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Contribution of Financial Performance to Profit Growth In the Primary Goods Retail Trade Subsector Companies

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ABSTRACT

This research aims to determine the contribution of financial performance to Profit Growth. Financial performance is measured based on liquidity, solvency, profitability, and activity ratios, while CAGR (Compound Annual Growth Rate) measures profit growth. The research object is primary goods retail trading subsector companies listed on the Indonesia Stock Exchange in 2019-2022 when this subsector experienced fluctuations in profit growth. The research population was 13 primary goods retail trade subsector companies. Based on purposive sampling, 10 companies met the criteria, so there were 40 observations in 4 years. The data analysis technique is panel data regression. The model estimation test shows that the Fixed Effect Model is the best model in this research. The research findings show that partially the Current Ratio, Debt to Equity Ratio, Return On Equity, and Total Asset turnover do not have a significant effect on profit growth. Still, simultaneously all of these independent variables have a significant effect on profit growth. The results have managerial implications that profit growth should not only be analyzed based on one financial ratio, but must consider all financial ratios comprehensively.

1. INTRODUCTION

Minister of Finance, Sri Mulyani Indrawati, stated that several factors support economic growth in Indonesia, namely consumption, investment, exports and imports. The biggest contribution is consumption, which is 57 percent of Indonesia's Gross Domestic Product (https://mediakeuangan.kemenkeu.go.id, 2023). During 2018 and 2019, Indonesia's economic growth rate increased quite steadily, around 5 percent compared to the previous year. However, since the COVID-19 pandemic, economic conditions have worsened, and company performance has become unpredictable; Indonesia has experienced a drastic contraction in economic growth. This contraction was partly due to the Government issuing a policy of limiting social activities so that total household consumption decreased from 5.04 percent to -2.63 percent in 2020.

In the year of economic recovery, Indonesia's industrial development began to improve, marked by a positive growth of 5.02 percent in 2021. One sector that contributed was the wholesale and retail trade sector, which grew 4.65 percent compared to the previous year (BPS, 2022). In 2022, the Indonesian economy will remain at 5.01 percent, and the wholesale and retail trade sectors will contribute 5.44 percent. This growth was supported by household consumption growth of 4.93 percent (BPS, 2023).

Another factor that influences Indonesia's economic growth is investment. Along with exports, investment is a motor of economic growth (Alvaro, 2021). One of the sectors that investors are most interested in is the Consumer Staples Industry sector (Ciptamiari, 2023). One group of companies included in this sector is the Primary Goods Retail Trade subsector, which has great potential because the products from this subsector are consumptive in nature and really needed for daily needs (Ciptamiari, 2023).

The main goal of investors is to gain profits from capital gains or dividends (Yulita, 2018). Every company expects profit growth in each period, but in practice, not all companies can enjoy continuously increasing profits (Suleman et al., 2023). In the period before and after the COVID-19 pandemic, profit growth in primary goods retail trade subsector companies experienced fluctuations. This may be triggered by a decline in the purchasing power of the majority of people as well as a decline in the sales turnover of each company. Company growth is determined, among other things, by investors' responses to the company's financial performance and management's perception in responding to it. This is explained in signal theory that information conveyed by the company and received by investors will be interpreted and analyzed to perceive the information as a positive signal or a negative signal (Brigham & Houston, 2015). Corporate signals can also be viewed from a business risk perspective. High risk can be perceived as a negative signal by investors, thereby reducing their interest in investing. However, on the other hand, high risk can also be perceived as a positive signal for investors because it reflects business challenges and opportunities that will trigger company growth.

The company's financial performance is reflected in financial ratio analysis. Financial ratios are analyses that compare one component with other components in financial reports both individually and simultaneously. Financial ratio analysis is a technique for analyzing the performance of a company, in terms of liquidity ratios, solvency, profitability and activity. Financial ratio analysis will produce information related to the company's financial performance, investors usually use this financial ratio analysis as one of the considerations in making investment decisions (Kasmir, 2019).

