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Determinants Of Firm Profit Growth: Net Profit Margin as A Moderating Variable

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Abstract

This study examines the relationship between the financial ratios of Total Asset Turnover (TATO), Debt-to-Equity Ratio (DER), and Operating Profit Margin (OPM) on the dynamics of corporate profit growth, with Net Profit Margin (NPM) serving as a moderating variable. The study utilises secondary data obtained from the financial statements of companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange for the period 2020–2024. A total of 46 companies were selected as samples using a purposive sampling approach, resulting in 230 observation units. A moderation regression approach was employed to test the research hypotheses. The results indicate that financial ratios have varying effects on profit growth. Total Asset Turnover (TATO) has a positive but insignificant effect; the Debt-to-Equity Ratio (DER) has a negative and significant impact. In contrast, the Operating Profit Margin (OPM) has a positive and significant effect on profit growth. Furthermore, the Net Profit Margin (NPM) weakens the relationship between DER and TATO in terms of profit growth, as well as the relationship between OPM and profit growth. However, it shows a statistically significant effect. Overall, these findings underscore the importance of profit margin management and operational efficiency in driving profit growth. In contrast, capital structure and the role of NPM as a moderating variable have not made an optimal contribution to profit growth in the food and beverage sub-sector during the 2020–2024 period.

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1. Introduction

Information about an organisation's ability to achieve optimal profitability is crucial. Investors, creditors, and other interested parties typically evaluate success by management's effectiveness in delivering consistent profits and supporting sustained growth. Profitability helps determine the enterprise's continued existence and informs decisions about where to invest. (Hussain et al., 2020).

Profit growth is a key indicator in assessing a company's financial condition. To calculate profit growth, the net profit of the current period is subtracted from the net profit of the previous period, and the result is then divided by the net profit of the previous year (Harahap, 2016). If a company demonstrates strong performance, its profit growth tends to increase, whereas weak performance

may suppress profit expansion. To achieve maximum profit, a company must operate effectively. When profit rises, investors' confidence in investing in the company also strengthens. This concept is further supported by Signalling Theory, which posits that the information disclosed by a company or specific external circumstances can act as indicators for investors when evaluating the firm's potential and associated risks (Spence, 1973).

The focus of this study is the food and beverage sub-industry, given its significant role in advancing Indonesia's economic development, particularly through supporting internal consumption-the foundation of national growth. Observations from the Directorate General of State Assets, Ministry of Finance, noted a 2.54% rise in the value of this sector between 2020 and 2021, culminating in IDR 775.1 trillion. Meanwhile, figures from the Central Statistics Agency indicate the GDP of this industry at current price levels in 2021 stood at IDR 1.12 quadrillion. (Direktorat Jenderal Kekayaan Negara, 2023). Furthermore, statistics from the 2023 Food and Beverage Provision publication reveal that the number of business entities in this sector has reached 4.85 million units in Indonesia, marking a growth of approximately 21.13% compared to 2016, when the figure stood at 4.01 million units. Throughout 2023, the sector also recorded a significant economic performance, with total sales reaching IDR 998.37 trillion. (Badan Pusat Statistik, 2024).

Therefore, understanding the factors that influence profit growth in a company is highly important for company management, investors, and creditors alike.

This study offers a significant contribution with several distinguishing advantages. First, it utilises panel data over five years, from 2020 to 2024. Secondly, this study targets the food and beverage segment listed on the Indonesia Stock Exchange, which is recognised for its strategic contribution to national economic advancement. Thirdly, it thoroughly examines how financial indicators, specifically debt-to-equity ratio (DER), operating profit margin (OPM), and total asset turnover (TATO), affect corporate profit expansion. Additionally, net profit margin (NPM) acts as a moderating factor to assess its influence on the relationship strength between these financial metrics and profit growth. This methodology aims to enrich theoretical frameworks in economic research and serves as a valuable guide for managerial decisions and investor evaluations.

TATO gauges how well an enterprise converts its asset base into revenue (Pratiwi et al., 2022). An elevated TATO figure signals superior operational results. A strong TATO shows the firm is leveraging its entire asset pool efficiently to boost sales. (Seth et al., 2020). If a company can generate the same level of sales with fewer assets, this indicates efficiency in asset utilisation. Such efficiency means that the company requires a lower level of investment to achieve a certain sales level. When asset utilisation improves, the company needs a smaller asset base, which can contribute to accelerated profit expansion.

