Formosa Journal of Multidisciplinary Research (FJMR)
Vol. 4, No. 4, 2025: 1495-1512

Analysis of Financial Performance Determinants on Earnings Dynamics in Food and Beverage Manufacturing Companies

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A R T I C L E I N F O

Keywords: Financial Performance, Profit Changes, Financial Ratios, Operating Expenses, Capital Structure

Received : 15, March
Revised : 29, March
Accepted: 21, April

A B S T R A C T

This research investigates factors influencing financial performance and earnings dynamics in food and beverage companies indexed on the Indonesia Stock Exchange (IDX) from 2022 to 2023. Using a quantitative approach, secondary data from financial statements were analyzed, focusing on financial ratios: Current Ratio (CR), Inventory Turnover (ITO), Net Profit Margin (NPM), Operating Expenses (BYO), and Equity to Asset Ratio (EAR). Classical assumption tests and multiple linear regression were conducted using IBM SPSS Statistics 25. Results showed CR and ITO had a positive insignificant on net income changes. NPM had a negative insignificant effect, BYO showed a positive significant effect, and EAR had a negative significant effect. These findings help companies optimize costs and capital structure, contributing to financial literature post-COVID-19.

DOI: https://doi.org/10.55927/fjmr.v4i4.134
ISSN-E: 2829-8896
https://npaformosapublisher.org/index.php/fjmr

INTRODUCTION

Every business is founded to fulfill its purpose, namely to make a profit, which is used as an indicator of success for its survival. The profit generated from the company's operations not only functions as additional business capital but, on the other hand, is also a measure of company performance, which is considered very important by various sides of stakeholders (Ramdhania & Pratiwi, 2021). In other words, profits that tend to stabilize, let alone increase, significantly affect the company's investor confidence. Investor confidence will increase when the company's profit is in good condition, and it will also serve as a guideline in their business and investment choices. Therefore, each company needs to evaluate its operational performance. Financial statement analysis is one of the things that can be done to ensure the efficiency and effectiveness of company operations.

Apart from aiming to make a profit as an indicator of success for the company's survival, they always want their business to grow, including businesses in the food and beverage subsector. Businesses in this sector are indicated as companies producing and selling food and beverage products as their primary operational activities. At least 26 food and beverage subsector businesses have been indexed on the Indonesia Stock Exchange (IDX) for several years.

In the development process, the company certainly requires an evaluation of its performance to ensure operational efficiency and effectiveness. A commonly used method to measure performance and predict future company profits is to analyze financial ratios, namely liquidity, solvency, activity, and profitability ratios (Riyanto in Mustaqim, 2020). These ratios can describe the company's financial position and may be utilized to estimate future profit conditions (Faisal et al., 2018). In addition to the financial ratio analysis, it can also be executed by analyzing the company's operating costs and capital composition.

From the explanation above, the object chosen in this research is the food and beverage sub-sector manufacturing companies listed on the IDX, and the period chosen by researchers is 2022 to 2023. This is because of its dominant proportion and its significant role in catapulting the Indonesia Stock Exchange (IDX) Composite Stock Price Index (JCI) (Arisudhana et al., 2024). In addition, food and beverage sub-sector businesses are one of the company sectors that continue to exist both in operations and income when the COVID-19 outbreak is rampant (Oktaviansah et al., 2023). The variables in this research were derived from financial ratios, operating costs, and capital composition. Liquidity ratios include the Current Ratio (CR) to estimate the company's capacity to settle debts using current assets. The activity ratio consists of inventory turnover (ITO), which evaluates the company's effectiveness in managing inventory. Profitability ratios consist of Net Profit Margin (NPM), which reflects the company's efficiency in generating profits. In addition, there are operating costs that reflect the total selling expenses, administrative and general expenses, and the capital structure; in this case, the author uses the equity-to-asset ratio (EAR) indicator as an illustration of the balance between Equity and total assets in the company's

financial structure. The profit dynamics applied in this research as an independent variable is the change in the business's net profit or Net Profit Growth (NPG) from 2022 - 2023.

In the research of Indriyani & Setyowati (2023), it has been stated that the Current Ratio has a significant effect, while net profit margin (NPM) does not affect profit changes. However, the study by Oktaviansah et al. (2023) shows that Current Ratio has no significant effect on profit changes. According to Dewi & Muslimin (2021), Net Profit Margin has a major influence on changes in the profits of the companies studied. According to Utari (2023), Inventory Turnover impacts profit changes, contrary to the study of Ratnasiwi & Idris (2022), where this ratio does not significantly impact. The results of a study by Pazriansah et al. (2025) suggest that operating costs significantly impact changes in profit but contradict the study conducted by Putri and Suzan 2021. The study conducted by Monica et al. (2018) and Paul (2021) suggests that the capital structure represented by the equity-to-asset ratio affects Return on Equity (ROE). Contrary to the studies conducted by Ramadhanti (2025) and Jovanic (2024), which concluded that the capital structure has a negative and insignificant impact.