Regarding the uncertainty of profit growth, companies must predict future profit growth (Sari et al., 2023). Profit growth can be evaluated by analyzing the company's financial reports (Kurniawan, 2017). Profit growth analysis is very useful for assessing a company's financial performance (Desi & Arisudhana, 2020; Handayani & Winarningsih, 2020). Their research shows that liquidity ratios, leverage ratios and activity ratios have no effect on profit growth. So only the profitability ratio has a significant effect on profit growth. Research by Kalsum et al. (2020) and Asmarawati (2023) shows that liquidity ratios, leverage ratios, profitability ratios and activity ratios simultaneously influence profit growth. Meanwhile, Anggun & Rosyadi (2023) show that liquidity ratios and profitability ratios do not affect profit growth; this is the opposite for leverage ratios and activity ratios. Based on business phenomena in the retail trade subsector of primary goods and the existence of inconsistencies in previous research findings, this research aims to analyze the contribution of financial performance to company profit growth.

Profit growth is the increase and decrease in profits per year (Indriyani, 2015). Profit growth is an increase or decrease in profits that influence the decisions of investors and potential investors within a certain period (Palayukan et al., 2023). If the company is able to pay its short-term debt smoothly, then the company can continue to exist and increase its productivity (Desi & Arisudhana, 2020). Research by Kalsum et al. (2021); Yuniarto et al. (2022); Syahida & Agustin (2021); Owolabi & Inyang (2013) shows that liquidity performance has a significant effect on profit growth. Based on this description, the following hypothesis is proposed:
H1: Liquidity performance has a significant effect on profit growth in primary goods retail goods trading subsector companies listed on the Indonesia Stock Exchange.

Research by Palayukan et al. (2023); Estininghadi et al. (2019); Fatimah et al (2023); Handayani & Winarningsih (2020) shows that solvency performance has a significant effect on profit growth. Based on this description, the following hypothesis is proposed:
H2: Solvency performance has a significant effect on profit growth in primary goods retail goods trading subsector companies listed on the Indonesia Stock Exchange.

Research by Fatimah et al. (2023); Merida (2022); Indriyani (2015) shows that profitability performance has a significant effect on profit growth. Based on this description, the following hypothesis is proposed:

H3: Profitability performance has a significant effect on profit growth in retail goods trading subsector companies listed on the Indonesia Stock Exchange.

Saraswati & Nurhayati (2020); Kalsum (2021); Sari (2012) research shows that activity performance has a positive effect on profit growth. Based on this description, the following hypothesis is proposed:

H4: Activity performance has a significant effect on profit growth in primary goods retail goods trading subsector companies listed on the Indonesia Stock Exchange.

Research by Yuniarto et al. (2022); Estininghadi et al. (2019); Merida (2022); Saraswati & Nurhayati (2020); Syahida & Agustin (2021); Owolabi & Inyang (2013) show that liquidity, solvency, profitability and activity performance influence profit growth.

H5: Liquidity, solvency, profitability and activity performance have a significant simultaneous effect on profit growth in primary goods retail trading subsector companies listed on the Indonesia Stock Exchange.

2.   RESEARCH METHOD

Research Design. Research design is a plan and structure of investigation arranged so that researchers can obtain answers to their research questions (Khairinal, 2016). The method used in this research is quantitative research. Based on the problems to be studied, this research is included in the type of quantitative research with an associative approach. According to Sugiyono (2019), associative research is a research problem formulation that questions the relationship between two or more variables.

Data Source. This research uses secondary data sources. Secondary data is in the form of profit and loss financial reports and company balance sheets for the 2019-2022 period obtained from the website https://www.idx.co.id/id and the official websites of each company.

