and consumer goods sector companies that distribute dividends consistently during the 2016-2020 years.

3.3 Data Collection Techniques

Data collection techniques in this study use literature study and documentation. A literature study is done by studying some literature related to the variables studied to obtain the right theoretical basis. While the documentation method is carried out by collecting and analyzing secondary data

in the form of annual financial reports obtained through the official website of the Stock Exchange Index (IDX) and other official websites that support this research.

4. Results

4.1 Descriptive Statistical Analysis

Table 4.1 Descriptive Statistical Results

Variable	N	mean	Min	Max	Std. Dev
PG	50	0.15663	-0.29712	1.55961	0.26576
CR	50	2,95439	1.06629	8.31822	1.49996
DER	50	0.55929	0.08329	1.20287	0.32939
TAT	50	1.11226	0.45025	1.62005	0.27217
NPM	50	0.10751	0.02476	0.28003	0.05707
DPR	50	0.40330	0.01072	0.98649	0.23822
SG	50	0.12195	-0.46340	2.73168	0.38855
FS	50	29.9878	27.0658	32.7256	1.56504

4.2 Panel Data Regression Analysis

uses panel data regression analysis method. The model used is the Fixed Effect Model to examine the effect of the current ratio, debt to equity ratio, total assets turnover, net profit margin, dividend payout ratio, sales growth, and firm size on profit growth. So that the results of the panel data regression equation are as follows:

Profit Growth: 6.525833 + -0.095190CR + 0.165390DER + -0.065092TAT + 8.362345NPM + 0.539323DPR + 0.491070SG + -0.247166FS + e

4.3 Classical Assumption Test

4.3.1 Normality Test

Based on the normality test, it shows a probability value of 0.456004 > 0.05. This means that this research model is declared to be normally distributed.

4.3.2 Multicollinearity Test

Table 4.3.2 Multicollinearity Test

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.307388	674.1128	NA
CR	0.000565	13.54856	2.732289
DER	0.011346	10.42969	2.645908
TAT	0.012821	36.82615	2.041242
NPM	0.464071	15.01293	3.248807
DPR	0.010822	5.180096	1.319942
SG	0.003305	1.180199	1.072396
FS	0.000231	457.7075	1.218482

Based on table 4.3.2, it can be seen that the VIF value of each variable is less than 10. So it can be concluded that there are no symptoms of multicollinearity in this study.

4.3.3 Heteroscedasticity Test

Table 4.3.3 Heteroscedasticity Test

F-statistic	1.590717	Prob. F(7,42)	0.1648
Obs*R-squared	10.47804	Prob. Chi-Square(7)	0.1631
Scaled explained SS	9.510623	Prob. Chi-Square(7)	0.2180

Based on table 4.3.3 it can be seen that the probability value of 0.1631 is greater than 0.05. So it can be concluded that there are no symptoms of heteroscedasticity in this study.

4.3.4 Autocorrelation Test

Based on the autocorrelation test, the *Durbin-Watson value* in this study was obtained with n = 50, k = 7, and = 0.05. It is known that the value of dL = 1.246, dU = 1.875, 4-dU = 2.125, 4-dL = 2.754. It can be concluded that there is no autocorrelation symptom in the model used because the *Durbin-Watson* value is in a place where there are no positive and negative autocorrelation symptoms.

4.4 Coefficient of Determination (Adjusted R-Square)

The results of the study can be seen that the value of the coefficient of determination (*Adjusted R-Square*) is 0.759693 or 75.9693%. Based on these results, it can be concluded that the variables *Current Ratio* (CR), *Debt to Equity Ratio* (DER), *Total Assets Turnover* (TAT), *Net Profit Margin* (NPM), *Dividend Payout Ratio* (DPR), *Sales Growth* (SG), and *Firm Size* (FS) has a contribution of 76% to the Profit Growth of companies in the consumer goods sector.

4.5 T Test

4.5.1 Current Ratio (CR)

The results showed that the t value of current ratio was (-2.115110) < t table (-1.681) and the value of sig. (0.0421) < (0.05) with a negative coefficient direction, it can be concluded that the first hypothesis which states that the current ratio has a negative effect on profit growth is **accepted**.

4.5.2 Debt to Equity Ratio (DER)

The results showed that the t value of debt to equity ratio was (0.689002) < t table (1.681) and the value of sig. (0.4956) > (0.05) with a positive coefficient direction, it can be concluded that the second hypothesis which states that the debt to equity ratio has a negative effect on profit growth is **rejected**.