This research not only analyses financial ratios but also combines aspects of operating costs and capital composition with the Equity to Asset Ratio (EAR) indicator, which is different from the journal reference chosen by the author, who uses Asset Ratio (DAR) as well as Debt to Equity Ratio (DER) as indicators that affect variations in profit. Combining these two variables with other financial ratios can present a more holistic approach to analyzing the financial condition of manufacturing businesses in the subsector of food and drinks, which is expected to enrich references in financial studies and assist stakeholders in making more informed business decisions. In addition, this study focuses on the period following the COVID-19 pandemic, which provides new insights into how companies in this sector survive and thrive in turbulent economic conditions.

This research is intended to identify and assess the relationship between financial ratios consisting of Current Ratio (CR), Inventory Turnover (ITO), Net Profit Margin (NPM), Operating Costs, and Equity To Asset Ratio (EAR) about changes in net income among manufacturing businesses under the subsector of food and beverage indexed on the Indonesia Stock Exchange in the 2022-2023 timeframe, which is expected to contribute as a reference in designing company management strategies. In addition, the information generated is also expected to assist managers in predicting changes in profit for the next period. This research is meant to be applied as a resource for external parties when making business decisions.

LITERATURE REVIEW

Profit

Suwarjdono (2005) defines profit as a reward the company receives in its operations, meaning that there is an excess in the revenue received and overall costs incurred. Companies that generate large profits can be concluded if their performance is also good. Evaluating company performance by paying attention

to profits earned over the years is also very important since it offers a picture of the company's development.

Net Profit Change

Munawir (2002) states that changes in net income may be obtained by reducing the net income in the current year to the last year in the company's income statement. This change illustrates the company's performance by looking at the increase or decrease in profitability from one period to the next. Changes in net income can be formulated as follows.

$$\Delta Yt = \frac{Yt - Y(t-1)}{Y(t-1)} \times 100\%$$

Source: Harahap (2015)

Description:

ΔY	= Change in net income in year t
Yt	= Net income of the company in year t
Y(t-1)	= Net income of the company in year t-1

Financial Performance

According to Mangkunegara (2005), performance refers to the amount and quality of work completed by individuals to fulfill their obligations through delegated tasks. Performance does not only apply to individuals but is also closely related to company performance and financial performance. Company performance results from business processes that optimize human and financial resource utilization. According to Sucipto in Mustaqim, 2020, the determination of specific indicators as a reference for a company's success in achieving profit is called financial performance.

Liquidity, profitability, activity, and leverage ratios are some of the categories into which several financial performance ratios can be divided (Riyanto 2001 in Mustaqim, 2020:

a. Liquidity ratios determine a business's ability to settle its short-term debt (Prastowo, 2008). Types of liquidity ratios include Current Ratios and Quick Ratios.
b. Profitability ratios: This proportion calculates the effectiveness of the business's efforts to earn profits with its resources and operational capabilities. Types of profitability ratios include Net Profit Margin (NPM), Return on Assets (ROA), and Return on Equity (ROE).
c. Activity ratios: This ratio examines the efficiency scale in managing the business's resources (Surjaweni, 2017). Activity ratio types include Inventory Turnover (ITO), Receivables Turnover (RTO), and Total Asset Turnover (TATO).
d. Leverage ratios: These ratios evaluate the quantity of assets funded by debt (Prastowo, 2008). Leverage ratio types include the debt-to-set ratio (DAR), the Debt-to-Equity Ratio (DER), and the Equity Ratio (ER).

In addition to the previously stated ratios, other aspects, such as operating costs and capital composition, can be used to analyze the company's financial performance. Based on Nafarin (2000), the company's main costs, other than the cost of goods sold, namely selling and administrative and general costs, are called

operating costs. The capital structure's equity to asset ratio (EAR) determines the percentage of the business's assets funded by equity from shareholders. This ratio shows the amount of company financing by its owners compared to debt. According to Kasmir (2014), calculating/assessing the amount of assets financed by equity can use this ratio.

