

## THE EFFECT OF NET PROFIT MARGIN, GROSS PROFIT MARGIN, AND TOTAL ASSETS TURNOVER ON PROFIT GROWTH OF CONSUMER GOODS INDUSTRY COMPANIES IN THE PERIOD 2021-2023

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### Abstract

*Profit Growth is an increase in a company's profit over a certain period, measured by comparing this year net profit with the preceding year. This is the main factor of company's financial performance and is often used by stakeholders to assess the company's success and potential for future growth. The purpose of this study is to empirically and significantly determine the effect of net profit margin, gross profit margin and total assets turnover on the profit growth of consumer goods industry companies for the period 2021-2023. This research apply a quantitative analysis as well as the sampling mode used is purposive sampling. This research used a sample of 17 companies observed for 3 years, resulting in a total of 51 data. Data obtained from the Indonesia Stock Exchange (IDX) <https://www.idx.co.id/id>. Data processing using E-Views version 12.0. The results of this study explain that NPM has no effect on profit growth, gross profit margin has no effect on profit growth and total assets turnover has a negative and significant effect on profit growth.*

**Keywords:** *profit growth, net profit margin, gross profit margin, total assets turnover*

### INTRODUCTION

Today, manufacturing industries in Indonesia are faced with challenging opportunities and obstacles. On the one hand, they need to adjust to digitalization and technical advancements to improve production efficiency and competitiveness. On the other hand, they are also under pressure from changing government policies, global market fluctuations, and inadequate infrastructure issues. Given the dynamically changing nature of the manufacturing sector, companies that can innovate and adjust quickly will likely be able to overcome challenges and capitalize on opportunities.

The rate of profit development of an organization has a significant impact on its capacity to attract investors. Companies that show consistent long-term profit growth supply investor by assurance that's the company is operating profitably and has the potential to generate a large return on investment (Seto et al., 2023).

Strong earnings growth is also a sign that a well-managed company can adjust to changing market conditions and provide more value to investors. Stable and sustainable profit growth is one of the main components that upgrade the attractiveness of a enterprise at the point to investors because it shows excellent operational efficiency and the ability to generate profits from private investment (Hasanah et al., 2018).

Issuer owned by Sudhamek AWS, PT Garudafood Putra Putri Jaya Tbk, posted a decline in performance in the second quarter of 2023. GOOD's profit in the second quarter of 2023 fell by 55% to Rp 45 billion. The decline in profit came from a 10.7% decline in the company's sales. This was driven by decline in the company's sales and other income. This is due to the high operating expenses that are still eroding the company's profit (source: [www.cnbeindonesia.com](http://www.cnbeindonesia.com)).

The research reference refers to the research of Nariswari & Nugraha, (2020), which is a replication study. The difference between researchers lies in the object of research and the year of research.

Researchers took the object of the *consumer goods industry* sector for the period 2021-2023. The researcher's interest in taking the *consumer goods industry* sector is because the manufacturing industry remains a major factor in sustaining national economic improvement at the first quarter of 2023, with a support of 16.77%, a upgrade contrast to the prior season (quarter IV-2022) of 16.39%. One of them is the food and beverage industry, in two consecutive quarters the food and beverage industry was able to grow above economic growth of 38.6%, this industry became the prime mover of growth in the first quarter of 2023. (source: indonesia.go.id).

Income increase look the upgrade in a enterprise benefit over a specific season, measured by comparing the this year's net profit with the preceding year, It is a main factor of company's financial performance and is often used by stakeholders to assess the company's success and future growth potential. Overall, earnings growth is an significant aspect of a enterprise monetary performance, and understanding its drivers and determinants is critical to making informed business decisions (Namora & Zulvia, 2023).

Cashmere, (2019) argues that *Net profit margin* is an important financial metric that helps companies evaluate their profitability and make strategic decisions to improve their financial performance.

*Gross Profit Margin* is the strength of a enterprise total income that still since decrease the direct costs of producing or purchasing goods. It is an main indicator of how well the company manages production costs and determines the selling price of the product (Heliani et al., 2023).

Total Assets Turnover (TATO) is a ratio applied to measure the replacement of money in a enterprise assets. Besides that, this important number is even used to determine how well a company can carry out sales activities on its assets (Seto et al., 2023). *Total Assets Turnover* invention the effectiveness of all assets that generate revenue. The turnover value of a company's total assets is proportional to the level of efficiency of its management (Kasmir, 2019).