Several studies conducted earlier have identified key variables affecting the growth of earnings, encompassing the current ratio, firm magnitude, debt-to-capital ratio, profit margins, total asset turnover, and dividend returns. (Maharani & Khoiriawati, 2023; Tamba & Hutagalung, 2024). However, the findings vary. The study by (Tamba & Hutagalung, 2024) Shows that total asset turnover affects profit growth, whereas other studies conducted by (Filadelfia, 2022; Karno, 2024) Found that TATO does not influence profit growth. Meanwhile, other research by (Dwiningsih et al., 2024; Sugandi & Kaharti, 2023) Reported that total asset turnover has a positive and significant effect on profit growth. However, these results were obtained from different research objects. This indicates the need to re-examine the determinants of profit growth in this sector using the total asset turnover variable. Therefore, the first hypothesis of this study is:

H1: Total Asset Turnover has a positive effect on Profit Growth.

The DER is a financial metric that indicates the balance between an organisation's total obligations and its owners' equity. (Alzubi & Bani-Hani, 2021). DER demonstrates the degree to which a firm finances its operations through borrowed funds relative to its equity capital. A low ratio

indicates a healthier capital structure, as the company has a more substantial capacity to meet all of its liabilities. (Ra, 2024). A high DER level indicates a larger proportion of obligations borne by the company, which in turn can be interpreted as a sign of increased financial risk and may create an unfavourable perception among investors. (Prasetya Margono & Gantino, 2021). A rise in the debt-to-equity ratio indicates that the company relies more heavily on borrowed capital. This situation may hinder the firm's ability to secure further financing due to worries that its asset base might be inadequate to meet outstanding liabilities. (Kasmir, 2016). It can also lead to a decline in profit growth due to excessively high interest expenses.

Previous investigations have yielded mixed results regarding the impact of the DER on earnings growth, suggesting an inconsistent relationship between DER and profit expansion. The studies by (Athira & Murtanto, 2022; Tamba & Hutagalung, 2024) Found that the DER does not affect profit growth. In contrast, the studies by (Hadi & Nurdiwaty, 2025; Kalsum, 2021) Determined that the debt-to-equity ratio exerts a beneficial impact on earnings expansion.

H2: Debt-to-Equity Ratio has a positive effect on Profit Growth.

OPM serves as an indicator to evaluate how well a firm controls its operating expenses in relation to its net sales. This metric demonstrates the company's ability to generate earnings from its primary business operations, represented by the surplus of operating income over related costs. A strong OPM signifies effective profit generation from core functions before considering interest and tax obligations, highlighting efficient expense management. (Handoyo et al., 2023)This efficiency can be achieved by reducing the operating ratio (OR), thereby lowering the proportion of operating costs to revenue. (Diener, 2020).

OPM is an essential indicator for measuring a company's efficiency in managing its core operational activities. A high OPM reflects the company's ability to manage operating costs efficiently, thereby maximising operating profit from each unit of sales. This efficiency provides a solid foundation for increasing net profit and supporting the company's long-term profit growth. (Arsyad et al., 2025; Perdana et al., 2023; Sugandi & Kaharti, 2023). However, not all studies have reported a significant influence of OPM on profit growth. (Fahrudin & Dillak, 2022) Found that OPM does not affect profit growth, which may be due to high non-operating expenses that reduce net profit despite an increase in operating profit. Furthermore, (Sitanggang, 2014) Emphasised that OPM can serve as a signal of a company's operational health since it excludes interest and tax expenses. This, in turn, can create sustained positive profits.

H3: Operating Profit Margin has a positive effect on Profit Growth.

NPM represents the extent to which a company can convert revenue into net profit, making it an essential benchmark for evaluating overall operational efficiency. While most previous studies have positioned NPM as an independent variable, exploration of its role as a moderating variable remains very limited. NPM may serve as a crucial factor in amplifying or diminishing the impact of financial indicators on corporate performance, particularly in relation to profit growth. Therefore, NPM deserves consideration as a strategic basis for investment decision-making, given its significant contribution to a company's profit dynamics. Accordingly, this study presents a novel approach by positioning NPM as a moderating variable in analysing profit growth.

