

## THE INFLUENCE OF CURRENT RATIO, RECEIVABLE TURNOVER AND DEBT TO EQUITY RATIO TOWARD NET PROFIT MARGIN OF CONSUMER GOODS INDUSTRIES

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### Abstract

The most important goal for a business to achieve is profit maximization. A company with strong financial performance will draw investors to invest. In order to maintain a good financial performance, company must manage well its finance and operational cost. The research is conducted to analyze the influence of Current Ratio, Receivable Turnover and Debt to Equity Ratio toward Net Profit Margin of Consumer Goods Companies listed on the Indonesia Stock Exchange for the period 2018-2021. The quantitative approach will be used in this study's research design. The research quantitative data is the secondary data acquired from the financial year reports of Consumer Goods Companies listed on the Indonesia Stock Exchange from year 2018 to 2021. With purposive sampling technique, 31 companies out of 78 companies in the population are chosen as the sample for this research. SPSS Version 25 is used to compute the multiple linear regression model of this research. The research's result shows that Current Ratio partially has insignificant influence towards Net Profit Margin. Receivable Turnover partially has insignificant influence towards Net Profit Margin. Debt to Equity Ratio partially has insignificant influence towards Net Profit Margin. Current Ratio, Receivable Turnover and Debt to Equity Ratio simultaneously have insignificant influence towards Net Profit Margin.

Keywords: Current Ratio, Receivable Turnover, Debt to Equity Ratio, Net Profit Margin

### Abstrak

Tujuan terpenting dalam sebuah bisnis adalah maksimalisasi keuntungan. Perusahaan dengan kinerja keuangan yang kuat akan menarik investor untuk berinvestasi. Untuk mempertahankan kinerja keuangan yang baik, perusahaan harus mengelola keuangan dan biaya operasionalnya dengan baik. Penelitian ini dilakukan untuk menganalisis pengaruh Current Ratio, Receivable Turnover dan Debt to Equity Ratio terhadap Net Profit Margin Perusahaan Consumer Goods yang terdaftar di Bursa Efek Indonesia periode 2018-2021. Data kuantitatif penelitian merupakan data sekunder yang diperoleh dari annual report Perusahaan Barang Konsumsi yang terdaftar di Bursa Efek Indonesia dari tahun 2018 sampai dengan tahun 2021. Dengan teknik purposive sampling, dipilih 31 perusahaan dari 78 perusahaan sebagai sampel untuk penelitian ini. SPSS Versi 25 digunakan untuk menghitung model regresi linier berganda dari penelitian ini. Hasil penelitian menunjukkan bahwa Current Ratio secara parsial berpengaruh tidak signifikan terhadap Net Profit Margin. Perputaran Piutang secara parsial berpengaruh tidak signifikan terhadap Net Profit Margin. Debt to Equity Ratio secara parsial berpengaruh tidak signifikan terhadap Net Profit Margin. Current Ratio, Receivable Turnover dan Debt to Equity Ratio secara simultan berpengaruh tidak signifikan terhadap Net Profit Margin.

Kata kunci: Rasio Lancar, Perputaran Piutang, Rasio Utang terhadap Ekuitas, Margin Laba Bersih

## 1. INTRODUCTION

Modern globalization and technological advancement have had an impact on economic growth. Therefore, companies must carry out their operational activities effectively and efficiently. In order to meet the company's objectives to maximize profit in order to preserve its viability and expand its business size, companies must constantly remain one step ahead of their rivals. Every company generally uses financial performance measurement to assess the success that has been achieved, for example in generating profits, increasing sales, maximizing share value, and increasing the welfare of shareholders. Intense business competition requires companies to continue to develop innovations, improve their performance and expand their business in order to continue to survive and compete. Despite that, not all companies are able to make profit from their operations, and some companies even continue to experience losses.

It is possible to determine whether a company is healthy by looking at its ability to meet its financial responsibilities, carry out operational tasks, and expand its business in any type of

economic environment. To measure the company's strengths and weaknesses, especially in the financial sector, an analysis of financial statements is carried out, in which of course is not only useful for the internal management of the company but can also be used as a benchmark for investors. Financial reports that have been analyzed are very much needed by company leaders or management to be used as a further decision-making tool for the future. The financial report is a tool used to communicate information to interested parties, particularly creditors, investors, and the company's management. It records and summarizes all business activity. An examination of financial statements is required to delve deeper into the data in a financial report. If the information is presented properly, it can be highly helpful to the business in making decisions and assessing its performance (Maryono, 2017).

The most important goal for a business to achieve is profit maximization. In order to make financial decisions, a financial manager must comprehend the financial situation, which is one approach to assess the success of the company over a given time period. Owners and management prioritize making a profit as one of their top priorities. The goal of starting a business is to turn a profit; if the business succeeds in doing so, it has accomplished its objectives (Kasmir, 2018).

A company with strong financial performance will draw investor to invest. In order to maintain a good financial performance, company must manage well its finance and operational cost. One of the most important benefits of financial statement analysis for investors is to find out the net income of a company. To see whether a business is prospective or not, investors need valid net income data. Financial statements are valid data that can be used as a benchmark for evaluating a business. The level of net profit obtained by the company is the profit after deducting all the company's operating expenses, the level of net profit greatly affects the rate of profit growth. The level of capital usage efficiency can demonstrate how effectively a corporation uses capital to maximize profit. The amount of assets that the company owns has a significant impact on its level of profit. As a result, the company's assets have the potential to influence sales, which will directly effect company earnings (Anggriani & Hasanah, 2017).

To assess the company's financial performance, financial statements are analyzed. The financial statement is typically examined using financial ratios. Financial ratios including liquidity ratios, leverage ratios, efficiency ratios, profitability ratios, and market value ratios can all be used to gauge how well a company is doing financially. Ratio analysis enables financial managers and interested parties to assess the financial status, which will show how a company is doing financially and how healthy it is. In order to evaluate the efficacy and efficiency of the company, ratio analysis also links the components of the plan and the computation of profit and loss.