According to Rivandi & Oktaviani, (2022) *net profit margin* has a positive effect on company profit growth. The top of net profit margin, the enterprise can optimize profits by reducing operating costs and increasing sales effectiveness. This allows the company to generate more revenue from profits from the sale of equity and goods and services.

H<sub>1</sub>= Net Profit Margin has a positive effect on Profit Growth

The statement of Lestari & Alvina's research, (2021) show the gross profit margin has a positive effect on company income upgrade due to the opportunity to generate greater profits and a higher profit growth rate. Based in gross profit margin, that variable shows the achievement of a enterprise implementation of management its operational actions. These is straight relational for agency theory as it serves as supporting success to enterprise in achieving its final goal, specifically increasing profit growth.

H<sub>2</sub>= Gross Profit Margin has a positive effect on Profit Growth

According to research by Panjaitan & Alfinas, (2020) *total asset turnover* has a significant negative effect on company profit growth. *Total asset turnover* is a ratio that measures how efficiently a company uses its assets to generate revenue. This finding shows that even though asset turnover is high, the company may not be utilizing its assets optimally so that the desired profit growth is not achieved. The implication of the research results involves company management in reviewing policies related to asset utilization so that they are not too aggressive and still consider cost efficiency and the impact on profits. Inefficient cost structure can also be a cause, where high operating costs or ineffective capital expenditures reduce profits even though total asset turnover increases.

H<sub>3</sub>= Total Assets Turnover has a negative effect on Earnings Growth

## RESEARCH METHODS

Method used in this study by a quantitative application. Data sources are obtained from financial reports on consumer goods companies listed on the Indonesia Stock Exchange. The data observation period used is from 2021-2023. The data collection technique in this study is the documentation technique by collecting and utilizing data that is already available as a source of information.

The population in this research are all consumer goods industry companies that researchers collect from the Indonesia Stock Exchange website. While the sample was selected using purposive sampling, to the target of get a deputy sample in accordance with the standard used where (1) *Consumer Goods Inudtry* companies listed on the Indonesia Stock Exchange in 2021-2023, (2) *Consumer Goods Industry* companies that consistently report annual financial reports on the Indonesia Stock Exchange for the 2021-2023 period, (3) *Consumer Goods Industry* companies that earned profits during the 2021-2023 period, (4) *Consumer Goods Industry* companies that experienced profit growth during the 2021-2023 period, (5) *Consumer Goods Industry* companies that present annual financial reports in rupiah currency during the 2021-2023 period. 2021-2023.

Based on the purposive sampling criteria, it can be concluded that the number of samples used and in accordance with the criteria amounted to 17 companies. The observation year period is 3 years from 2021-2023, so the amount of data observed is 51 data.

## Operational Definition of Variables

**Table 1**  
**Operationalization of Research Variables**

| Variable              | Definition   | Measurement  |
|-----------------------|--|--|
| Profit Growth         | Growth profit is the increase in a company's net profit over time, usually measured by the measured in percentage or nominal amounts (Fitriati & Nurulrahmatiah, 2021) | $Y = \frac{Y_t - Y_{t-1}}{Y_{t-1}} \times 100\%$                       |
| Net Profit Margin     | A ratio that indicate the profitability of a enterprise compared to its operating profit (Seto et al., 2023).  | $NPM = \frac{\text{Net Profit}}{\text{operating income}} \times 100\%$ |
| Gross Profit Margin   | Gross Profit Margin (GPM) or usual referred to as gross profit margin is a method of determining the cost of goods out of stock (Setiawan, 2022).                      | $GPM = \frac{\text{Gross Profit}}{\text{Net Sales}} \times 100$        |
| Total Assets Turnover | Total Assets Turnover is an activity ratio that is used to measure how effective all assets are (Seto et al., 2023).   | $TAT = \frac{\text{Sale}}{\text{Total Assets}}$                        |

## Data Analysis Technique

There are some methods that can be applied in evaluating panel data equations, namely the common effect model, fixed effect model, or random effect model. Each of these models has differences in the analysis and results obtained, so researchers need to choose one of the two panel regressions to be applied (Ghozali, 2018).