Several previous studies have shown varying results regarding the effect of NPM on profit growth (Nugraha & Susyana, 2021; Salsabilla et al., 2024; Saputro & Suseno, 2025). Meanwhile, other studies have found that NPM does not have a positive effect (Athira & Murtanto, 2022; Dianitha et al., 2020; Tamba & Hutagalung, 2024). However, these studies generally employed NPM as an independent variable rather than as a moderating variable. Therefore, the use of NPM as a moderating variable in this study has a basis of novelty, considering that the calculation of NPM includes financial costs, which may ultimately increase or decrease net income. This highlights the

importance of re-examining the drivers of profit growth more contextually, particularly within the food and beverage sector.

H4: Net Profit Margin strengthens the relationship between Total Asset Turnover and Profit Growth.

H5: Net Profit Margin strengthens the relationship between Debt-to-Equity Ratio and Profit Growth.

OPM indicates a company's effectiveness in producing profit from its core operations, excluding interest and tax expenses. Meanwhile, NPM reflects the company's overall efficiency after considering all non-operational costs, including interest and taxes. The relationship between OPM and profit growth is not always linear, as high operating profit does not necessarily lead to an increase in net profit if the company is inefficient in managing non-operational expenses. In this study, NPM functions as a key indicator that demonstrates the company's final efficiency after all costs have been accounted for. Operational efficiency, as measured by operating profit margin, needs to be supported by financial efficiency through NPM to drive more significant profit growth. (Yulistiawati, Huda2, et al., 2024). When an organisation maintains a substantial operating profit margin alongside an elevated net profit margin, its net earnings typically increase, which in turn accelerates overall profit growth.

H6: Net Profit Margin strengthens the relationship between Operating Profit Margin and Profit Growth

2. Research Method

This study is based on secondary data obtained from the annual financial reports of food and beverage sub-sector companies listed on the Indonesia Stock Exchange for the period from 2020 to 2024. The moderator variable in this research was tested through the Moderated Regression Analysis (MRA) technique. At the time of data collection, 95 companies were recorded in this category. A purposive sampling method was applied using specific criteria: 1) the company had conducted an IPO before 2020, 2) the Indonesian Stock Exchange authority did not suspend the company, and 3) the company consistently submitted annual reports for five consecutive years from 2020 to 2024. Based on these criteria, 46 companies were selected as valid samples, yielding a total of 230 observations over the five-year research period. Quantitative data analysis was performed using EViews version 13 software. Each variable in this study was measured according to systematically defined indicators and parameters.

Research variable :

The dependent variable used in this study is as follows.

Profit growth is a crucial reference point for investors when making investment decisions, as profit is regarded as a key indicator of a company's performance. (Karno, 2024). In this context, profit growth reflects the company's ability to increase its net income over time, which not only indicates financial stability but also the effectiveness of management in utilising resources to generate sustainable returns. (Wulandari et al., 2021).

$$\text{Profit Growth} = \frac{\text{Current Period Profit} - \text{Previous Period Profit}}{\text{Previous Period Profit}} \quad (1)$$

Variable independent

- Ratio Activity

  The activity ratio measures the extent to which a company effectively utilises its financial resources. This study focuses on Total Asset Turnover (TATO), which reflects the efficiency of asset utilisation in generating revenue. A high TATO indicates optimal asset utilisation, while a low TATO suggests inefficiency that may hinder profit growth (Tamba & Hutagalung, 2024).

$$\text{Total Asset Turnover} = \frac{\text{Net Sales}}{\text{Total Assets}} \quad (2)$$

- Leverage

  The primary focus of this study is the analysis of the Debt-to-Equity Ratio (DER), which assesses the balance between a company's total debt and equity. (Harjito & Martono, 2014). A higher DER indicates that the company relies more on debt financing, which increases financial risk. In comparison, a lower DER reflects a stronger equity position and lower dependence on external debt. (Wulandari et al., 2021). This ratio is calculated using the following formula:

$$\text{Debt to equity} = \frac{Total\ Debt}{Total\ Equity} \quad (3)$$

- Profitability

  The Operating Profit Margin is the ratio of operating income to sales, reflecting the net profit from each unit of sales after deducting interest expenses and taxes. (Martono & Harjito, 2010) This ratio indicates how efficiently a company manages its operating costs as well as the management's ability to generate profit from its core business activities. (Yulistiawati et al., 2024).

$$\text{Operating Profit Margin} = \frac{Operating\ Profit}{Net\ sales} \quad (4)$$

- Variable moderating:

  This study employs NPM as a moderating variable. Net Profit Margin (NPM) represents the profit from sales after accounting for all expenses and income taxes. This ratio indicates the amount of net income earned per unit of sales. (Asadanie, 2024).

$$\text{Net Profit Margin} = \frac{Earning\ After\ Interest\ and\ Tax}{Net\ sales} \quad (5)$$

The following are the panel data regression equations and moderation regression equations used in this study:

$Y = \beta0 + \beta1*TATO + \beta2*DER + \beta3*OPM + \varepsilon$

$Y = \beta0 + \beta1*TATO + \beta2*DER + \beta3*OPM + \beta4*NPM + \beta5*(TATO\times NPM) + \beta6*(DER\times NPM) + \beta7*(OPM\times NPM) + \varepsilon$

3. Result and Disscusion

3.1 Descriptive Test

Table 1: Descriptive Test Results

	TATO(X1)	DER(X2)	OPM(X3)	NPM(Z)	PL(Y)
Mean	1.225733	1.855233	0.101572	0.044640	-0.073439
Median	0.929626	0.855166	0.097843	0.052183	0.030092
Maximum	24.51100	92.50039	1.661281	1.274934	47.07622
Minimum	0.063603	-4.862580	-2.923900	-2.734407	-38.21689
Std. Dev.	1.800320	6.836102	0.275986	0.307106	5.301151

Source: Processed Data Eviews 13 (2025)

The descriptive statistical analysis shows that the average profit growth rate is -0.073439 with a standard deviation of 5.301151. The minimum observed value is -38.21689, while the maximum reaches 47.07622, indicating a considerable variation in the data. For the TATO variable, the mean is 1.225733 with a standard deviation of 1.800320, ranging from 0.063603 to 24.51100. The DER variable has a mean of 1.855233 with a standard deviation of 6.836102, and values ranging from -4.862580 to 92.50039. OPM records an average of 0.101572 with a standard deviation of 0.275986, with values ranging from -2.923900 to 1.661281. Meanwhile, the moderating variable NPM shows a mean of

0.044640, a standard deviation of 0.307106, and values ranging from -2.734407 to 1.274934. All variables have standard deviations greater than their respective means, indicating a potential non-normal distribution. Therefore, an outlier test was conducted. The results identified 12 extreme observations, which were removed from the dataset. After the outlier removal, classical assumption tests were performed, and all data met the requirements of the classical assumptions.

3.2 Panel Data Regression Modelling

Table 2. Result of Panel Data Regression Model Selection

Test Model Type	Result	conclusion
Chow Test (CEM vs FEM)	value sig cross-section Chi-square 0.2575 > 0.05	CEM
Hausman Test (FEM vs REM)	value sig cross-section random 0.9961>0.05	REM
LM Test	value significance Breusch- pagan (both) 0.5695 > 0.05	CEM

Source: Processed Data Eviews 13 (2025)

Based on the findings from the Chow, Hausman, and Lagrange multiplier (LM) evaluations, the study determined that the CEM was the most fitting option. Thus, panel regression analysis was carried out using the CEM approach.

3.3 Classical Assumptions Test

Autokorelasi Test

Table 3. Autocorrelation Test

Hannan-Quinn criter	-0.609280
Durbin-Watson stat	2.696314

Source: Processed Data Eviews 13 (2025)

In the table above, the dW value is 2.696314, indicating the absence of autocorrelation.

Multicollinearity Test

Table 4. Multicollinearity Test

	X1(TATO)	X2(DER)	X3(OPM)	Z*1(NPM)	Z*2(NPM)	Z*3(NPM)
X1(TATO)	1.000000	-0.036676	0.045519	0.191933	0.108188	-0.024248
X2(DER)	-0.036676	1.000000	0.061084	0.035217	-0.177440	-0.002442
X3(OPM)	0.045519	0.061084	1.000000	0.497271	0.321008	-0.686588
Z*1(NPM)	0.191933	0.035217	0.497271	1.000000	0.138076	0.120496
Z*2(NPM)	0.108188	-0.177440	0.321008	0.138076	1.000000	-0.086512
Z*3(NPM)	-0.024248	-0.002442	-0.686588	0.120496	-0.086512	1.000000

Source: Processed Data Eviews 13 (2025)

As shown in Table 4, the multicollinearity test results indicate that all correlations among the independent variables are less than 0.8, suggesting that the model does not encounter multicollinearity.