Ratios Used in Research

Current Ratio (CR)

The current ratio gauges the business's capacity to fulfill its responsibilities quickly or pay off debt (Kasmir, 2018: 134). This ratio is obtained by calculating total current assets divided by total liabilities. Settling short-term debt is more important if this ratio is large. According to Harahap (2016: 301), this ratio can measure the amount of current assets that cover a company's current liabilities. In other words, current debt is directly proportional to the business's performance, covering its short-term obligations. The Current Ratio (CR) can be formulated as follows:

$$CR = \frac{Total\ Current\ Assets}{Total\ Current\ Liabilities}$$

Source: Harahap (2016)

Inventory Turnover (ITO)

Inventory Turnover is one indicator that assesses the effectiveness of a company's inventory (Horne & Wachowicz, 2008). This inventory turnover ratio is directly proportional to the efficiency of inventory management. Thus, if the ratio obtained is low, it shows a buildup of inventory or slow sales. Inventory Turnover (ITO) can be formulated as follows:

$$ITO = \frac{Cost\ of\ Goods\ Sold}{Average\ Inventory}$$

Source: Jumingan (2006)

Net Pprofit Margin (NPM)

Kasmir (2019: 202) indicates that net profit margin contrasts corporate sales with earnings after taxes and interest. The high ratio obtained proves that the company is more efficient in achieving profits from its sales. Net Profit Margin (NPM) may be calculated as follows:

$$NPM = \frac{Net\ Profit}{Sales}$$

Source: Sitanggang (2014)

Operational Costs

According to Jusuf (2014), operational costs are expenditures associated with day-to-day operations that are not directly tied to the company's products. In other words, these costs are incurred by the company to support daily operational activities, which include selling, general, and administrative costs. Operating costs may be calculated as follows:

$$Operating\ Expenses = Cost\ of\ Sales + General\ \&\ Administrative\ DExpenses$$

Source: Jusuf (2014)

Equity to Assets Ratio (EAR) on Capital Structure

Jumingan (2009: 135) states that the Equity Assets Ratio is the percentage of investment in total assets with funds originating from the business's capital. A high EAR ratio proves that the external funds needed by the business are lower, so the business's interest expense on external funds is also lower, which ultimately influences raising the business's profits. Equity to Assets Ratio (EAR) can be formulated as follows.

$$EAR = \frac{Total\ Equity}{Total\ Assets} \times 100\%$$

Source: Jumingan (2009)

Hypothesis Development

Effect of Current Ratio (CR) on Net Income Changes

In the study of Indriyani & Setyowati (2023), it has been stated that the Current Ratio significantly affects changes in profit. However, the study by Oktaviansah et al., 2023 shows that the Current Ratio has no significant impact on profit changes. This research intends to retest the influence of the Current Ratio with modifications to net income with the following hypothesis:

H1: Current Ratio (CR) affects changes in net income

The Effect of Inventory Turnover (ITO) on Changes in Net Income

According to a study conducted by Utari (2023), Inventory Turnover impacts changes in profit, contrary to the study of Ratnasiwi & Idris (2022), where this ratio does not significantly impact changes in profit. This study is intended to re-examine whether Inventory Turnover has an impact on fluctuations in earnings with the following hypothesis:

H2: Inventory Turnover (ITO) affects changes in net income

The Effect of Net Profit Margin (NPM) on Changes in Net Income

According to a study by Dewi and Muslimin (2021), the Net Profit Margin significantly influences changes in the profits of the companies studied. However, contrary to the study of Indriyani and Setyowati (2023), this ratio did not affect changes in profit. Retesting if there is a relationship between changes in net income and net profit margin is the aim of this research, with the hypothesis proposed as follows:

H3: Net Profit Margin (NPM) affects changes in net income

Effect of Operating Costs on Changes in Net Income

The outcome of research by Pazriansah et al. (2025) suggests that operating costs significantly impact changes in profit. Susetyo et al. (2021) argue that the efficiency of operating costs can affect high and low profitability. This is contrary to Putri & Suzan (2021), whose research results concluded that there was no influence between operating costs and changes in profit. This study will re-examine whether operating costs significantly affect changes in net income using the hypothesis proposed below.

H4: Operating Expenses (BYO) affect changes in net income

Effect of Equity to Asset Ratio (EAR) on Net Income Changes

The study conducted by Monica et al. (2018) and Paul (2021) suggests that the capital structure represented by the equity-to-asset ratio affects Return on Equity (ROE). Contrary to the studies conducted by Ramadhanti (2025) and Jovanic (2024), which concluded that the capital structure, as represented by the equity-to-asset ratio (EAR) and debt-to-equity ratio (DER), has a negligible and adverse influence on the profitability of the business. This research reconsiders the capital structure represented by the equity-to-asset ratio (EAR) and whether it influences changes in net income with the hypothesis proposed as follows:

H5: Equity to Asset Ratio (EAR) affects changes in net income

Conceptual Framework

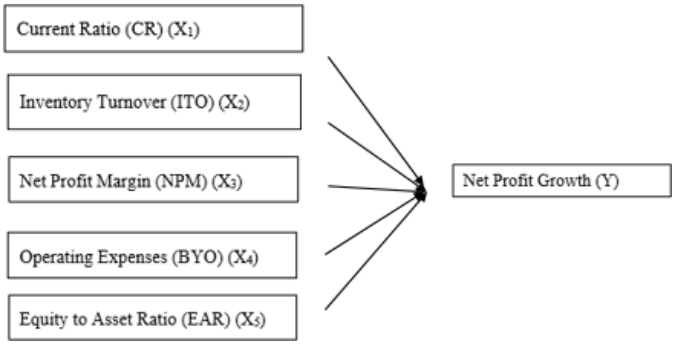

Figure 1. Conceptual Framework

METHODOLOGY

Using secondary data from the Indonesia Stock Exchange, accessible via the website www.idx.co.id, this research employs a quantitative research design. The study data comes from the 2022-2023 annual financial statements of manufacturing businesses in the subsector of food and beverage indexed on the IDX. The present research examines the causality or causal relationship of the dependent variable with the independent variable. The research's population consists of all 2022–2023 annual financial reports from manufacturing businesses in the food and beverage subsector that the Indonesia Stock Exchange lists. The sample is collected using purposive sampling, with a reference in the form of specific aspects related to the study objectives (Sugiyono in Zahara & Kardi, 2022). aspects used are as follows:

a. Food and beverage Sub-sector manufacturing companies indexed on the IDX in 2022 - 2023.
b. Food and beverage Sub-sector manufacturing companies that issue and publish annual financial report data for two consecutive years.

Based on the above criteria, a sample of 52 financial reports from 26 companies for two consecutive years was obtained. Analysis Technique: The hypothesis will be tested using descriptive statistical methods assisted by IBM SPSS Statistics 25 software. This method describes data that can be seen with the average, maximum, minimum, and standard deviation values to determine the relationship between research variables (Ghozali, 2018). The following are some of the data analyses employed in this research:

a. Assumption Test

The classical assumption test is the first stage before carrying out the multiple linear regression test, which aims to see whether the regression model can be ensured to fulfill the basic assumptions so that it is neutral, consistent, and efficient. The classical assumption test is implemented with the following:

Normality Test

Ghozali (2016) uses the normality test as a regression model test to determine whether an independent variable and the dependent variable in a study are normal. The criteria for statistical methods with Kolmogorov-Smirnov are that the data is considered to be frequently disseminated when the significance value exceeds 0.05 and is not generally distributed if it does not exceed 0.05. According to the criteria of the graphical method, it is visible that if the data distribution is not far from the sloping/diagonal line and moves towards the line, the data is identified as having met the presumption of normality or normally distributed.

Multicollinearity Test

The multicollinearity test aims to measure the correlation between the independent variables in the research model (Ghozali, 2011). Multicollinearity detection analyzes the tolerance value and the Variance Inflation Factor (VIF). Multicollinearity does not exist if the tolerance value is more than 0.1, the VIF is less than 10, or the tolerance value does not exceed the limit of 0.1. If the VIF is higher than 10, then multicollinearity appears.

Heteroscedasticity Test

Finding out whether the regression model in use has variance instability is the aim of the heteroscedasticity test, which causes inefficiency in estimating the regression coefficients (Ghozali, 2011). The regression model criteria are claimed to be free from heteroscedasticity if the data points are dispersed below and above the number 0; in other words, the points do not gather in one spot. The distribution does not establish a precise pattern.

Autocorrelation Test

The autocorrelation test is utilized to determine if the regression model correlates with residuals in period t and residuals in the prior period (Ghozali, 2011). In the Durbin-Watson test, the criteria can be seen as follows: 1) DU < DW < 4-DU, meaning there is no autocorrelation or H0 is accepted; 2) DW< DL or DW > 4-DL, meaning autocorrelation occurs or H0 is rejected; 3) DL < DW < DU or 4-DU < DW < 4-DL then there is no conclusion.

b. Multiple Linear Regression Analysis

Multiple linear regression analysis will ascertain whether the independent factors are related. Current Ratio (CR), Inventory Turnover (ITO), Net Profit Margin (NPM), Operating Expenses (BYO), and Equity to Asset Ratio (EAR) to

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

changes in net income as the dependent variable. The following regression formula can be applied:

Description

Y	: Change in net income	X4	: Operating Expenses
X1	: Current Ratio	X5	: Equity to Asset Ratio
X2	: Inventory Turnover	α	: Constant
X3	: Net Profit Margin	β	: Regression coefficlient
e	: error		

c. Hypothesis Test

The independent and dependent factors may be related if the hypothesis put forward in this research is tested.