Data is processed using of the Eviews 12 program, by conducting an analysis using a panel regression model. The panel regression model used is in multiple form formulated into the equation below:  

$$Y = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \varepsilon_{it}$$

Based on the multiple regression model explains that  $Y_{it}$  is profit growth,  $\alpha$  and  $\beta_0$  are constants/slope,  $X_{1it}$  is Net Profit Margin,  $X_{2it}$  is Gross Profit Margin,  $X_{3it}$  is Total Assets Turnover,  $\beta_1 - \beta_3$  are regression coefficients and finally  $\varepsilon$  is an error.

## Hypothesis Testing

Hypothesis measurement is applied using the t-statistic test and determination coefficient test (R-Square) using the E-views 12 program. The t-statistic test is a statistical test applied as a review of how the independent variable relates to the dependent variable partially or individually where the decision guideline standard is the measurement standard 1) If the probability  $\leq \alpha 0.05$   $H_0$  rejected and  $H_a$  accepted. 2) If the probability  $> \alpha 0.05$ , the decision is  $H_0$  accepted and  $H_a$  rejected (Ghozali, 2018).

Measurement the coefficient of determination (R-Square) is a number that gives the portion strength for general difference on the independent variable (Y) clarify by the independent variable (X), in general the criteria used include 1) The value of R<sup>2</sup> is small or close to zero, meaning that the ability of the independent variable to explain the independent variable is very limited. 2) The value of R<sup>2</sup> is close to one, meaning that the ability of the independent variables to clarify about every the explanation used to predicted variations in the independent variables (Ghozali, 2018).

## RESULTS AND DISCUSSION

### Empirical Results

The Chow test was conducted to choose between common effect and fixed effect in this study. The follow are the resulted of the chow test and decisions taken based on data processing using Eviews.

**Table 2**  
**Chow Test Results**

| Effects Test | Statistic | d.f. | Prob. |
|--------------|-----------|------|-------|
|--------------|-----------|------|-------|

|                          |           |         |        |
|--------------------------|-----------|---------|--------|
| Cross-section F          | 1,370887  | (16,31) | 0,2195 |
| Cross-section Chi-square | 27,288180 | 16      | 0,0384 |

Source: *evIEWS 12 data processing, 2025*

Build upon table 4.2, the probability grade on the cross section Chi-square is  $0.0384 < 0.05$  then the value obtained show that  $H_0$  is rejected and  $H_a$  is accepted, the means *fixed effect model* is more appropriate to use than the *common effect model* in estimating panel data. The next process must go through the *Hausman test* stage.

After performing the significance testing stage, the *fixed effect model* is better used in this study than the *common effect model*. Then proceed back to the panel model *fixed effect model* or *random effect model* which is more appropriate, to determine this, the *Hausman test* is carried out as follows:

**Table 3**  
**Hausman Test Results**

| Test Summary         | Chi-Sq. Statistic | Chi-Sq. d.f. | Prob.  |
|----------------------|-------------------|--------------|--------|
| Cross-section random | 5,770016          | 3            | 0,1234 |

Source: *evIEWS 12 data processing, 2025*

From the results table 3, the probability number from random cross-section is  $0.1234 > 0.05$  then the final results obtained  $H_a$  is accepted and  $H_0$  is rejected, it can be concluded that the *random effect model* is feasible to use compared to the *fixed effect model*.

Hasuman test has been completed, and the top model is obtained among the Random Effect Model and the Fixed Effect Model. The estimation output explain that each of these models the best model between the two models is the Fixed Effect Model (FEM).

Panel data regress is a study lest integrate *cross section* (cross data) with *time series* (time series). Based on the two previous tests, the researcher concluded that using the *Hausman test* with the *Random Effect Model* (REM) selection. This is because using the *Hausman test* found results with a significant value above 5% so that on this basis the researcher chose REM as the right model.

The following is a display of the *Random Effect Model* (REM) obtained using *EvIEWS 12.0 software*.

**Table 4.4**  
**Random Effect Model (REM) Testing Results**

| Variables                  | Coeffecient | t-statistic | Prob.  |
|----------------------------|-------------|-------------|--------|
| C                          | 6,329623    | 3,102843    | 0,0032 |
| Log Net Profit Margin      | -0,238340   | -0,646697   | 0,5210 |
| Log Gross Profit Margin    | -0,611123   | -0,844953   | 0,4024 |
| Log Total Assets Turn Over | -0,738218   | -2,433847   | 0,0188 |

Source: *evIEWS 12 data processing, 2025*

Base on the results obtained in *Random Effect Model* (REM) testing, the following equation is obtained:

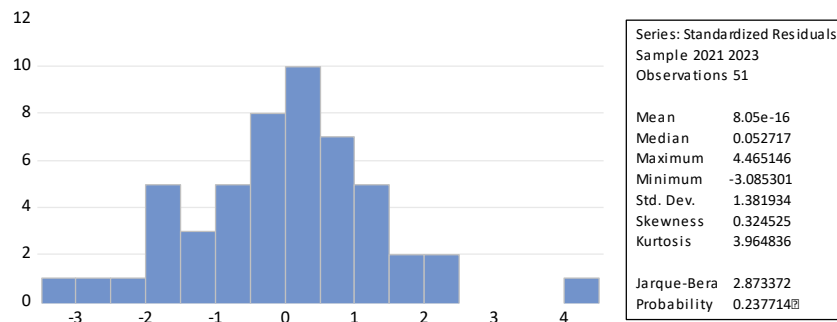
$$Y = 6.330 - 0.238X_{1it} - 0.611X_{2it} - 0.738X_{3it}$$

The results of the above equation obtained a positive constant value of 6.330%, which means that if the Net Profit Margin, Gross Profit Margin and Total Assets Turnover variables increase, the Profit Growth variable will increase by 6.330%.

The regression coefficient of the Net Profit Margin variable is negative 0.238%, meaning that if the Net Profit Margin variable increases by 1%, the Profit Growth of the Consumer Goods Industry Company decreases by 0.238% if the another independent variables remain constant.

The regression coefficient of the Gross Profit Margin variable is negative 0.611%, meaning that if the Gross Profit Margin variable increases by 1%, the Profit Growth of the Consumer Goods Industry Company decreases by 0.611% if the another independent variabel remain constanted.

The regression coefficiented of the Total Assets Turnover variable is negative 0.738x, meaning that if the Total Assets Turnover variable increases by 1x, the Profit Growth of the Consumer Goods Industry Company decreases by 0.738x if the other independent variables remain constant.



**Figure 1**  
**Normality Test**

Source: *evIEWS 12 data processing, 2025*

Based on the results of the normality test in Figure 1, it shows that the probability value obtained is 0.237714 with a significance level of 0.05, the result obtained is  $(0.237714 > 0.05)$  so that the residual data is normally distributed, so that the net profit margin, gross profit margin and total assets turnover variables are normally distributed and can be continued to the next stage.

**Table 5**  
**Test Coefficient of Determination (R<sup>2</sup>)**

|                           |          |
|---------------------------|----------|
| <i>R-squared</i>          | 0,142085 |
| <i>Adjusted R-squared</i> | 0,087324 |

Source: *evIEWS 12 data processing, 2025*

In table 4.6 above, the *Adjusted R-squared* value of 0.087324 is obtained, these results indicated that the *net profit margin*, *gross profit margin* and *total assets turnover* variables have contributed to influencing the profit growth of *Consumer Goods Industry* companies by 8.73% while the remaining 91.27% is explained by other variables that have not been used in current research or explain to another indicators beside this research.

**Table 6**  
**Partial Test Results (t Test)**

| Variables                     | Coefficient | t-count   | t-table | Prob.  | Alpha | Conclusion              |
|-------------------------------|-------------|-----------|---------|--------|-------|-------------------------|
| <i>Net Profit Margin</i>      | -0,238340   | -0,646697 | -1,67   | 0,5210 | 0,05  | H <sub>1</sub> Rejected |
| <i>Gross Profit Margin</i>    | -0,611123   | -0,844953 | -1,67   | 0,4024 | 0,05  | H <sub>2</sub> Rejected |
| <i>Total Assets Turn Over</i> | -0,738218   | -2,433847 | -1,67   | 0,0188 | 0,05  | H <sub>3</sub> Accepted |

Source: *evIEWS 12 data processing, 2025*

Judge of the partial test tabled on, the influence of the independent variable on the dependent variable can be seen partially as follows:

a. *Net Profit Margin* Variable

The test of the *net profit margin* variable obtain a t count valued of  $-0.646697 > t_{table} -1.67$  and a profitability valued with an error rate of 0.05 of  $0.5210 > 0.05$ , so H<sub>0</sub> is accepted and H<sub>a</sub> is rejected. From these results then the results obtained *net profit margin* has no effect on profit growth in *consumer goods industry* companies for the 2021-2023 period.