Using comparisons of data from a company's balance sheet, income statement, and cash flow statements over a given time period, financial ratio analysis is a tool used to evaluate a company's performance. The analysis' results are then presented to management in order to inform decisions or policies for the following period. The balanced scorecard, a method to assess a company's performance and the efficacy of its strategy for gaining an advantage over competitors, are also included in financial analysis. This activity is directed not just at the management but also at other stakeholders like creditors or investors. They use financial ratio analysis as a tool to determine whether a company is healthy enough to be managed with investment or loan cash.

One of the industrial sectors that occasionally experiences growth is the Consumer Goods Industry. This is due to the pressing requirement for the consumer products sector to meet everyone's basic necessities and assure their existence on a global scale. In this pandemic era, Indonesia's economic growth is also affected quite significantly. One industry that is able to maintain the level of the economy in Indonesia is the consumer goods. Consumer Goods industry

can improve the economy during this pandemic because all people still need consumption every day.

Consumer Goods Industry have a vital role because it greatly influences the economic growth of a country. As a result, financial ratio analysis must be carried out in this sector to enable financial managers and interested parties to assess the financial situation, which will reveal a company's state of health. In order to evaluate the efficacy and efficiency of the company, ratio analysis also links the plan's components to the computation of profit and loss.

The financial ratios that writer used in this research are Current Ratio which represents liquidity, Receivable Turnover which represents efficiency, Debt to Equity Ratio which represents solvency, and Net Profit Margin which represents profitability. In this study, the influence of the Current Ratio, the Receivable Turnover, and the Debt to Equity Ratio toward the Net Profit Margin will be examined.

The Current Ratio (CR) gauges the company's capacity to pay its short-term commitments that are coming due shortly using all of the available current assets (Widiani, 2019). The company may not have enough cash on hand to pay off its debts that are about to become due if the Current Ratio is low. A high Current Ratio does not, however, automatically imply that a corporation is in sound financial standing. If money is not spent as effectively as it could be, this may occur.

Receivables that occur in the company must be controlled minimumly and receivable turnover quickly turn into cash so that company profits can be increased (Monica et al., 2021). A financial ratio called receivable turnover illustrates how frequently a company may turn over its accounts receivable into cash. Since account receivable represent a potential source of cash inflows for a company, a low ratio can lead to cash flow problems. Conversely, a higher accounts receivable turnover ratio means the company collects payments from customers more quickly. Thus, the company is trying to increase the receivables turnover ratio to increase revenue.

The Debt to Equity Ratio, often known as the ratio between outside capital and firm owner capital, is a measure of how much own capital guarantees all loans (Hantono, 2017). Company frequently uses debt to support the efficient execution of their operational activities. The ratio used to compare the amounts of debt and equity is called the debt to equity ratio (DER). DER is frequently used for business operations and needs to have a certain proportion. The leverage ratio or leverage ratio is something DER is aware with. In this situation, a corporate investment is frequently assessed using this ratio.

To assess the ability to generate profits the company can use the Net Profit Margin ratio. Using management's sales forecast, investors can use Net Profit Margin as a measuring tool to forecast the company's profitability for the upcoming year (Anggiyani et al., 2020). The higher the NPM in the company, investors will be encouraged to invest in the company. This is because the large NPM in the company illustrates that the company is increasingly productive.

## **2. LITERATURE REVIEW AND HYOTHESIS DEVELOPMENT**

### **2.1 Theoretical Concepts**

#### **2.1.1 Signaling Theory**

One of the foundational theories for comprehending financial management is the signaling theory. In general, the signal is defined as a signal sent to third parties (investors) by the company (management). These signals can appear in a variety of ways, including some that can be seen immediately and those that require more investigation to understand. Any form or kind of signal that which is sent out is meant to imply something in the hopes that the market or other parties would influence how much the company is valued. This means that the chosen signal must have the informational strength (information content) to be able to alter the way that the company's external stakeholders perceive it.

The explanation of why one signal is extremely important or useful while another signal is useless is generally the focus of signaling theory. Signal theory looks at how a signal links to the characteristics it reflects and what characteristics of the signal or its environment keep it credible and alluring. This theory also takes into account what will happen if the signal is not completely convincing or the amount of ambiguity that can be absorbed before the signal becomes completely meaningless.

In the literature on economics and finance, signaling theory is used to explicitly demonstrate evidence that parties within the company (corporate insiders, which include officers and directors) typically have better knowledge about the current state and prospects of the company than outside parties, such as investors, creditors, the government, or even shareholders. In other words, the corporation has an advantage over outside parties who have an interest in the company in terms of information mastery. The term "symmetric information" refers to the circumstance in which managers and investors have comparable or equivalent knowledge of a company's prospects. Asymmetric information refers to the circumstance where managers have different (better) knowledge about a company's prospects than do investors. (Brigham & Houston, 2019)

### 2.1.2 Net Profit Margin

According to Sari (2020), Net Profit Margin is a ratio seeks to gauge the high proportion of net profit to net sales. When comparing net income to net sales, this ratio is employed. The more net profit made from net sales, the larger the net profit margin. The high profit before income tax may be the cause of this. Due to low profit before income tax, the smaller the net profit margin, the lower the net profit earned from net sales (Martius, 2018).

The net profit margin determines the amount of the company's ability to make a profit (profitability) at a particular level of sales, assets, and share capital. A company's productivity will increase with higher NPM, improving investor confidence to invest in the company (Amelia & Gulo, 2021).

The NPM ratio can be used by the company to evaluate its capacity to produce profits. Using management's sales projections, investors can use Net Profit Margin as a measuring tool to forecast the company's profitability for the coming year. Investors will be enticed to invest in the company the higher the NPM. This is due to the company's large NPM, which shows that it is more productive.

### 2.1.3 The Purpose and Function of Net Profit Margin

According to Maryono (2017), The Net Profit Margin (NPM) is used for a variety of purposes, not just by business owners or management but also by other parties with connections to and interests in the company.