F Test (Simultaneous)

The F test is used to determine if each dependent variable is influenced by the independent variable simultaneously. The criteria for this F test are examining the F count or the significance value. H0 is rejected if the significance value is less than 0.05 and the F count value surpasses the F table, indicating that every independent factor simultaneously influences the dependent factors (Kuncoro, 2009 in Utari, 2023).

Test t (Partial)

To determine the significance of whether the independent factor has a separate impact on the dependent factor, the partial t-test is used. The criteria in this t-test may be seen in the significance value. It is established that indicates a partial influence between the independent and dependent factors if the significance value is less than 0.05 (Kuncoro 2009 in Utari, 2023).

d. Test Coefficient of Determination (R2)

Using the coefficient of determination (R2) test, one can determine the level to which the independent factor influences the dependent factor by examining the test outcome in the Adjusted R Square column. A high percentage indicates that the independent factor has a high influence on the dependent factor.

RESEARCH RESULT

Descriptive Statistical Analysis

Table 1. Below are the findings of descriptive statistical analysis data processing using IBM SPSS Statistics 25 software:

Table 1.
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
X1_CR	52	0,22	10,67	2,8473	2,27587
X2_ITO	52	1,16	25,35	6,7354	4,90794
X3_NPM	52	-0,29	0,54	0,0860	0,15443
X4_BYO	52	-0,44	7,00	0,3069	1,01086
X5_EAR	52	0,06	0,90	0,5938	0,19347
Y_CHANGE_IN_NET_PROFIT	52	-38,22	170,61	2,2081	24,49388
Valid N (listwise)	52				

Source: Data Processed, 2025

Referring to Table 1, it can be identified that the number of research samples is 52. The average Current Ratio (CR) is 2.8473, and the standard deviation is 2.27587, indicating variations in liquidity levels between companies. The average Inventory Turnover (ITO) value is 6.7354, with a standard deviation of 4.90794, which indicates the difference in inventory management efficiency between companies. The average Net Profit Margin (NPM) is 0.0860, and the standard deviation is 0.15443, which means there are variations in profitability between companies. The average operating Costs (BYO) value is 0.3069 with a standard deviation of 1.01086, reflecting a relatively high operating cost difference level. The average Equity to Asset Ratio (EAR) is 0.5938, and the standard deviation is 0.19347, indicating that the dominant company has a relatively high proportion of equity to assets. The average change in net income is 2.2081 with a standard deviation of 24.49388, indicating that net income between companies has a significant change. Overall, these results indicate variations in the financial structure and performance of companies that may affect the management strategy of each company.

Classical Assumption Test

a. Normality Test

The results of the probability plot normality test to assess the normality of the independent variables as well as the dependent variable used in this study:

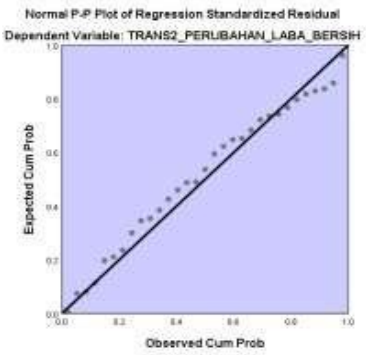

Figure 2. P Plot Graph

Referring to Figure 2 above, it is established that this regression model reaches the standard criteria for the presumption of normality, or the data is said

to be normally distributed. This is because the data described by the dot symbol spreads along the sloping/diagonal line or around the line.

Table 2

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		31
Normal Parameters[a,b]	Mean	0,0000000
	Std. Deviation	0,22296448
Most Extreme Differences	Absolute	0,088
	Positive	0,088
	Negative	-0,087
Test Statistic		0,088
Asymp. Sig. (2-tailed)		0.200[c,d]

Referring to Table 2. The normality test findings that apply Kolmogorov-Smirnov can also be concluded if the regression model's distribution is normal because the Asymp sig level is> 0.05 or 0.2 > 0.05.

b. Multicollinearity Test

Table 3

Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	X1_CR	0,336	2,980
	X2_ITO	0,933	1,072
	X3_NPM	0,691	1,446
	X4_BYO	0,611	1,637
	X5_EAR	0,314	3,183

Source: Data Processed, 2025

Referring to Table 3, the amount of VIF on all independent variables is less than 10, with a tolerance of each independent variable, namely CR, ITO, NPM, BYO, and EAR, exceeding 0.1. This means that there are no signs of multicollinearity in this regression model.