b. *Gross Profit Margin* Variable

The test on the gross profit margin variable obtain a t count valued of  $-0.844953 > t_{table} -1.67$  and a profitability valued with an error rate of 0.05 of  $0.4024 > 0.05$ , so H<sub>0</sub> is accept and H<sub>a</sub> is reject. This means lest over is no influence among gross profit margin on profit growth in consumer goods industry companies for the 2021-2023 period.

c. Variable Total Assets Turn Over

The t test on the total assets turnover variabiled obtain a t count value of  $-2.433847 < t_{table} -0.67933$  and a probability value with an error rate of 0.05 of  $0.0188 < 0.05$ , so H<sub>0</sub> is reject and H<sub>a</sub> is accept. This means that there is a negative and significant influence between total assets turn over on profit growth in consumer goods industry companies for the 2021-2023 period.



## Discussion

### The Effect of Net Profit Margin on Profit Growth

Based on the test results that have been carried out, the partial regression test results (t test) show that *net profit margin* has no effect on profit growth. *Net Profit Margin* (NPM) has no effect on profit growth indicates that changes in the company's net profit margin do not necessarily affect its profit growth rate. This is due to the ability of the *Consumer Goods Industry* Company to earn low profits, in addition, the revenue generated by the industry as a result of its sales does not cover operational costs and the high tax rates imposed. As well as the low profits created, it will be more difficult for companies to invest their capital for future activities.

The results of this research are in accordance with research conduct by Heliani et al., (2023) which shows that *net profit margin* has no effect on profit growth, the amount of *net profit margin* value, whether high or low, does not automatically guarantee a significant increase or decrease in profit growth. *Net profit margin* alone is not strong enough to drive an increase in overall corporate profits, and also the corporate expenditure factor also plays an important role. High expenditure on various costs can weigh on the company's overall profit.

### The Effect of Gross Profit Margin on Profit Growth

The *gross profit margin* variable calculated by the percentage of *gross profit margin* obtained test results that *gross profit margin* has no effect on the profit growth of *consumer goods industry enterprise*. This indicates that the size of the *gross profit margin* level have no significant effect on the company's profit growth rate. *Gross profit margin* is one of the main tools for assessing a enterprise profitability, but it does not directly affect overall profit growth.

This assessment is in accordance with Stevanie & Tholok, (2022) showing that the growth of *Gross Profit Margin* has no effect on the profit growth of *consumer goods industry* companies. This is due to the fact that its calculation involves the relationship among cost of goods sold and sales, so companies can only know how much they sell before they can calculate operating expenses before taxes or inventory costs.

### The Effect of Total Assets Turnover on Profit Growth

Base on measurements lest have been made by researchers, the *total assets turnover* variable has a *negative* effect on the profit growth of *consumer goods industry* companies. The *Total Asset Turnover* (TATO) ratio which has a negative effect on earnings growth indicates lest an increased in TATO value will reduce the company's profit growth. This can happen when the company has high sales but its operating costs are also high. In addition, a high TATO value can be caused by idle assets or excessive inventory compared to actual needs.

These results are in line with researched conduct by Panjaitan & Alfinas, (2020) *Total asset turnover* has a significant negative effect on company profit growth. This finding indicate lest even though asset turnover is high, the company may not utilize its assets optimally so that the desired profit growth is not achieved. The implications of the research results involve company management in reviewing policies related to asset use so that they are not too aggressive and still consider cost efficiency and the impact on profits. Cost structure that Inefficiency can also be a cause, where high operating costs or ineffective capital expenditures reduce profits even though *total asset turnover* increases.

## CONCLUSIONS AND SUGGESTIONS

The researcher want to thank the Indonesian Stock Exchanged for providing the researched data of financial statements and annual reports needed in the research.

Base on the output of hypothesis testing, it can be conclud lest is the answer to the problems discussed in this study, namely Net Profit Margin (NPM) have no effect on Profit Growth of Consumer Goods Industry Companies, changes in the company's *net profit margin* do not affect the level of profit growth. A high or low *net profit margin* value does not guarantee profit growth and Gross Profit Margin has no effect on Profit Growth of Consumer Goods Industry Companies, companies are unable to increase gross profit from sales, thereby hampering the company's ability to cover costs incurred and will hamper operational activities to increase profits. Meanwhile, Total Assets Turnover has a negative and significant effect on Earnings Growth. This finding shows that even though asset turnover is high, the company may not utilize its assets optimally so that the desired profit growth is not achieved.

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