Variable Operationalisations. In this research, the variables used are the dependent variable, namely profit growth, and the independent variable, namely financial ratios, which consist of liquidity performance, solvency, profitability, and activity. The following is the operational definition of each variable:

Table 1. Variable Operationalisation

Variable	Variable Operationalisation	Ratio
Current Ratio (CR)	The ratio is used to measure a company's ability to meet its short-term liabilities using its current assets (Sujarweni, 2017)	$CR = \dfrac{Current\ Assets}{Current\ Liabilities}$
Debt to Equity Ratio (DER)	The ratio between debt and equity in company funding shows the ability of the company's equity to fulfill all its liabilities (Sujarweni, 2017)	$DER = \dfrac{Total\ Liabilities}{Total\ Equity}$
Return on Equity (ROE)	The ratio is used to measure the ratio of net profit after tax to the company's equity (Lukman, 2016)	$ROE = \dfrac{Nett\ Profit}{Total\ Equity}$
Total Asset Turn Over (TATO)	The ratio is used to measure the turnover of all company assets and measures the amount of sales obtained from each rupiah of assets (Kasmir, 2019).	$TATO = \dfrac{Sales}{Total\ Assets}$
Pertumbuhan Laba (PL)	A ratio that shows the company's ability to increase net profit compared to the previous year (Harahap, 2018). This ratio is the annual profit growth rate over a certain time period (www.bareksa.com)	$CAGR = \left[\dfrac{Value\ Final}{Value\ Begin}\right]^{1/n} - 1$

Population and Sample. A population is a generalization area consisting of objects/subjects that have certain quantities and characteristics determined by researchers to be studied and then conclusions drawn (Sugiyono, 2019). In this research, the population used was 13 primary goods retail trade subsector companies listed on the Indonesia Stock Exchange in 2019-2022.

The sample is part of the number and characteristics of the population (Sugiyono, 2019). The sampling technique used in this research is the purposive sampling method with the following criteria:
1. Primary goods retail trade subsector companies registered on the IDX in 2019-2022 and never delisted.
2. Companies that publish audited financial reports in 2019-2022 with complete research variable data.

Table 2. Sampling Technique

No	Criteria	Jumlah
1.	Primary goods retail trading subsector companies listed on the Indonesia Stock Exchange in 2019-2022	13
2.	(-)Companies whose research variable data is incomplete	(3)
3.	Companies that meet the sample criteria	10
	Number of observations in the research period	40

Based on purposive sampling, from a population of 13 companies, there were 10 companies in the primary goods retail trade subsector that met the sample criteria. The following is a list of companies sampled in this study:

Table 3. Sample Companies

No	Companies Code	The Companies
1	AMRT	Sumber Alfaria Trijaya Tbk.
2	DAYA	Duta Intidaya Tbk.
3	EPMT	Enseval Putera Megatrading Tbk.
4	HERO	Hero Supermarket Tbk.
5	MIDI	Midi Utama Indonesia Tbk.
6	MPPA	Matahari Putra Prima Tbk.
7	PCAR	Prima Cakrawala Abadi Tbk.
8	RANC	Supra Boga Lestari Tbk.
9	SDPC	Millennium Pharmacon International Tbk.
10	WICO	Wicaksana Overseas International Tbk.

Source: https://www.idx.co.id/id

Descriptive Statistics. Descriptive statistics are used to explain or provide an overview of the characteristics of a series of data without drawing general conclusions (Ghozali, 2016). Descriptive statistical analysis consists of mean, median, maximum, minimum and standard deviation values. It aims to describe data based on the results obtained from respondents' answers to each indicator measuring the variable.

Panel Data Regression. Panel data is a combination of time series and cross-section data. It was chosen in this research because it uses a time span of several years and also consists of several companies to be studied. The time series data referred to in this research uses a time span of four years, namely from 2019 to 2022. Then, cross-section data is used because this research analyzes ten companies in the primary goods retail trade subsector as samples.