c. Heteroscedasticity Test

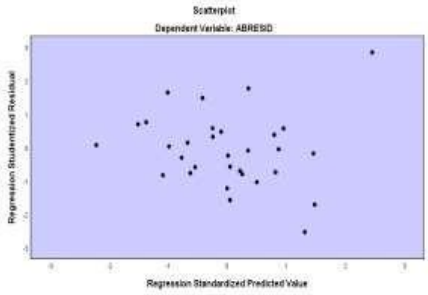

Figure 3. Scatterplot Test

Referring to Figure 3. above, it can be observed that the coordinate points are scattered irregularly and do not collect in one place or do not form a specific pattern. So, it might be determined that there are no signs of heteroscedasticity

in this regression model, and it can be used as a predictive tool for changes in net profit.

d. Autocorrelation Test

Table 4. Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,964[a]	0,929	0,915	0,65955	1,903

Source: Data Processed, 2025

The Durbin-Watson technique is used in this research's autocorrelation test. Referring to Table 4 above, it is observable that the DW value is 1.903. Furthermore, the DU value can be calculated by looking at the DW table; the sample in this study amounted to 52 (n = 52) with five independent variables (k = 5), so that DU = 1.7694 and 4-DU = 2.2306. So, the results obtained DU < DW < 4-DU or 1.7694 < 1.903 < 2.2306; for this reason, it can be identified that this regression model data avoids autocorrelation.

Multiple Linear Regression Analysis

Table 5
Multiple Linear Regression Analysis Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,100	0,209		5,261	0,000
	X1_CR	0,046	0,030	0,213	1,539	0,136
	X2_ITO	0,014	0,009	0,137	1,652	0,111
	X3_NPM	-0,053	0,376	-0,014	-0,141	0,889
	X4_BYO	0,370	0,045	0,845	8,251	0,000
	X5_EAR	-1,044	0,427	-0,349	-2,442	0,022

a. Dependent Variable: NET_PROFIT_CHANGE

Source: Data Processed, 2025

Referring to Table 5 above, the following formula is obtained:

$$\mathbf{Y = 1.100 + 0{,}046X_1 + 0{,}014X_2 - 0{,}053X_3 + 0{,}370X_4 - 1{,}044X_5}$$

The constant value based on the formula above is obtained at 1,100, which means that if the independent variables such as Current Ratio (CR), Inventory Turnover (ITO), Net Profit Margin (NPM), Operating Costs (BYO), also Equity to Asset Ratio (EAR) remain or do not change, there will be an increase in net profit changes of 1,100.

The coefficient of the Current Ratio (CR) for variable X 1 is 0.046, which implies that when the other independent factors are consistent, every 1% increase in this variable will potentially increase the change in net profit by 0.046. In other words, there is a positive influence on the Current Ratio (CR) on changes in net income; the more the value of the Current Ratio (CR) increases, the more changes in net income.

The Inventory Turnover (ITO) coefficient for variable X 2 is 0.014, which implies that when the other independent factors are consistent, every 1% increase

in this variable will potentially raise the shift in net profit by 0.014. In other words, there is a positive influence on inventory turnover (ITO) with changes in net income; the more the value of inventory turnover (ITO) increases, the more changes in net income there are.

The coefficient of Net Profit Margin (NPM) for variable X 3 is -0.053, which implies that when the other independent factors are consistent, every 1% increase in this variable will cause a decrease in net profit change of 0.053. In other words, there is a negative effect on the Net Profit Margin (NPM) with changes in net income; a decrease follows the increasing value of Net Profit Margin (NPM) in changes in net income

The coefficient of Operating Expenses (BYO) for variable X 4 is 0.370, which means that when the other independent factors are consistent, every 1% increase in this variable will increase net profit changes by 0.370. In other words, there is a positive influence on Operating Costs (BYO) with changes in net income; the more the value of Operating Costs (BYO) increases, the more changes in net income.

The coefficient of the equity-to-asset ratio (EAR) for variable X 5 is -1.044, which means that when the other independent variables are consistent, every 1% increase in this variable decreases the net profit by 1.044. In other words, the equity-to-asset ratio (EAR) hurts changes in net income; a decline in net income accompanies the increasing value of the equity-to-asset ratio (EAR).