According to Kasmir (2018), the purpose and function of the Net Profit Margin ratio for the company, as well as for parties outside the company are as follows :

1. To determine or estimate the company's earnings for a specific time period
2. To compare the company's present earnings situation to its previous year's profit position.
3. To evaluate the evolution of profits over time.
4. To calculate the amount of net profit after tax using own funds.
5. To determine both loan capital and own capital that were used to calculate the productivity of all company funds.
6. To evaluate the effectiveness of any corporate resource that is either employed as own capital or for other reasons.

Net Profit Margin has advantages for parties outside of the company as well, particularly for those who have connections to or interests in the company. These advantages are not just for business owners or management. According to Kasmir (2018) the benefits obtained are :

1. To know the company's amount of profit within a particular time period.
2. To know the difference between the company's current and previous year's profit position.
3. To know the periodically development of profit.
4. To know the net profit made using own capital after taxes.
5. To know the both loan capital and company-owned capital that were utilized to determine the productivity of all firm money.

The utilization of the Net Profit Margin ratio, according to the explanation provided above, is intended to contrast the net income the company generated in the previous year with the current year. Finding out the company's potential net profit is also advantageous.

#### **2.1.4 Factors that Affect Net Profit Margin**

Net income has the biggest impact on Net Profit Margin. As net income is a resource generated through the company's operating activities, it is crucial for the continuation of a corporation. The performance of a corporation is frequently measured using net income. According to Kasmir (2018), the factors that affect Net Profit Margin are as follows :

1. **Current Ratio**  
If the company decides to set up working capital, the likelihood of making sizable profits will also drop, which will have an effect on profitability. On the other hand, the company's liquidity position will probably be affected if it aims to optimize profits, determining the extent to which the business can pay its long-term debts that will mature in comparison to short-term liabilities that are due in a year.
2. **Sales Growth**  
The rising sales from one year to the next or occasionally.
3. **Inventory Turnover Ratio**  
The faster the inventory turnover is, the better because it is thought that sales activities are accelerating and that this will make it easier to create profits. Therefore, if the inventory turnover is quicker, this will have a good impact on profitability.
4. **Receivable Turnover Ratio**  
A ratio that demonstrates how effectively a corporation manages its receivables; the higher the ratio, the higher the profitability will be, and vice versa.
5. **Working Capital Turnover Ratio**  
A working capital to sales ratio will display the number of sales that the business may generate in rupiah for each working capital.

#### **2.1.5 The Measurement of Net Profit Margin**

Net profit after tax on sales is measured by Net Profit Margin. The better a corporation operates, the larger its Net Profit Margin. According to Ermaini, Suryani, Sari, and Hafidzi (2021), the formula used to calculate Net Profit Margin is as follows :

The value of Net Profit Margin increases when Net Sales increase and Net Profit grows. On the other hand, if the Net Profit Margin is lower, less net profit was generated from net sales. If the calculation yields a result more than 5%, the business is said to have a healthy net profit margin. The more this net worth increases, the more effective the corporation is at deciding the selling price of its goods.

## **2.2 Current Ratio**

According to Sari (2020), Current Ratio which is determined using all of the current assets the company had during the reporting period, is a measure of a firm's capacity to fulfill or pay short-term obligations or debts that are approaching their due dates. Alternatively, this current ratio demonstrates the amount of total assets or current assets the company has available

to meet its immediate obligations. By comparing the company's current assets with its current liabilities that must be paid, the current ratio is determined.

Current Ratio can be used to gauge a company's level of financial security (margin of safety). A suitable current ratio benchmark is 200% or 2:1. In terms of the company's ability to manage its short-term finances, the magnitude of this ratio is seen as a fairly excellent or satisfactory assessment. However, these guidelines are not rigid requirements that every firm must adhere to because in addition to the current ratio norm, businesses must also consider other aspects and gauge their performance against the industry standard for companies that are similar to their own.

The chance that a firm will not meet its short-term obligations is reduced by the greater its CR, and as a result, the risk that shareholders must bear is also smaller. A high CR value of a company will lessen investor uncertainty, but it also suggests that there is idle capital present, which will lower the degree of company profitability. Due to an unfavorable distribution of current assets, such as a sizable quantity of uncollectible receivables or a high level of inventory, a company with a high current ratio does not necessarily ensure that its outstanding debts will be paid.

### 2.2.1 The Purpose and Function of Current Ratio

Current Ratio seeks to gauge a company's capacity to fulfill its short-term obligations. Numerous parties with an interest in the corporation can benefit greatly from the current ratio. Owners and management of the organization are interested parties who want to evaluate their own skills. Then, parties outside of the firm may also have interests, such as the company's creditors or money sources, such as banks, or distributors or suppliers who sell or distribute goods and receive payments from the company directly. Therefore, Current Ratio is beneficial to both parties inside and outside of the company. According to Kasmir (2018), the purpose and function of Current Ratio are as follows :

1. To evaluate the company's ability to pay short-term debts that are billed at the due date. The company's capacity to pay short-term obligations using all of its present assets.
2. To calculate the company's current assets, excluding inventories and receivables, and gauge its capacity to fulfill short-term obligations. In this scenario, inventory or debts that are thought to have less liquidity reduce current assets.
3. To calculate or make a comparison between the company's working capital and the quantity of current inventory.
4. To determine the amount of money that is available to pay down debt.
5. To compare the liquidity of the company over various time periods in order to periodically assess its state and position.
6. To identify the company's weaknesses by looking at each element of current assets and current liabilities.
7. To develop into a catalyst for management to enhance its performance through examination of the current liquidity ratio.

The company's ability to meet its obligations to third parties can be evaluated using the current ratio by parties outside the company, including creditors, investors, distributors, and the general public. Creditors will have assurances to offer more loans if they can demonstrate their ability to pay. The ability to pay then facilitates the distributor's choice to approve the sale of goods in installments. This indicates that there is a guarantee that the loan can be paid back on time (Maryono, 2017).