Estimating the panel data regression model can be done using three approaches, namely:
1. The Common Effect Model (CEM) is the simplest technique for estimating panel data. This approach only combines time series and cross-section data and ignores the time and space dimensions, so it uses the OLS (Ordinary Least Square) method (Aprintina, 2019).
2. The Fixed Effect Model (FEM) assumes that differences between individuals can be combined from differences in intercepts. To systematize the panel data, the fixed effect model uses a dummy variable technique to capture the difference in the intercept between operational and intensive. However, the slope

is the same between companies. This estimation model is often also called the Last Square Dummy Variable (LSDV) technique.

3. The Random Effect Model (REM) estimates that disturbance panel data may be interconnected over time or between individuals. In the REM, differences in intercepts are accommodated by the error term for each company. The advantage of using the random effect model is that it eliminates heteroscedasticity. This model is also called the Error Component Model (ECM) or Generalize Least Square (GLS) technique.

To choose the most appropriate model to use in managing panel data, there are several tests, including:

1. Chow Test

The Chow test is carried out to determine the panel data regression model used by the Common Effect Model or Fixed Effect Model. If the probability value of Cross-Section F and Cross-Section Chi-square is > 0.05 then the regression model chosen is the Common Effect Model. On the other hand, if the probability value of Cross-section F and Cross-section Chi-square is <0.05 then the regression model chosen is the Fixed Effect Model.

2. Hausman test

The Hausman test is a statistical test to determine which Fixed Effect Model or Random Effect Model is most appropriate to use. If the probability value is < α 5% then the Fixed Effect Model is selected (Ho is rejected). Conversely, if the probability model is > α 5% then the Random Effect Model is selected (Ha is rejected).

3. Lagrange Multiplier (LM) Test

The Lagrange Multiplier Test is a statistical test to determine which Common Effect Model or Random Effect Model is most appropriate. If the probability value is > 0.05, the Random Effect Model is selected. On the other hand, if the probability model is > α 5%, the Common Effect Model is selected (Ha is rejected).

Classic Assumption Test. Ghozali (2018) stated that the classical assumption test is the first step used before regression analysis. This test is carried out to ensure that the regression coefficients are unbiased, consistent, and have accurate estimates. Classical hypothesis testing is carried out to show that the test carried out meets data normality, multicollinearity, autocorrelation and heteroscedasticity so that the test can be carried out in linear regression analysis. A new model is considered strong enough and can be used to make predictions if it passes a series of tests against the underlying classical assumptions.

The normality test is used to determine and measure whether the data obtained is normally or abnormally distributed. It aims to test whether confounding variables or residual variables in the regression model are normally distributed. As is known, the t and F tests assume the residuals follow a normal distribution. If this assumption is not met, the statistical test will not be valid (Ghozali, 2018).

The multicollinearity test is a test used to check whether, in the regression model, there is a correlation between independent variables. If, during testing, a correlation is found or occurs, then a multicollinearity problem occurs. A good regression model should not correlate with independent variables (Gunawan, 2020). A good regression model should not correlate with independent variables (Ghozali, 2013). If independent variables are correlated with each other, then these variables are not orthogonal.

The heteroscedasticity test aims to determine whether the regression model's residual variance is different between observations. If the variance and residuals from one observation to another are constant, then it is called homoscedasticity, and if they vary or are different, then it is called heteroscedasticity. A good regression model is one that is free from heteroscedasticity (Gunawan, 2020).

The autocorrelation test was carried out to determine whether there was a correlation between the confounding error in period t and the confounding error in period t-1 (previous period) in the linear regression model (Sari, 2012). To find out whether autocorrelation occurs or not, this research uses the Durbin-Watson test method (DW test).

Hypothesis Testing. Partial hypothesis testing shows how far the influence of one explanatory or independent variable individually is in explaining variations in the dependent variable. The t-test was carried out to determine

the significance of the influence of each independent variable on the dependent variable. The test uses a significant value of 0.05 or a confidence level of 95%. If the significance probability value is ≤ 0.05, then partially, the independent variable has a significant effect on the dependent variable. On the other hand, if the significance probability value is ≥ 0.05, then partially, the independent variable has no significant effect on the dependent variable (Ghozali, 2018).

