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The Effect Of Liquidity, Solvency, Activity And Profitability Towards Profit Growth

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ABSTRACT

Purpose: This research was conducted to describe and determine the effect of of liquidity, solvency, activity and profitability towards profit growth.

Methodology/approach: The population in this study is consumer non-cyclical companies listed on the Indonesia Stock Exchange 2018-2022. The total research population was 70 companies. The sampling technique used was proportionate stratified random sampling. The total research sample was 37 companies. The research method used is descriptive and verification methods. The data analysis method uses multiple linear regression analysis.

Findings: The research results show that only liquidity and solvency have a significant negative effect toward profit growth.

Practical and Theoretical contribution/Originality: The results of this research are useful as important information for stakeholders in making decisions to improve profit growth.

Research Limitation: The research is limited to consumer non-cyclical sector companies, the research period is only 5 years and there are limitations in measuring variables. So the research results cannot be generalized.

Keywords: Activity; Liquidity; Profitability; Profit Growth; Solvency.



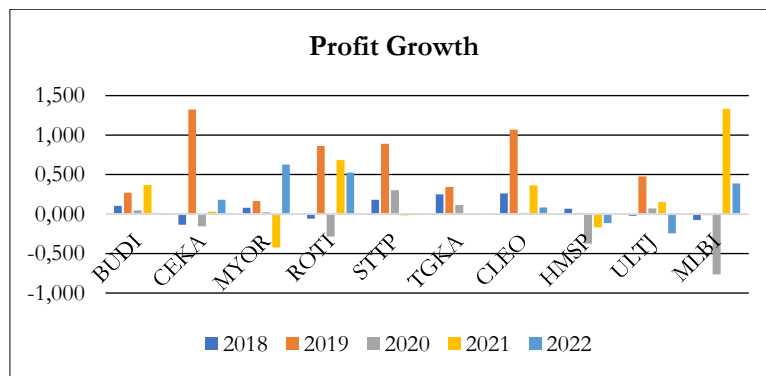
INTRODUCTION

The purpose of establishing a company is to make a profit. Profit is a summary of the net results of business operating activities in a certain period expressed in financial terms. (Yudhistira & Faddila, 2023). Profit growth greatly affects the survival of the company. Profit growth is an increase or decrease in company profits when compared to the previous period. (Afriyanti & Wulandari, 2023).

One of the phenomena related to profit growth in Indonesia, especially in companies in the consumer non cyclicals sector, occurred in 2021. Consumer non cyclicals companies posted lower margins in the first semester of 2021. This is inseparable from the increase in raw materials such as the price of crude palm oil (CPO), oil, wheat from the second semester of 2020 to the first semester of 2021 (Kontan.co.id, 2021).

In 2022, the margins of companies in the consumer non cyclicals sector are still under pressure due to a significant increase in commodity prices. World commodity prices, which are the raw material for the consumer industry, such as wheat and Crude Palm Oil (CPO), are a serious challenge for issuers in the consumer sector. The increase in commodity prices will burden consumers as end-users who are burdened when product prices soar. Although the demand for goods produced from the sector is high, margins are still under pressure. (Kontan.co.id, 2022).

Consumer non cyclicals sector companies have 4 sub sectors, namely food & beverage, food & staples retailing, nondurable household products and tobacco. People need products produced from these sector companies for their daily needs. (Kesara et al, 2023). Below is an image of the profit growth of some consumer non cyclicals companies:



Source: Data processed, 2023

Based on the data in Picture 1, the profit growth conditions of consumer non-cyclicals companies fluctuated from 2018 to 2022. Although this company produces basic necessities, it is inseparable from fluctuations in profit growth.

Based on the signaling theory point of view, information related to corporate profit growth is a positive signal for investors (Kesara et al, 2023). Profit information from company management can be used as a comparison for investors in making investment decisions and projecting the company's expectations in the future. (Ryadi & Abundanti, 2023). So that research related to profit growth is interesting to research.

There are several studies that show that there is an effect of liquidity, solvency, activity and profitability on profit growth. Research results Efendy et al (2023) shows that liquidity,

Picture 1.
Profit Growth
of Some
Companies
Consumer
Non Cyclicals
sector 2018-
2022

solvency, activity and profitability have a positive effect on profit growth. [Dewi & Yames \(2023\)](#) get the result that profitability has a negative effect on profit growth. [Tilawa & Suprihhadi \(2022\)](#) shows that activity has a positive effect on profit growth. [Indaryani et al \(2022\)](#) shows that profitability has a positive effect on profit growth and solvency has a negative effect on earnings growth. [Maryoso & Sari \(2022\)](#) shows that solvency has no effect on profit growth. [Sari et al \(2021\)](#) stated that solvency and liquidity have a negative effect on profit growth. [Syafri & Djawoto \(2020\)](#) proves that solvency has a positive effect on profit growth and activity has a negative effect on profit growth. [Nurhayati et al \(2020\)](#) shows that liquidity has a positive effect, solvency has a negative effect, activity has a positive effect, profitability has a negative effect on profit growth. Research results [Surya et al \(2020\)](#) shows that liquidity and activity have a positive effect, solvency has a negative effect on profit growth. [Hanisah et al \(2019\)](#) shows that solvency has a negative effect, profitability and activity have a positive effect on profit growth.