### 2.2.2 Factors that Affect Current Ratio

Several factors can influence the Current Ratio. The current ratio may decrease if a company sells marketable securities that are categorized as current assets and uses the money raised to finance the purchase of many other businesses or for other purposes.

According to Brigham & Houston (2019), several factors that affect current ratio are as follows :

1. Current Assets, which consists of cash, marketable securities, inventory and account receivable.
2. Current Liabilities, which consists of account payable, short-term notes receivable, maturities of less than one year and tax accruals.

### 2.2.3 The Measurement of Current Ratio

Current ratio is used to measure the company's ability to pay current liabilities that must be met immediately with its current assets. According to Ermaini, Suryani, Sari, and Hafidzi (2021), Current Ratio is calculated by the formula :

A high current ratio typically denotes a very strong, secure liquidity position; however, it may also mean that the company has too much outdated inventory that must be written down and too many outdated accounts receivable that could become bad debts. Alternatively, a high current ratio could point to inefficient asset management if the company has excessive amounts of cash, receivables, and inventory in comparison to its sales. Therefore, it is always vital to carefully review the entire set of ratios before making a determination regarding how well the company is performing (Brigham & Houston, 2019).

## 2.3 Receivable Turnover

According to Sari (2020), Receivable Turnover is a ratio used to determine how frequently cash is deposited into accounts receivable within a given reporting period. This ratio is determined by comparing the volume of credit sales to the average amount of trade receivables. The state of the company's receivables turnover is pretty strong as seen by the greater receivables turnover ratio and lower working capital contained in accounts receivable. On the other hand, if the ratio of working capital to accounts receivable is higher and the receivables turnover is lower, this suggests that the company's receivables turnover is not in good condition.

Receivable turnover demonstrates how well a company manages its receivables; hence, a company's profitability will benefit from a rapid turnover of its receivables, and vice versa. On the other hand, the shorter the credit payment period, the faster the working capital will be tied up in receivables, resulting in a greater turnover of working capital in accounts receivable. To assess the management of a company from its estimated receivables, it can be done by calculating financial ratio analysis correctly. To find out how much receivables occur that can be disbursed in each period, it is necessary to measure receivables turnover. The company's terms of payment determine the turnover rate of its receivables; the longer the payment period, the longer the funds are attached to the receivables, and vice versa.

### 2.3.1 The Purpose and Function of Receivable Turnover

Some purpose and functions of receivable turnover are as follows :

1. To know how long it takes to collect receivables during a certain period.
2. To know the average receivable collection.
3. To know how many times the funds that have been invested in fixed assets rotate in one period.
4. To know the use of all company assets with sales.

Some benefits derived from accounts receivable turnover ratio are as follows :

1. To know how long receivables can be collected during a period and find out how many times the funds were invested during one period.
2. To know how many times the funds invested in working capital rotate in one period.
3. To know the amount of uncollectible receivables.

### 2.3.2 Factors that Affect Receivable Turnover

According to Munawir in Siregar (2021), (Siregar, 2021) factors that can affect the increase or decrease in receivables turnover are influenced by :

1. The decline in sales was followed by a decrease in the average receivables in a larger amount.
2. Increase in sales with a fixed average receivables.
3. The decline in the average receivables and followed by a decrease in sales in a larger amount.
4. The decline in average receivables while sales did not change.
5. Increase in sales and decrease in average receivables.

### 2.3.3 The Measurement of Receivable Turnover

Receivable turnover is calculated to measure the number of times receivables can be converted by the company into cash. According to Ermaini, Suryani, Sari, and Hafidzi (2021), Receivable Turnover is calculated by the formula :

Average Account Receivable can be calculated by the formula :

The management of a company's accounts receivable is improving if a business has a high turnover of accounts receivable, account receivable turnover can be raised by tightening credit sales procedures, such as by cutting the length of time it takes to pay for credit.

## 2.4 Debt to Equity Ratio

According to Sari (2020), the ratio used to calculate the percentage of debt to capital is called the Debt to Equity Ratio. This ratio is determined by comparing the total debt to the entire equity. Calculating this ratio serves the goal of comparing the quantity of money coming from creditors to the amount coming from the business's owner. The amount of owner capital that can be utilized as debt security decreases as the debt to equity ratio increases.

The Debt to Equity Ratio is a measure of financial leverage that is regarded as a financial variable because it potentially reveals a company's ratio and how it affects stock price volatility. The profitability of the company is negatively impacted by a high debt-to-equity ratio since higher debt levels result in higher interest costs, which lower profits.

According to Kasmir in Amelia & Gulo (2021), the ratio used to evaluate debt to equity is called the Debt to Equity Ratio (DER). By contrasting all debt, including current debt, with all equity, this ratio can be calculated. Knowing the quantity of money provided by the borrower (creditor) compared to the business owner is possible thanks to this ratio.

### 2.4.1 The Purpose and Function of Debt to Equity Ratio

According to Samryn in Maryono (2017), the purpose and function of Debt to Equity Ratio are as follows :

1. To analyze the success of the company in spending its assets. The first problem can be identified using the solvency of the balance sheet, and the second can be identified using the ratios based on the income statement.
2. To analyze the company's ability to generate profits to cover fixed expenses related to the use of funds originating from non-owners, including the use of funds to pay off bond interest and repay loan principal.



Leverage ratio, often known as the Debt to Equity Ratio, is a metric used to determine how much of a company's assets are financed by debt. This basically means that the Debt to Equity Ratio is used to assess the company's capacity to pay off all of its current and future debt obligations in the event that it is dissolved.