Simultaneous hypothesis testing aims to find out whether the independent variables simultaneously influence the dependent variable. In this study, the significance level used was 5%, which means the risk of decision-making errors is 0.05. If the significance probability value is ≤ 0.05 then the independent variable simultaneously has a significant effect on the dependent variable. On the other hand, if the significance probability value (α) ≥ 0.05, then simultaneously, the independent variable has no significant effect on the dependent variable (Ghozali, 2018).

Coefficient of Determination. The coefficient of determination (R^2) is used to measure the extent of the model's ability to explain variations in the dependent variable (profit growth) caused by independent variables, namely Current Ratio (CR), Debt to Equity Ratio (DER), Return on Equity (ROE), and Total Asset Turn Over (TATO). The coefficient of determination value ranges from 0 to 1. A value close to 1 means that the independent variable provides almost all the information needed to predict changes in the dependent variable. On the other hand, a coefficient of determination value close to 0 indicates that the ability of the independent variable to explain variations in the dependent variable is very limited (Ghozali, 2018).

3. RESULTS AND DISCUSSIONS

Descriptive Statistics. Based on the data analysis that has been carried out, the following descriptive statistics are obtained:

Table 4. Descriptive Statistics

	CAGR	CR	DER	ROE	TATO
Mean	0,240250	1,278750	4,762000	-0,450750	2,157000
Median	0,070000	0,900000	2,485000	0,025000	2,240000
Maximum	2,570000	2,980000	24,56000	0,250000	4,570000
Minimum	-2,030000	0,560000	0,400000	-8,070000	0,450000
Std. Dev	1,032387	0,769523	6,283524	1,393292	0,919647
Skewnes	-0,011663	1,289625	2,227760	-4,360983	0,243433
kurtosis	2,877688	3,156240	6,860241	23,75339	3,441049
Jarque-Bera	0,025841	11,12824	57,92187	844,6266	0,719273
Probability	0,987163	0,003833	0,000000	0,000000	0,697930
Sum	-9,610000	51,15000	190,4800	-18,03000	86,28000
Sum Sq. Dev	41,56710	23,09444	1539,824	75,70928	32,98424
Observations	40	40	40	40	40

Source: Data processed with Eviews 12, 2024.

Based on the results of descriptive statistical tests, it is known that:
1. The highest value of the Profit Growth Variable (CAGR) is 2.57 for a company with the issuer code DAYA, while the lowest value is -2.03 for a company with the issuer code RANC. In contrast, the average value is 0.24 or 24%.
2. The Current Ratio (CR) variable has the highest value of 2.98 for companies with the EPMT issuer code in 2020, while the lowest value of 0.56 is for companies with the MPPA issuer code in 2020, while the average value is 1.28.
3. The Debt To Equity Ratio (DER) variable has the highest value of 24.56 for a company with the issuer code WICO in 2022, while the lowest value of 0.40 belongs to a company with the issuer code EPMT in 2020, while the average value is 4.76.

4. The Return To Equity (ROE) variable has the highest value of 0.25 for a company with the issuer code AMRT in 2022, while the lowest value is -8.07 for a company with the issuer code WICO in 2022, the average is -0.45.
5. The Total Asset Turn Over (TATO) variable has the highest value of 4.57 for companies with the issuer code WICO in 2020, while the lowest value of 0.45 belongs to companies with the issuer code PCAR in 2020, while the average is 2.16.

Model Estimation Test. The Chow test was carried out to determine which model is better, the Common Effect Model or the Fixed Effect Model.

Table 5. Chow Test

Effects test	Statistic	d.f	Prob
Cross_section F	2,671652	(9,26)	0,0242
Cross-section Chi-square	26,19237	9	0,0019

Source: Data processed with Eviews 12, 2024.

From the data processing results in Table 5, it can be seen that the probability value or resulting value is 0.0019 (smaller than 0.05). Therefore, statistically, Ho is rejected, and Ha is accepted. The appropriate regression model to use is the Fixed-Effect Model.