4.5.3 Total Assets Turnover (TAT)

The results showed that the t value for total assets turnover was (-0.212820) < t table (-1.681) and the sig. (0.8328) > (0.05) with a negative coefficient direction, it can be concluded that the third hypothesis which states that total assets turnover has a positive effect on profit growth is **rejected.**

4.5.4 Net Profit Margin (NPM)

The results showed that the t value for net profit margin was (2.182760) < t table (1.681) and the sig. (0.0005) < (0.05) with a positive coefficient direction, it can be concluded that the fourth hypothesis which states that net profit margin has a positive effect on profit growth is **accepted.**

4.5.5 Dividend Payout Ratio (DPR)
The results showed that the value of the t value for dividend payout ratio was (3.832219) < t table (1.681) and the value of sig. (0.0363) < (0.05) with a positive coefficient direction, it can be concluded that the fifth hypothesis which states that the dividend payout ratio has a positive effect on earnings growth is **accepted.**

4.5.6 Sales Growth (SG)
The results showed that the t value of sales growth was (9.034675) < t table (1.681) and the value of sig. (0.000) < (0.05) with a positive coefficient direction, it can be concluded that the sixth hypothesis which states that sales growth has a positive effect on profit growth is **accepted.**

4.5.7 Firm Size (FS)
The results showed that the t value of firm size was (-1.445138) > t table (-1.681) and sig. (0.1578) > (0.05) with a negative coefficient direction, it can be concluded that the sixth hypothesis which states that firm size has a positive effect on profit growth is **rejected.**

5. Discussion

This study found that there is a negative and significant relationship between Current Ratio and Profit Growth. The results of this study are in line with the research of Endri et al., (2020) and Rukoyah et al., (2021). Debt to Equity Ratio has a positive and insignificant effect on Profit Growth. The results of this study support the research of Marjohan (2020) and Budhathoki et al., (2020). Total Assets Turnover has a negative and insignificant effect on Profit Growth. The results of this study are in line with the research of Rusdianto and Waluyo (2020) and Janie and Rosyati (2022). Net Profit margin has a positive and significant effect on Profit Growth. The results of this study support the research of Endri et al., (2020) and Subing et al., (2021). The dividend Payout Ratio has a positive and significant effect on Profit Growth. The results of this study are in line with the research of Arnott and Asness (2003) and Huang et al., (2009). Sales Growth has a positive and significant effect on Profit Growth. The results of this study are in line with the research of Endri et al., (2020) and Rice (2016). Firm Size has a negative and insignificant effect on Profit Growth. The results of this study support the research of Hocky and Chandra (2022) and Endri et al., (2020).

6. Conclusion

This study aims to estimate the effect of the Current Ratio, Debt to Equity Ratio, Total Assets Turnover, Net Profit Margin, Dividend Payout Ratio, Sales Growth, and Firm Size on Profit Growth. The empirical findings of this study are that Net Profit Margin, Dividend Payout Ratio, and Sales Growth have a positive effect on Profit Growth. Current Ratio has a negative effect on Profit Growth. Debt to Equity Ratio, Total Assets Turnover, and Firm Size do not affect the Profit Growth. Based on the results of the research and discussion knew limitations of the research are as follows: first, the observed research period is limited because it only covers 2015-2020. Second, the author observes profit growth by using the company's financial ratios, dividend policy, and size and ignores other factors that may affect profit growth, for example, the number of employees, total net sales, and market capitalization.

Therefore, the suggestions that can be conveyed in this study include: companies engaged in the Consumer Goods Company must pay more attention to the performance and ability in managing the Current Ratio. This is because if the company's liquidity is low, it will have an impact on profit growth and this condition will affect the company's internal funding sources. In addition, companies need to pay attention to the value of the Net Profit Margin, Dividend Payout Ratio, and company sales growth in disclosing profit growth. The higher these values, the easier the company will make decisions to obtain and predict future profit growth. Investors are advised to make an investment decision after observing the company's financial performance. This study shows that companies with high Net Profit Margin, Dividend Payout Ratio, and sales growth values mean a positive signal for investors in making investment decisions, while companies with high Current Ratio values mean a negative signal for investors in making investment decisions. For further research, it is recommended that research be conducted on other sector companies with different research years and use other independent variables to provide another picture of the determinants of profit growth.

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