#### **2.4.2 Factors that Affect Debt to Equity Ratio**

According to Maryono (2017), factors that affect Debt to Equity Ratio are as follows :

1. **Operating Leverage**  
Operating leverage or operating leverage is the use of company assets or operations accompanied by fixed costs.
2. **Liquidity**  
The liquidity ratio is a ratio used to assess a company's capacity to settle recently matured short-term debt..
3. **Assets Structure**  
Some of the total assets that can be utilized as collateral assets are described in the asset structure (Collateral Value of Assets).
4. **Company Growth**  
A company in a sector with rapid growth must have enough money to support that growth. Companies that expand quickly typically use more debt than those that expand slowly.
5. **Price Earning Ratio**  
The Price Earnings Ratio (PER) compares a stock's market value to its company's earnings per share (EPS).
6. **Profitability**  
Companies with strong returns on investment will use relatively little debt, according to Brigham and Houston (2001). The high rate of return enables the majority of the financial requirements to be met using internally generated cash. Companies with large earnings will use little debt, and the opposite is true.

#### **2.4.3 The Measurement of Debt to Equity Ratio**

Debt to Equity is evaluated using the Debt to Equity Ratio. This ratio is determined by comparing all debt, including current debt, with total equity. According to Ermaini, Suryani, Sari, and Hafidzi (2021), the formula to calculate Debt to Equity Ratio is as follows :

The general stipulation is that the debt to equity ratio should be less than 0.5 and not a fixed rule, but again that the safe value provisions depend on each type of industry. The profitability of the company is negatively impacted by a high Debt to Equity Ratio since higher debt levels result in higher interest costs, which lower profits. A low Debt to Equity Ratio, on the other hand, denotes superior performance because it results in a higher rate of return.

## **2.5 Hypothesis Development**

### **2.5.1 Influence of Current Ratio toward Net Profit Margin**

A company's ability to pay off short-term obligations that are billed in full and are due right away is measured using the Current Ratio. The Current Ratio affects the Net Profit Margin if the company has a sizable holding of current assets and is supported by effective management. The ability of the corporation to meet short-term obligations increases as the ratio of current

assets to current liabilities rises. As a result, the Net Profit Margin shows that the company is growing more lucrative if its costs and liabilities are under control.

According to the previous research which is conducted by Sudirman, Abdullah, and Obie (2020), the Current Ratio has a significant positive influence toward Net Profit Margin. On the other hand, the research conducted by Maryono (2017) shows that Current Ratio has a significant negative influence toward Net Profit Margin. However, the research conducted by Gaol, Sianturi, Romestika, Nasution and Hutahaeon (2021) shows that Current Ratio has insignificant influence toward Net Profit Margin.

As a result, the first hypothesis of this research is :

**H<sub>1</sub> = Current Ratio partially has significant influence towards Net Profit Margin of Consumer Goods Companies listed on the Indonesia Stock Exchange**

### **2.5.2 Influence of Receivable Turnover toward Net Profit Margin**

Receivable turnover is a ratio that describes how much the company is able to manage its receivables to generate sales. If receivables turnover has increased it will also increase the company's profit. Where with a fast receivable's turnover, it shows the effectiveness of collection of receivables from credit sales will increase so that the risk of bad debts will be less, with the effectiveness of collection of receivables, the income will increase. With the increase in revenue, it will increase the profit that will be obtained by the company. If the receivables turnover increases then sales will increase, with the increase in sales it will increase profits, with increasing profits it will increase the Net Profit Margin.

According to the previous research which is conducted by Anggiyani, Pratiwi and Laksana (2020) and Hasan & Grave (2021), the Receivable Turnover has a significant positive influence toward Net Profit Margin. On the other hand, the research conducted by Sinaga (2017) shows that Receivable Turnover has a significant negative influence toward Net Profit Margin. However, the research conducted by Martius (2018) shows that Receivable Turnover has insignificant influence toward Net Profit Margin.

As a result, the second hypothesis of this research is :

**H<sub>2</sub> = Receivable Turnover partially has significant influence towards Net Profit Margin of Consumer Goods Companies listed on the Indonesia Stock Exchange**

### **2.5.3 Influence of Debt to Equity Ratio toward Net Profit Margin**

The degree to which the company achieves its desired Net Profit Margin will be impacted by both high and low Debt to Equity Ratio. Loans and other forms of debt will be more successful at creating profits (raising return on equity) if the cost of borrowing (cost of debt) is lower than the cost of equity (cost of equity); and vice versa. Profitability will improve along with a low Debt to Equity Ratio in companies with expanding profits, strengthening the relationship between them.

According to the previous research which is conducted by Anggraini & Hasanah (2017), the Debt to Equity Ratio has a significant positive influence toward Net Profit Margin. On the other hand, the research conducted by Amelia & Gulo (2021) shows that Debt to Equity Ratio has a significant negative influence toward Net Profit Margin. However, the research conducted by Koto (2017) shows that Debt to Equity Ratio has insignificant influence toward Net Profit Margin.

As a result, the third hypothesis of this research is :

**H<sub>3</sub> = Debt to Equity Ratio partially has significant influence towards Net Profit Margin of Consumer Goods Companies listed on the Indonesia Stock Exchange**

## **3. RESEARCH METHODOLOGY**

### **3.1 Population and Sample**

According to Sugiono (2018), the term "population" refers to a category of things or subjects that the researcher can use to make generalizations about and investigate in order to make inferences. Population refers to all the traits and qualities that any object or subject possesses, not just the total number of objects or people being investigated. The population in each study must be stated explicitly in which the size of the population and the research area being covered. The purpose of the population is to be able to determine the size of the sample members taken from members of the population and limit the validity of the generalization area (Hardani, 2020). As a result, to collect accurate data, the defined research population must be able to meet all the relevant qualities or characteristics required. In this research, the population used by the writer are all companies of Consumer Goods Industry which are listed on the Indonesia Stock Exchange.