The Hausman test determines which model is better, the Random Effect Model or the Fixed Effect Model.

Table 6. Hausman Test

Test Summary	Chi-Sq Statistic	Chi-Sq d.f.	Prob
Cross-section random	9,602215	4	0,0477

Source: Data processed with Eviews 12, 2024.

From the data processing results in Table 6, it can be seen that the probability value or resulting value is 0.0477 (smaller than 0.05), so Ho is rejected, and Ha is accepted. Therefore, the appropriate regression model to use is the Fixed-Effect Model. After previously testing the estimation of the panel data regression model, it can be concluded that the Fixed-Effect Model is the best model that can be used in this research.

Table 7. Fixed Effect Model

Variable	Coefficient	Std.Error	t-Statistic	Prob.
C	-1,620793	1,416366	-1,144332	0,2629
CR	1,102451	0,844103	1,306202	0.2029
DER	-0,041951	0,050800	-0,825798	0.4164
ROE	-0,170070	0,207099	-0,821200	0.4190
TATO	0,043530	0,318774	0,136554	0.8924
Effect Spesification				
Cross-section fixed (dummy variables)				
R-squared	0,591650	Mean dependent var		-0,240250
Adjusted R-squared	0,387475	S.D. dependent var		1,032387
S.E. ofregression	0,807987	Akaike infocriterion		2,680675

Source: Data processed with Eviews 12, 2024.

Referring to the table of Fixed Effect Model test results that have been processed in Table 7, it is known that the panel data regression test model equation is as follows:

CAGR = -1.62079285788 + 1.10245117444*CR - 0.0419507339445*DER - 0.170069752303*ROE + 0.0435298436509*TATO + [CX=F]

From Figure 1, the resulting Jarque-Bera value is 1.876960, and the probability value is 0.391222. These results suggest that the regression model in this study is normally distributed because the probability value is 0.391222, which is greater than the significance level, namely 0.05.
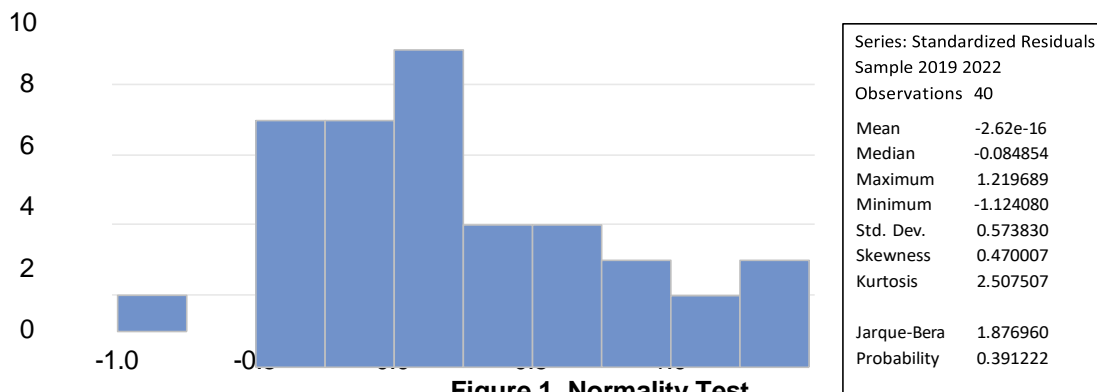

	Series: Standardized Residuals
	Sample 2019 2022
	Observations 40
Mean	-2.62e-16
Median	-0.084854
Maximum	1.219689
Minimum	-1.124080
Std. Dev.	0.573830
Skewness	0.470007
Kurtosis	2.507507
Jarque-Bera	1.876960
Probability	0.391222

Figure 1. Normality Test
Source: Data processed with Eviews 12, 2024.

Results. The multicollinearity test uses a correlation matrix. If the correlation value is above 0.80, it is suspected that multicollinearity is occurring in the model. Meanwhile, if the coefficient is below 0.80, it is assumed that multicollinearity does not occur in the model.