Hypothesis Test

a. F Test (Simultaneous)

Table 6
F Test Results (Simultaneous)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7,815	5	1.563	26,202	0,000[b]
	Residuals	1,491	25	0,060		
	Total	9,307	30			

Source: Data Processed, 2025

The outcome of the F test in Table 6 acquired the value of F count 26.202. Furthermore, as seen in the F table with dk numerator or k = 5 and dk denominator or (n-k-1) = (52-5-1) = 46 with a significance limit of 5%, the F table is 2,42. With this, the value of $F_{count} > F_{table}$ or 26,202 > 2,42, and the significant value obtained is 0.000 < 0.05. Therefore, it may be established that CR, ITO, NPM, BYO, and EAR significantly and simultaneously impact changes in net income.

b. Test t (Partial)

Table 7

Results of the Test (Partial)

Model		Unstandardized Coefficients	Sig.
		B	
1	(Constant)	1,100	0,000
	X1_CR	0,046	0,136
	X2_ITO	0,014	0,111
	X3_NPM	-0,053	0,889
	X4_BYO	0,370	0,000
	X5_EAR	-1,044	0,022

Source: Data Processed, 2025

The Current Ratio (CR) regression coefficient is 0.046, and the significance level is 0.136, which means it exceeds the significance limit of 0.05. Therefore, the conclusion is that the Current Ratio (CR) has a positive but insignificant impact on changes in net income.

Inventory Turnover (ITO) regression coefficient is 0.014, and the significance level is 0.111. This indicates that it exceeds the significance limit of 0.05. Therefore, the conclusion can be drawn is that Inventory Turnover (ITO) has a positive but insignificant influence on changes in NET income.

The regression coefficient of the Net Profit Margin (NPM) is -0.053, and the significance level is 0.889, which indicates that it exceeds the significance limit of 0.05. Therefore, the conclusion can be drawn that net profit margin (NPM) has a negative and insignificant influence on a shift in net income.

The regression coefficient of Operating Expenses (BYO) is 0.370, and the significance level is 0.000, which indicates that it does not exceed the significance limit of 0.05. Therefore, the conclusion that can be drawn is that Operating Expenses (BYO) positively and significantly influence the shift in net income.

The equity-to-asset ratio (EAR) regression coefficient is -1.044, and the significance level is 0.022, which means it does not exceed the significance limit of 0.05. Thus, it is possible to conclude that fluctuations in net income are significantly impacted negatively by the Equity Asset Ratio (EAR).

Test Coefficient of Determination (R^2)

Table 8.

Results of the Coefficient of Determination (R^2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,964[a]	0,929	0,915	0,65955	1,903

Source: Data Processed, 2025

In Table 8. above, it may be identified that the level of the Adjusted R Square coefficient obtained is 0.915 or 91.5%, which means that changes in net income of 91.5% are influenced by independent variables such as Current Ratio (CR), Inventory Turnover (ITO), Net Profit Margin (NPM), Operating Expenses (BYO), and Equity to Asset Ratio (EAR) so that the independent variables are classified as significantly impacting the dependent variable. The remaining 8.5% (100% - 91.5%) depends on additional independent factors not part of the study model.

DISCUSSION

Effect of Current Ratio (CR) on Net Income Changes

The findings of the Analysis test in this research conclude that the current ratio has a positive but insignificant impact on changes in net income. The sig value evidences this condition at 0.136, which exceeds the significance limit of 0.05. Thus, H0 is accepted, and H1 is rejected, or the current ratio shows a positive connection to modifications in net income, but the effect is insignificant.

A high current ratio does not always reflect the efficient use of current assets. If current assets are not appropriately managed, for example, there is an accumulation of inventory, then even though the CR is high, it does not contribute significantly to increasing profits. To maintain the quality of the accumulated data, the company will make more expenditures to pay its obligations so that it does not affect profits (Prastya & Agustin, 2018). This conclusion agrees with Oktaviansah et al. (2023), where the current ratio has a positive but insignificant influence on changes in profit. Contrary to Indriyani and Setyowati (2023), who concluded that this variable significantly affects profit changes.

The Effect of Inventory Turnover (ITO) on Changes in net Income

The findings of the Analysis test in this research conclude that inventory turnover has a positive but insignificant impact on changes in net income. The sig shows this condition. 0.111, which exceeds the significance limit of 0.05. Therefore, H0 is accepted, and H1 is rejected, or inventory turnover shows a positive relationship with changes in net profit, but the effect is insignificant.

A high inventory turnover value means the inventory rotates faster in that one year. In other words, the company's inventory turnover effectively increases profits. On the other hand, the high value of inventory turnover does not mean that the change in profit is also high; if inventory control is considered ineffective, it can result in not being able to sell all of the inventory quickly so that the funds rotate longer.

This conclusion strengthens the study of Ratnasiwi & Idris (2022), where inventory turnover has a positive but insignificant impact on profit changes. Contrary to Utari (2023), who concluded that this variable significantly affects profit changes.