Sample in the sense of scientific and statistical research is a representative part of a set of research population groups. According to Sugiono (2018), the population's size and characteristics are included in the sample. The researcher can use a sample from the population if it is huge and they are unable to investigate the entire population for various reasons, such as lack of resources, manpower, or time. Sample must truly reflect the state of the population, meaning that the conclusions drawn from the research results from the sample must be a conclusion on the population. Research using sampling techniques is more profitable than using the population alone. Therefore, researchers need to consider these considerations so that in carrying out their information search they can produce representative information so that their research can be categorized as valid research (Hardani, 2020). The sampling technique used in this research is the purposive sampling. The main characteristic of this sampling technique is that the sample members are selected specifically based on the research objectives. The sampling criteria employed in this research are as follows :

1. Companies listed under Consumer Goods Industry on the Indonesia Stock Exchange.
2. Consumer Goods Companies which are not listed on the Indonesia Stock Exchange from year 2018 - 2021.
3. Consumer Goods Companies that publish complete financial year report from year 2018 – 2021.
4. Consumer Goods Companies that generates profit from year 2018 – 2021.

**Table 1 Determination of Sample**

<b>No.</b>	<b>Criteria of Sample Determination</b>	<b>Amount</b>
1.	Companies listed under Consumer Goods Industry on the Indonesia Stock Exchange	78
2.	Consumer Goods Companies which are not listed on the Indonesia Stock Exchange from year 2018 - 2021	(32)
3.	Consumer Goods Companies which do not publish complete financial year report from year 2018 – 2021	(0)
4.	Consumer Goods Companies that suffer loss from year 2018 – 2021	(15)
<b>Number of companies counted as sample</b>		<b>31</b>
<b>Total number of data sample</b>		<b>124</b>

Source : Prepared by the Writer (2022)

The table of sample determination above shows that 31 companies out of 78 companies in the population are chosen as the sample for this research. As a result, calculated with the data used is from year 2018 – 2021 which is 4 years data, the sample used in this research are 124 data in total

### 3.2 Research Model

To test the hypothesis this study regresses Net Profit Margin toward Current Ratio, Receivable Turnover and Debt to Equity Ratio using the following research model:

$$NPM_{i,t} = \alpha + \beta_1 Cri_{i,t} + \beta_2 CRI_{i,t} + \beta_3 DER_{i,t} + \varepsilon$$

The operationalisation of research variables can be summarized in the following table.

**Table 2 Operational Variables Definition and Measurement**

No.	Variable	Definition	Indicator	Scale
1.	Net Profit Margin (Y)	Net Profit Margin measures the company's ability to generate net income to total sales achieved	Net Profit Margin = $\frac{\text{Net Income}}{\text{Sales}} \times 100\%$	Ratio
2.	Current Ratio (X <sub>1</sub> )	Current Ratio is a ratio that evaluates a company's ability to fulfill immediate or short-term obligations.	Current Ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}}$	Ratio
3.	Receivable Turnover (X <sub>2</sub> )	Receivable turnover measures how frequently a company can turn over its accounts receivable into cash.	Receivable Turnover = $\frac{\text{Net Sales}}{\text{Average Account Receivable}}$	Ratio
4.	Debt to Equity Ratio (X <sub>3</sub> )	A company's ability to meet its obligations is shown by the Debt to Equity Ratio, which measures how much of the company's capital or equity is utilized to pay off debts	Debt to Equity Ratio = $\frac{\text{Total Liabilities}}{\text{Equity}}$	Ratio

Source : Prepared by the Writer (2022)

## 4. RESEARCH AND ANALYSIS

### 4.1 Descriptive Statistics

Descriptive statistics is used to determine the minimum, maximum, mean and standard deviation value of the sample in this research. The sample of this research are 31 Consumer

Goods Companies listed on the Indonesia Stock Exchange with 4 years period from 2018-2021, which indicates that there are 124 data in total. There are 30 sample that are considered outliers, which results in 94 sample after removing the outliers.

**Table 3 Descriptive Statistics Results after Outlier Removal**  
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CR	94	.73	7.20	2.5021	1.34551
RT	94	.02	15.73	7.0423	3.02174
DER	94	.15	1.82	.6883	.42468
NPM	94	.05	37.86	9.7341	7.54986
Valid N (listwise)	94				

Source : Data processed using IBM SPSS 25 by Writer (2022)

#### 4.2 Coefficient of Determination ( $R^2$ )

The coefficient of determination (R Square) or symbolized by " $R^2$ " means as the influence given by the independent variable (X) to the dependent variable (Y) (Raharjo, n.d.-b). In other words, the value of the coefficient of determination or  $R^2$  is useful for predicting and determining how big the contribution of the influence given by variable X simultaneously (together) to variable Y.  $R^2$ , which has a value between 0 and 1, represents the strength with which a set of independent variables affects the value of the dependent variable. The regression's model will be more accurate if the closer the  $R^2$  value is to one.

The result of the  $R^2$  test is as follows :

**Table 4 Coefficient of Determination ( $R^2$ ) Results**

#### Model Summary<sup>b</sup>

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate	Durbin-Watson
1	.275 <sup>a</sup>	.076	.045		1.17250	2.113

a. Predictors: (Constant), SQRT\_DER, SQRT\_RT, SQRT\_CR

b. Dependent Variable: SQRT\_NPM

Source : Data processed using IBM SPSS 25 by Writer (2022)

It can be seen in the Table 4.8 above, the value of adjusted R square is 0.045 or 4.5%, which indicates that the influence of Current Ratio, Receivable Turnover and Debt to Equity Ratio toward Net Profit Margin is 4.5%. Meanwhile, the other 95.5% is influenced by the other variables which are not examined in this research.