Heteroscedastisity Test

Table 5. Heteroscedastisity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.892165	0.421584	4.488231	0.0000
X1(TATO)	-0.113686	0.182695	-0.622275	0.5344
X2(DER)	-0.010113	0.048154	-0.210008	0.8339
X3(OPM)	0.345902	1.193188	0.289897	0.7722

Source: Processed Data Eviews 13 (2025)

Based on the table above, it can be concluded that the heteroscedasticity test has been fulfilled, as the p-value is greater than 0.05, indicating that the data has passed the heteroscedasticity test.

3.4 R-Test and F-Test (Before Moderation)

Table 6. Result of Multiple Regression F Test

R-squared	0.681208
Adjusted R-squared	0.676739
F-statistic	152.4283
Prob(F-statistic)	0.000000

Source: Processed Data Eviews 13 (2025)

Based on the results in Table 6, the R-squared value is 0.681208, indicating that 68.12% of the variability in the dependent variable is explained by the independent variables in the model, namely Total Asset Turnover (TATO), Debt-to-Equity Ratio (DER), and Operating Profit Margin (OPM). Conversely, the remaining 31.88% is unexplained and attributed to other variables not addressed in this study. The Adjusted R-squared statistic, recorded at 0.676739, shows that after accounting for the number of independent variables in the analysis, the model can explain only 67.67% of the changes in profit growth. This condition indicates that the significant influence of the independent variables on profit growth before moderation is already substantial enough to account for the variance. A considerable impact on profit growth is evident from the combined effects of TATO, DER, and OPM, as reflected in an F-statistic of 152.4283 obtained through the F-test, with a probability value of 0.000000, well below the 0.05 significance threshold. These results indicate a comprehensive impact before Net Profit Margin (NPM) is introduced as a moderating variable.

3.5 R-Test and F-Test (After Moderation)

Table 7. Regression F Test Result after Moderation

R-squared	0.065438
Adjusted R-squared	0.038863
F-statistic	2.462380
Prob(F-statistic)	0.025337

Source: Processed Data Eviews 13 (2025)

Based on the results in Table 7, the R-squared value of 0.065438 indicates that Total Asset Turnover (TATO), Debt to Equity Ratio (DER), and Operating Profit Margin (OPM), moderated by Net Profit Margin (NPM), can explain 6.54% of the variation in profit growth; the remaining 93.46% is attributed to external variables outside the research model. The Adjusted R-squared value of 0.038863 indicates that, after accounting for the number of independent variables used, the model can explain only 3.88% of the profit growth. This value is lower compared to before NPM was introduced as a moderating variable, indicating that the weakening effect of NPM is because, in the food and beverage subsector, companies tend to prioritise debt over the assets they own. The F-test shows statistically significant results, with a calculated F-statistic of 2.462380 and a significance level of 0.025337, which is below the 0.05 threshold. This confirms that Total Asset Turnover, Debt-to-Equity Ratio, and Operating Profit Margin, when moderated by NPM, simultaneously influence profit growth. However, although the coefficient of NPM is negative, it still has a statistically significant simultaneous effect on profit growth.

3.6 T-test results

Table 8. Result Multiple Regression T-Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.042755	0.015221	-2.809029	0.0054
TATO(X1)	0.004032	0.006596	0.611298	0.5417
DER(X2)	-0.005630	0.001739	-3.238395	0.0014
OPM(X3)	0.914594	0.043078	21.23095	0.0000

Source: Processed Data Eviews 13 (2025)

Based on the results above, the regression equation is derived as follows:

$Y= -0.042755 + 0.004032X1 – 0.005630X2 + 0,914594X3 + \varepsilon$

The t-test summary reveals that the TATO t-statistic of 0.611298 falls short of the critical threshold 1.97111, paired with a p-value of 0.5417, which exceeds the 0.05 significance level. In contrast, the DER shows a t-statistic of -3.238395, surpassing the critical value, alongside a p-value of 0.0014, indicating statistical significance. Additionally, the OPM exhibits a t-value of 21.23095, well above the critical cutoff, with a p-value of 0.0000, confirming a significant effect on profit growth.