Table 8. Multicollinearity Test

	CR	DER	ROE	TATO
CR	1.000000	-0,437164	0,222684	0,014288
DER	-0.437164	1.000000	-0.795894	-0,02596
ROE	0,222684	-0,795894	1.000000	-0,148331
TATO	0,014288	-0,024596	-0,148331	1.000000

Source: Data processed with Eviews 12, 2024.

Table 8 shows that none of the correlation value results has a value of more than 0.80. These results suggest that the regression model used in this research does not have multicollinearity problems.

The Heteroscedasticity Test is carried out to determine whether there is an inequality of variance from the residuals of one observation to another in the regression model. If the significance value between the independent variables is more than 0.05, then heteroscedasticity does not occur (Ghozali, 2018).

Table 9. Heteroscedasticity Test

Variable	Coefficient	Std.Error	t-Statistic	Prob.
C	0,182073	0,650350	0,279962	0,7817
CR	0,580441	0,387544	1,497743	0.1462
DER	-0,033131	0,023326	-1,420368	0.1674
ROE	-0,106393	0,095093	-1,118832	0.2734
TATO	-0,190876	0,146371	-1,304058	0.2036
Effect Spesification				
Cross-section fixed (dummy variables)				
R-squared	0.658675	Mean dependent var		0,402778
Adjusted R-squared	0.488012	S.D. dependent var		0,518497
S.E. ofregression	0,371001	Akaike info criterion		1,123996
Sum squared resid	3,578694	Schwarz criterion		1,715103
Log-likelihood	-8,479912	Hannan-Quin criteria		1,337722
F-statistic	3,859515	Durbin-Watson stat		1,998463
Prob(Fstatistic)	0,001646			

Source: Data processed with Eviews 12, 2024.

From the data processing results, it can be seen that the Current Ratio (CR) has a probability value of 0.1462, DER (Debt to Equity Ratio) of 0.1674, Return On Equity (ROE) of 0.2734, and Total Asset Turnover (TATO) of 0.2036, all of which are greater than 0.05. So, it can be concluded that the regression model in this study does not experience problems in the Heteroscedasticity test.

The autocorrelation test was carried out to determine whether the linear regression model correlated the confounding error in period t with the confounding error in period t-1 (the previous period) (Sari, 2012).

Table 10. Autocorrelation

N	K	dL	dU	4-dL	4-dU	DW
40	4	1,2848	1,7209	2,7152	2,2791	2,111362

Source: Data processed with Eviews 12, 2024.

Based on Table 10, it is found that $dU < DW < 4\text{-}dU$, namely $1.7209 < 2.111362 < 2.2791$. This equation concludes that the regression model in this study does not experience problems in the autocorrelation test.

Discussion. The t-test is used to determine that variation that occurs in the dependent variable can be explained by the independent variable (Santoso, 2013). This test uses a significant value of 0.05 or a confidence level of 95%. If the significance probability value is ≤ 0.05, then partially, the independent variable has a significant effect on the dependent variable. On the other hand, if the significance probability value (α) ≥ 0.05, then partially, the independent variable has no significant effect on the dependent variable (Ghozali, 2018).

Referring to the Fixed Effect Model table, the influence of the independent variable on the dependent variable can be seen. The partial test results show that the CR (Current Ratio) has a significance value of 0.2029 > 0.05, so the Current Ratio has no significant effect on Profit Growth. The results of this research are in line with previous research by Desi & Arisudhana (2020) and Indasari et al. (2022). This research has the same results where partially the Current Ratio does not have a significant effect on Profit Growth. This is different from research conducted by Kalsum (2021) and Yuniarto et al. (2022), which shows the results that the Current Ratio has a significant effect on Profit Growth.