#### 4.3 Simultaneous Hypothesis Test (F test)

The F test is used to determine whether the independent factors have an impact on the dependent variable simultaneously. The F test was run to examine the combined impact of all factors on the target variable. The independent variable simultaneously impacts the dependent variable and vice versa if the significant value is F 0.05 and the level utilized is 0.5 or 5%. ANOVA statistical testing is a type of hypothesis testing that enables users to make inferences about data or statistical groups based on the results. The F value found in the ANOVA table, which is utilized to make decisions based on this test, is examined. A significance level of 0.05 is applied. Following is the result of the Simultaneous Hypothesis Test (F test) :

**Table 5 F test Results**  
ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.133	3	3.378	2.456	.068 <sup>b</sup>
	Residual	123.767	90	1.375		
	Total	133.900	93			

a. Dependent Variable: SQRN\_NPM

b. Predictors: (Constant), SQRN\_DER, SQRN\_RT, SQRN\_CR

Source : Data processed using IBM SPSS 25 by Writer (2022)

With the level of significance of 0.05, the degree of freedom ( $df_1$ ) is 3, which is obtained by the formula  $df_1 = k$  and  $df_2$  is 91, which is obtained by the formula  $df_2 = n - k$ , where  $n$  is the number of samples and  $k$  is the number of independent variables, then the result of the  $F_{table}$  value is 2.705. It can be seen from Table 4.10 above, the  $F_{count}$  value is 2.456 which is less than  $F_{table}$  value 2.705 ( $2.456 < 2.705$ ) and the significance value is 0.068 which is larger than the significance value of 0.05 ( $0.068 > 0.05$ ). This indicated that Current Ratio, Receivable Turnover and Debt to Equity Ratio simultaneously have insignificant influence toward Net Profit Margin at the significance level of 5%. However, at the significant level of 10% the independent variables simultaneously have significant influence toward Net Profit Margin and the research model is considered as a valid model.

#### 4.4 Partial Hypothesis Test (T test)

The Partial Hypothesis Test (T test) aims to determine whether the independent variable or variable X partially (alone) has an influence on the dependent variable or variable Y. There are two references that can be used as a basis for making decisions, which are by looking at the significance value (Sig) and by comparing the  $t_{count}$  value with the  $t_{table}$ . If the value of Significance (Sig)  $< 0.05$  or  $t_{count} > t_{table}$  then there is a significant influence of the independent variable (X) toward the dependent variable (Y) or the hypothesis is accepted. While, if the value of Significance (Sig)  $> 0.05$  or  $t_{count} < t_{table}$  means that there is insignificant influence of the independent variable (X) toward the dependent variable (Y) or the hypothesis is rejected.

**Table 6 T test Results Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.801	1.287		2.177	.032
	SQRN_CR	.315	.419	.109	.752	.454
	SQRN_RT	.094	.208	.047	.452	.652
	SQRN_DER	-.813	.699	-.171	-1.163	.248

a. Dependent Variable: SQRN\_NPM

Source : Data processed using IBM SPSS 25 by Writer (2022)

With the level of significance of 0.05, and the degree of freedom is 90, which is obtained by the formula  $df = n - k - 1$ , where  $n$  is the number of samples and  $k$  is the number of independent variables, the result of the  $T_{table}$  value is 1.986. Following is the result of the t-test of each variable :

1. The  $T_{count}$  value of Current Ratio is 0.752 which is less than the  $T_{table}$  value 1.986 ( $0.752 < 1.986$ ) and the significance value is 0.454 which is larger than the significance value of 0.05 ( $0.536 > 0.05$ ). This indicates that Current Ratio partially has insignificant influence towards Net Profit Margin and the hypothesis ( $H_1$ ) is rejected.

2. The  $T_{\text{count}}$  value of Receivable Turnover is 0.452 which is less than the  $T_{\text{table}}$  value 1.986 ( $0.452 < 1.986$ ) and the significance value is 0.652 which is larger than the significance value of 0.05 ( $0.652 > 0.05$ ). This indicates that Receivable Turnover partially has insignificant influence towards Net Profit Margin and the hypothesis ( $H_2$ ) is rejected.
3. The  $T_{\text{count}}$  value of Debt-to-Equity Ratio is -1.163 which is less than the  $T_{\text{table}}$  value 1.986 ( $-1.163 < 1.986$ ) and the significance value is 0.244 which is larger than the significance value of 0.05 ( $0.248 > 0.05$ ). This indicates that Debt to Equity Ratio partially has insignificant influence towards Net Profit Margin and the hypothesis ( $H_3$ ) is rejected.

## 5. Discussion

This research is conducted to analyze and find out the influence of Current Ratio, Receivable Turnover, and Debt to Equity Ratio towards Net Profit Margin of Consumer Goods Companies listed on the Indonesia Stock Exchange from year 2018-2021. IBM SPSS 25 is used to examine the data in this research.

### 5.1 The Influence of Current Ratio towards Net Profit Margin

The partial hypothesis test's result shows that Current Ratio partially has insignificant influence towards Net Profit Margin of Consumer Goods Companies listed on the Indonesia Stock Exchange, this is because the  $T_{\text{count}}$  value 0.752 is less than the  $T_{\text{table}}$  value 1.986 ( $0.752 < 1.986$ ) and the significance value 0.454 is larger than the significance value of 0.05 ( $0.454 > 0.05$ ). Therefore,  $H_1$  which stated that Current Ratio partially has significant influence towards Net Profit Margin of Consumer Goods Companies listed on the Indonesia Stock Exchange is rejected. Moreover, the result of multiple regression analysis shows that regression coefficient value of Current Ratio is 0.315, which indicates that Current Ratio has positive influence towards Net Profit Margin. If the Current Ratio increases by 1 unit, then the value of Net Profit Margin will increase by 0.315, assumed that the other variables remain 0 (zero) or constant. This also means that if Current Ratio increases, Net Profit Margin will also increase and vice versa. Despite that, the Current Ratio doesn't have significant influence towards the increase or decrease of the Net Profit Margin of the company.

The results obtained at the testing stage show that the more optimal the company's liquidity position will further encourage the company's ability to generate profits. The Current Ratio shows the level of the company's ability to meet its obligations or pay its short-term debt which will soon be due when fully billed. If the company's Current Ratio improves, it will certainly lead to the increasing profitability of the company. If the availability of current assets owned by the company is very large, and accompanied by optimal management, the costs and debts of the company are well controlled so that the total cost will be reduced and increase the company's profit. Based on these results, company managers need to maintain the company's liquidity level because if the liquidity level is good, the company will gain investor confidence so that it can maximize company value.