The Effect of Net Profit Margin (NPM) on Changes in Net Income

The findings of the Analysis test in this research conclude that net profit margin has a negative and insignificant effect on changes in net income. The sig value evidences this condition. 0.889, which exceeds the significance limit of 0.05. Thus, H0 is accepted, and H1 is rejected, or the net profit margin has no influence on changes in net income.

The profit generated by the company through sales that have not been optimized or the lack of efficiency in efforts to achieve profit during a period results in the net profit margin not finding any effect on changes in profit (loss). Profits that tend to increase can be achieved by increasing sales volume because if sales figures increase, profits will also be significant, and vice versa. This conclusion reinforces the study by Indriyani and Setyowati (2023), where the net profit margin does not impact profit changes. Contrary to Dewi and Muslimin

(2021), who concluded that this variable has a significant impact on modifications in earnings.

Effect of Operating Expenses (BYO) on Changes in Net Income

The findings of the Analysis test in this research conclude that operating costs have a positive and significant effect on changes in net profit. The sig shows this condition. 0.000 means the value is less than the significance limit of 0.05. Thus, H0 is rejected, and H1 is accepted, or operating costs significantly affect changes in net profit.

Companies that can reduce operating costs and control them without sacrificing product quality will tend to increase profitability. This is because efficiency in managing operational costs makes it possible to maximize profit margins (Rahmawati et al., 2021).

This conclusion strengthens the research carried out by Pazriansah et al. (2025), which shows that operating costs significantly affect changes in profit. This is contrary to Putri & Suzan (2021), who concluded that this variable had no impact on the shift in profit.

Effect of Equity to Asset Ratio (EAR) on Net Income Changes

The findings of the Analysis test in this research conclude that the equity-to-asset ratio has a negative but significant influence on changes in net income. The sig shows this condition. 0.022, which is less than the significance limit of 0.05. Thus, H0 is rejected, and H1 is accepted, or the equity-to-asset ratio significantly affects changes in net income.

Due to its high value, the equity-to-asset ratio can have a negative but significant effect on changes in net income. This illustrates that the company is more dominant in utilizing equity than debt to finance its assets. While this strategy may reduce financial risk, underutilizing debt limits the company's opportunity to increase profitability through leverage.

As a result, net profit growth can be hampered. The conclusions obtained strengthen the study by Monic et al. (2018) in Paul (2021), where the equity-to-asset ratio affects changes in profit. Contrary to Ramadhanti (2025), who concluded that this variable has no impact on changes in profit.

CONCLUSION AND RECOMMENDATION

For food and beverage manufacturing business indexed on the Indonesia Stock Exchange in 2022–2023, the current ratio (CR) has a slight but beneficial impact on changes in net profit. For food and beverage manufacturing businesses indexed on the Indonesia Stock Exchange in 2022–2023, Inventory Turnover (ITO) has a positive but negligible impact on changes in net profit. For food and beverage manufacturing businesses indexed on the Indonesia Stock Exchange in 2022–2023, net profit margin (NPM) has a negative but negligible impact on changes in net profit.

For the food and beverage manufacturing businesses indexed on the Indonesia Stock Exchange in 2022–2023, operating expenses (BYO) positively and significantly influence the shift in net profit. The equity-to-asset ratio (EAR) has a considerable but negative influence on the shift in net profit.

Based on the study findings, it is recommended that manufacturing businesses in the IDX-indexed food and beverage subsector pay more attention to operational cost factors and capital structure in their financial strategy. Given that operating costs positively and significantly influence changes in net income, businesses can optimize cost budget management to remain efficient without sacrificing production quality. On the other hand, since the high equity-to-asset ratio (EAR) negatively impacts net profit, companies should balance equity and debt to utilize leverage to increase profitability optimally. In addition, although the Current Ratio (CR), Inventory Turnover (ITO), and Net Profit Margin (NPM) do not show a significant effect, companies still need to maintain liquidity, inventory turnover efficiency, and profitability so that financial performance remains stable and sustainable.

ADVANCED RESEARCH

This study has several limitations, including its focus on a specific sector (food and beverage) and a limited time frame (2022-2023), which may restrict the generalizability of the findings to other industries or periods. Additionally, relying on secondary data from financial statements may overlook qualitative factors influencing financial performance, such as management practices or market conditions. Future research could expand the scope by including multiple sectors, extending the time frame, and incorporating primary data through interviews or surveys to gain deeper insights into managerial strategies and external factors. Furthermore, exploring additional financial ratios or external variables, such as economic indicators or competitive dynamics, could provide a more comprehensive understanding of the determinants of financial performance.

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