3.7 T-Test Results after Moderation

Table 9. Regression T-Test Results after Moderation

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.252715	0.712283	-3.162667	0.0018
TATO(X1)	0.392347	0.213019	1.841842	0.0669
DER(X2)	0.089157	0.054251	1.643416	0.1018
OPM(X3)	14.64771	4.344859	3.371274	0.0009
NPM(Z*1)	-3.094218	1.263596	-2.448741	0.0152
NPM(Z*2)	-0.154917	0.325338	-0.476171	0.6344
NPM(Z*3)	-5.048499	1.644222	-3.070449	0.0024

Source: Processed Data Eviews 13 (2025)

Based on the table above, the regression equation can be concluded as follows:

Y= -2.252715+0.39234 X1 + 0.089157 X2 + 14.64771X3 – 3.09421 X1.Z – 0,154917X2.Z – 5.048499X3.Z

The results indicate that TATO has a significant influence on profit growth when moderated by NPM, with a t-statistic of 1.841842 and a p-value of 0.0669. The effect of the DER, moderated by NPM, exhibits a t-value of 1.643416 with a p-level of 0.1018. Meanwhile, the impact of OPM, under the moderation of NPM, records a t-score of 3.371274 and a significance of 0.0009. Regarding the moderating effect of NPM on the relationship between TATO and profit growth, the t-value is -2.448741, with a p-value of 0.0152. For the moderating influence of NPM on the DER relationship with profit growth, the t-statistic is -0.476171, and the probability is 0.6344. Lastly, the moderating role of NPM on OPM's impact on profit growth is indicated by a t-value of -3.070449 and a significance level of 0.0024.

a. The Influence of Total Asset Turnover on Profit Growth

Based on Table 8, with a probability level of 0.5417, which exceeds 0.05, it can be concluded that the first hypothesis (H1) is rejected. The effect of Total Asset Turnover (TATO) on profit growth is positive but not statistically significant. This suggests that, although theoretically TATO should enhance profit growth by optimising asset utilisation, the empirical analysis fails to demonstrate a substantial effect. According to signalling theory, companies with more efficient asset utilisation tend to send positive signals to investors regarding their performance and ability to generate profits. (Spence, 1973). Therefore, although the direction of the effect is consistent with signalling theory, the empirical evidence obtained does not fully support the theoretical claim, as it does not reach the established level of statistical significance.

The findings of this investigation align with those of Filadelfia (2022) and Karno (2024), who concluded that TATO do (Dwiningsih et al., 2024; Sugandi & Kaharti, 2023),(Dwiningsih et al., 2024; Sugandi & Kaharti, 2023) and state that TATO has a positive effect on profit growth. One possible reason is that high sales activity does not necessarily reflect overall operational efficiency, especially when the company's operating expenses also increase proportionally. Therefore, a high TATO does not automatically guarantee profit growth, as efficient asset utilisation must be accompanied by optimal cost management to provide a tangible contribution to profit growth (Rajagukguk & Siagian, 2021).

b. The Influence of Debt-to-Equity Ratio on Profit Growth

The results of this study indicate that DER has a negative and significant effect on profit growth, as evidenced by a significance value of 0.0014 (below the 0.05 threshold) and a regression coefficient of -0.005630. This means that an increase in DER actually reduces the company's profit growth. Hypothesis two (H2) is therefore rejected. The negative coefficient of DER suggests that the higher the proportion of debt compared to equity, the greater the interest expenses and financial obligations that the company must bear. Consequently, this puts pressure on net income and ultimately decreases the rate of profit growth. These results can be explained through the Pecking Order Theory. (Myers & Majluf, 1984), which also supports this finding, where companies tend to prioritise internal financing over external financing. A high reliance on debt financing instead reflects limited

internal funding and may be interpreted by the market as a negative signal regarding the company's financial health.

c. The Influence of Operating Profit Margin on Profit Growth

Based on the analysis in Table 8, OPM has a positive effect on profit growth. With a significance value of 0.0000, which is below the 0.05 threshold, the third hypothesis (H3) is accepted. The statistically significant and positive influence of OPM on profit growth suggests that companies in the food and beverage sub-sector have effectively controlled operating expenses in relation to the net sales generated from their core business activities. This demonstrates the company's ability to enhance operational efficiency, thereby driving profitability and fostering sustained profit growth. These findings are consistent with previous studies that reported a positive relationship between OPM and profit growth. (Arsyad et al., 2025; Perdana et al., 2023; Sugandi & Kaharti, 2023). This consistency can also be explained through the Resource-Based View. (Berney, 1991), which emphasises that a firm's ability to manage internal resources, including operational efficiency, is a key factor in creating sustainable competitive advantage and supporting profit growth. Furthermore, the Efficiency Structure Hypothesis (Myers & Majluf, 1984) This finding reinforces the suggestion that efficiency in controlling operating costs enhances profitability, which ultimately contributes to the company's profit growth.