The result of this research is supported by the previous research conducted by Gaol, Sianturi, Romestika, Nasution and Hutahaeon (2021), which stated that Current Ratio partially has no significant influence toward Net Profit Margin. However, the result of this research is in contradict with the previous research conducted by Sudirman, Abdullah and Obie (2020), which stated that Current Ratio partially has significant influence towards Net Profit Margin.

### 5.2 The Influence of Receivable Turnover towards Net Profit Margin

The partial hypothesis test's result shows that Receivable Turnover partially has significant influence towards Net Profit Margin of Consumer Goods Companies listed on the Indonesia Stock Exchange, this is because the  $T_{\text{count}}$  value 0.452 is less than the  $T_{\text{table}}$  value 1.986 ( $0.452 < 1.986$ ) and the significance value 0.652 is less than the significance value of 0.05

(0.652>0.05). Therefore, H<sub>2</sub> which stated that Receivable Turnover partially has significant influence towards Net Profit Margin of Consumer Goods Companies listed on the Indonesia Stock Exchange is rejected. Moreover, the result of multiple regression analysis shows that regression coefficient value of Receivable Turnover is 0.094, which indicates that Receivable Turnover has positive influence towards Net Profit Margin. If the Receivable Turnover increases by 1 unit, then the value of Net Profit Margin will increase by 0.094, assumed that the other variables remain 0 (zero) or constant. This also means that if Receivable Turnover increases, Net Profit Margin will increase too and vice versa. Despite that, Receivable Turnover doesn't have significant influence towards the increase or decrease of the Net Profit Margin of the company.

To measure the efficiency of accounts receivable in the company can use Receivable Turnover. The faster the turnover, the smaller the risk of uncollectible accounts. However, if the receivables turnover is lower, it will increase the risk of uncollectible receivables. The results demonstrate that the companies' receivables may be smoothly collected at each period, promptly converting them into cash and allowing them to raise their Net Profit Margin. The insignificant influence is due to the low rate of receivable turnover that takes a long time to turn into cash. Receivables payment terms are also one of the factors, because if soft payments will result in a larger number of receivables but the turnover of receivables will be lower and if the payment terms are strict it will result in a lower number of receivables and the turnover of receivables will be higher. This is why the turnover of receivables does not have a significant influence on company's profitability.

The result of this research is supported by the previous research conducted by Martius (2018), which stated that Receivable Turnover partially has no significant influence toward Net Profit Margin. However, the result of this research is in contradict with the previous research conducted by Hasan & Grave (2021), which stated that Receivable Turnover partially has significant influence towards Net Profit Margin.

### 5.3 The Influence of Debt-to-Equity Ratio towards Net Profit Margin

The partial hypothesis test's result shows that Debt to Equity Ratio partially has insignificant influence towards Net Profit Margin of Consumer Goods Companies listed on the Indonesia Stock Exchange, this is because the  $T_{count}$  value of Debt-to-Equity Ratio is -1.163 is less than the  $T_{table}$  value 1.986 (-1.163<1.986) and the significance value 0.248 is larger than the significance value of 0.05 (0.248>0.05). Therefore, H<sub>3</sub> which stated that Debt to Equity Ratio partially has significant influence towards Net Profit Margin of Consumer Goods Companies listed on the Indonesia Stock Exchange is rejected. Moreover, the result of multiple regression analysis shows that regression coefficient value of Debt-to-Equity Ratio is -0.813, which indicates that Debt to Equity Ratio has negative influence towards Net Profit Margin. If the Debt-to-Equity Ratio increases by 1 unit, then the value of Net Profit Margin will decrease by 0.813, assumed that the other variables remain 0 (zero) or constant. This also means that if Debt to Equity Ratio increases, Net Profit Margin will decrease and vice versa. Despite that, the Debt-to-Equity Ratio does not have significant influence towards the increase or decrease of the Net Profit Margin of the company.

Debt dominance undoubtedly affects a company's ability to survive, particularly when it comes to raising profits. The result indicates that debt rather than capital dominates the company more. Changes in the Debt-to-Equity Ratio have a negligible impact on the company's performance or profit in this research, which is the Net Profit Margin. This shows that the growth in corporate debt utilized for working capital or the company's operational activities is unable to generate optimal profits.

The result of this research is supported by the previous research conducted by Koto (2017), which stated that Debt to Equity Ratio partially has no significant influence toward Net Profit Margin. However, the result of this research is in contradict with the previous research



conducted by Amelia & Gulo (2021), which stated that Debt to Equity Ratio partially has significant influence towards Net Profit Margin.

## 6. CONCLUSION

The analysis conducted in this research is to find out the influence of Current Ratio, Receivable Turnover and Debt to Equity Ratio toward Net Profit Margin of Consumer Goods Companies listed on the Indonesia Stock Exchange for the period 2018-2021. After the data was processed using IBM SPSS 25, following are the results and conclusion of this research :

1. Current Ratio, Receivable Turnover and Debt to Equity Ratio simultaneously have insignificant influence Current Ratio partially has insignificant influence towards Net Profit Margin of Consumer Goods Companies listed on the Indonesia Stock Exchange for the period 2018-2021. The investors will be able to deduce from this research that Current Ratio actually has no influence towards Net Profit Margin. This will also give signal the investors to pay more attention to other aspects rather than Current Ratio in investing a company.
2. Receivable Turnover partially has insignificant influence towards Net Profit Margin of Consumer Goods Companies listed on the Indonesia Stock Exchange for the period 2018-2021. The investors will be able to deduce from this research that Receivable Turnover actually has insignificant influence towards Net Profit Margin. This will also give signal to the investors to pay more attention to other aspects other than Receivable Turnover in investing a company.
3. Debt to Equity Ratio partially has insignificant influence towards Net Profit Margin of Consumer Goods Companies listed on the Indonesia Stock Exchange for the period 2018-2021. The investors will be able to deduce from this research that Current Ratio actually has no significant influence towards Net Profit Margin. This will also be being a signal to the investors to pay more attention to other aspects rather than Debt to Equity Ratio in investing a company.

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