The partial test results show that DER (Debt Equity Ratio) has a significance value of 0.4164 > 0.05, so the Debt Equity Ratio does not have a significant effect on Profit Growth. The results of this research are in line with previous research by Desi & Arisudhana (2020) and Saraswati & Nurhayati (2020). This research has the same results where partially the Debt Equity Ratio does not have a significant effect on Profit Growth. In contrast, research conducted by Suleman et al. (2023) and Kalsum (2021) shows the results that the Debt Equity Ratio has a significant effect on Profit Growth.

The partial test results show that ROE (Return On Equity) has a significance value of 0.4190 > 0.05, so Return On Equity has no significant effect on Profit Growth. The results of this study are in line with previous research by Melida et al. (2021). This research has the same results where partial Return On Equity has no significant effect on Profit Growth. In contrast research conducted by Suleman et al. (2023) and Fatimah (2023) shows the results that Return On Equity has a significant effect on Profit Growth.

The partial test results show that TATO (Total Asset Turn Over) has a significance value of 0.2029 > 0.05, so Total Asset Turn Over does not have a significant effect on Profit Growth. The results of this research are in line with previous research by Yuniarto et al. (2022). This research has the same results where partial Total Asset Turnover does not have a significant effect on Profit Growth. This is different from research conducted by Estininghadi (2019), which shows the results that Total Asset turnover has a significant effect on Profit Growth.

The F test is also called joint or simultaneous hypothesis testing. The F test is used to test whether all independent variables together have a significant effect on the dependent variable or not (Hartati et al., 2020). Referring to the Fixed Effect Model table, the probability value obtained from the F test is 0.0101 < 0.05,

meaning that H0 is rejected and H1 is accepted because the probability value is smaller than 0.05. Based on these results, the Current Ratio, Debt to Equity Ratio, Return On Equity and Total Asset turnover simultaneously or together have a significant effect on Profit Growth. The results of this research are in line with the research results of Suleman et al. (2023), who concluded that Current Ratio (CR), Debt to Equity Ratio (DER), Return On Equity (ROE), Total Asset turnover (TATO) have a significant effect on Profit Growth.

The coefficient of determination is used to measure the coefficient's ability to show how much the independent variables together explain the dependent variable (Alam, 2021Fiscarina & Paranita, 2023; Sukamdani et al., 2023). Referring to the Fixed Effect Model table, the R^2 or Adjusted R-Squared value is 0.387475 or equal to 38.75 percent, meaning that the independent variables consisting of Current Ratio, Debt to Equity Ratio, Return On Equity Ratio, and Total Asset Turn Over can be explained the variation in the Profit Growth variable by 38.75 percent, while the remaining 61.25 percent is explained by other variables not included in this research.

The results of this research have managerial implications that profit growth should not only be analyzed based on one financial ratio, but must consider all financial ratios comprehensively. This research model is only able to explain 38.75 percent of the variation in profit growth, so to predict company profit growth, management should analyze based on financial ratios simultaneously.

4. CONCLUSION

Based on the analysis and discussion that has been carried out, the conclusions drawn regarding the influence of financial ratios on profit growth in the primary goods retail trade subsector listed on the Indonesia Stock Exchange in 2019-2022 are partially the Current Ratio, Debt to Equity Ratio, Return On Equity, and Total Asset turnover do not have a significant effect on profit growth, but simultaneously all of these independent variables have a significant effect on profit growth.

Based on the analysis, discussion and conclusions, it is recommended that for future researchers, the research sample will not only use the primary goods retail trade subsector but also companies in other subsectors. Future researchers should extend or broaden the research year so that the research results can explain the relationship and accuracy of liquidity ratios, leverage ratios, profitability ratios, and activity ratios to profit growth. Further researchers are advised to compare other methods in predicting company profit growth. By doing so, the company can see which method is better or more significant. Also, further researchers recommended adding independent variables to predict Profit Growth, such as the Quick Ratio, Cash Ratio, Debt-to-Asset Ratio, Return On Assets, Net Profit Margin, Fixed Asset Turnover, and Working Capital Turnover, as referenced in previous research.

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