d. The Influence of Total Asset Turnover on Profit Growth with Net Profit Margin as a Moderating Variable

Based on Table 9, Net Profit Margin (NPM) weakens the effect of Total Asset Turnover (TATO) on profit growth, leading to the rejection of the fourth hypothesis (H4). This is indicated by a probability value of 0.0152 (below the significance level of 0.05) and a coefficient of -3.094218. The findings suggest that NPM tends to weaken the effectiveness of asset utilisation in generating net profit; however, its role is not significant enough to significantly strengthen or weaken the influence of financial ratios on profit growth. Therefore, NPM does not play an essential moderating role in this context. Agency Theory can explain this result. (Jensen & Meckling, 1976) This supports the notion that managers may focus more on short-term profitability measures rather than long-term asset optimisation, which can explain why NPM fails to act as an effective moderating variable in this relationship.

e. The Influence of Debt to Equity on Profit Growth with Net Profit Margin as a Moderating Variable

NPM weakens the relationship between DER and profit growth. With a significance level of 0.6344, which exceeds the 0.05 threshold, the fifth hypothesis (H5) is rejected. As a moderating variable, NPM shows a negative but statistically insignificant effect, as reflected by a coefficient of -0.154917. This indicates that the management of a company's capital structure has a more direct impact on profit growth compared to relying on net profit efficiency as a moderating influence. Therefore, it can be concluded that NPM fails to moderate the relationship between DER and profit growth.

This result can be explained through Agency Theory. (Jensen & Meckling, 1976), which highlights conflicts of interest between managers and shareholders. Managers may prioritise short-term profit measures or personal incentives over optimal capital structure decisions. As a result, net profit efficiency, as measured by NPM, does not significantly influence how leverage (DER) affects profit growth, limiting its effectiveness as a moderating variable in this relationship.

f. The Influence of Operating Profit Margin on Profit Growth with Net Profit Margin as a Moderating Variable

The effect of Operating Profit Margin (OPM) on profit growth is moderated by Net Profit Margin (NPM), with a coefficient of -5.048499, indicating that NPM has a limited ability to enhance the influence of OPM on profit growth. However, the moderating effect is statistically significant, as

evidenced by a probability value of 0.0024, which is below the 0.05 significance threshold. Therefore, the sixth hypothesis (H6) is rejected. The findings suggest that NPM hinders the relationship between OPM and profit growth, indicating that the company's ultimate efficiency through NPM is unable to enhance the effectiveness of operational efficiency in driving profit growth. These results are not consistent with (Yulistiawati et al., 2024), who stated that operational efficiency measured by OPM needs to be supported by financial efficiency through NPM to drive more significant profit growth. This outcome can be (Jensen & Meckling, 1976) heory (Jensen & Meckling, 1976), which emphasises the potential conflicts of interest between managers and shareholders. Managers may focus on short-term operational or financial targets for personal incentives rather than optimising the company's long-term profitability and operational efficiency. As a result, although NPM reflects financial efficiency, it fails to effectively enhance the impact of OPM on profit growth, as managerial behaviour may hinder the proper integration of operational and financial performance in decision-making.

4. Conclusion

This study demonstrates that financial ratios exert varying influences on profit growth. Total Asset Turnover (TATO) has a positive but insignificant effect; the Debt-to-Equity Ratio (DER) has a negative and significant impact. In contrast, the Operating Profit Margin (OPM) has a positive and significant impact on profit growth. However, Net Profit Margin (NPM) weakens the effects of TATO and DER, though not significantly, and also weakens the relationship between OPM and profit growth. Nevertheless, OPM remains statistically significant in influencing profit growth. These findings emphasise that operational efficiency, as reflected in OPM, plays a more critical role in driving profit growth compared to asset utilisation efficiency or leverage. At the same time, NPM has not been proven to be an effective moderating variable. For future research, it is recommended that the analysis be extended by incorporating additional financial ratios, such as Return on Assets (ROA), Return on Equity (ROE), Current Ratio (CR), or Gross Profit Margin (GPM), to provide a more comprehensive understanding of the determinants of profit growth. Furthermore, employing panel data over a more extended period and conducting cross-sectoral comparisons could enhance the robustness and generalizability of the findings.

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