There are several studies that show that there is no effect of liquidity, solvency, activity and profitability on profit growth. The research conducted by [Digdowiseiso & Santika \(2022\)](#) shows that liquidity and solvency have no effect on profit growth. [Yanti et al \(2022\)](#) states that liquidity and solvency have no effect on profit growth. [Mardiana et al \(2021\)](#) shows that liquidity and activity have no effect on profit growth. [Sandjaja & Suwaidi \(2021\)](#) states that the activity ratio has no effect on profit growth. [Rahayu & Sitohang \(2019\)](#) shows the results that solvency and profitability have no effect on profit growth. Research results [Virgianthin et al \(2019\)](#) proves that solvency and activity have no effect on profit growth. [Valerian & Kurnia \(2019\)](#), [Rudikson et al \(2018\)](#) get the result that liquidity and activity have no effect on profit growth.

Based on the inconsistency of the research results above. So researchers are interested in conducting further research related to the effect of liquidity, solvency, activity ratios and profitability on profit growth. This research related to profit growth was conducted in consumer non-cyclicals sector companies listed on the Indonesia Stock Exchange in 2018-2022.

The objectives of this study are: (1) to determine the condition of liquidity, solvency, activity, and profitability of the consumer non-cyclicals sector for the 2018-2022 period, (2) to determine how liquidity affects profit growth, (3) to determine how solvency affects profit growth, (4) to determine how activity affects profit growth, (5) to determine how profitability affects profit growth.

The contribution of this research is expected to provide information in decision making to increase the company's profit growth, based on the company's liquidity, solvency, activity and profitability conditions.

This study uses signaling theory. The theory was first proposed by Michael Spence in 1973 ([Spence, 1973](#)). According to this theory, the company's financial statement information signals are needed by external parties, especially investors ([Atmadja, 2023](#)). There are 2 parties involved in signal theory, namely internal parties and external parties. Internal parties are management who act to provide signals. External parties are investors or other parties who will receive the signal ([Ryadi & Abundanti, 2023](#)). This study uses signal theory as a theoretical basis. Corporate profit information submitted by management can be used by investors to determine investment decision making and project future expectations.

Liquidity in this study is proxied using the current ratio. A high current ratio indicates an excess of current assets which is not good for the company's profit growth. Current assets can only be used to fulfill short-term obligations and generate lower returns than fixed assets

([Istiqomah & Andayani, 2023](#)). A high level of liquidity indicates an excess of current assets owned by the company, the balance of current assets that is too high does not have a good impact on the company's profits, because the return is smaller than fixed assets ([Hanafi & Halim, 2018](#)). In connection with signal theory, a decrease in profit caused by a current ratio level that is too high can be a bad signal for investors because the returns obtained by investors will also decrease, so that investors do not want to invest their funds in the company. This will cause the company to miss out on future profit. The results of research conducted by [Sari et al \(2021\)](#) proves that liquidity has a negative effect on profit growth.

H₁: Liquidity has a negative effect on profit growth

Solvency in this study is proxied using the debt to assets ratio. If the debt to assets ratio is high, it means that there is more debt funding, making it more difficult for the company to obtain additional funds from loans ([Istiqomah & Andayani, 2023](#)). If the debt to assets ratio increases, it will affect the company's profit, due to the high loan interest expense that must be paid ([Atmadja, 2023](#)). A decrease in profit will be a bad signal for investors. A decrease in profit can make the returns that will be obtained by investors decrease. So that investors will be reluctant to invest their capital in the company. Research results [Indaryani et al \(2022\)](#), [Sari et al \(2021\)](#), [Nurhayati et al \(2020\)](#), [Hanisah et al \(2019\)](#) proves that solvency has a negative effect on profit growth.

H₂: Solvency has a negative effect on profit growth

The activity ratio in this study is proxied by using total asset turnover. The company's asset turnover shows the amount of support for the company's assets to generate revenue ([Ryadi & Abundanti, 2023](#)). A high total asset turnover value means that the company's sales value is getting higher and can encourage a high amount of profit earned. The greater the total asset turnover illustrates that the company is efficient in using all of its assets to increase sales. So that the company's asset turnover is faster in order to encourage net sales activity, which results in an increase in company profits ([Atmadja, 2023](#)). The increase in profit can be related to signal theory where this increase in profit will be a good signal for investors to invest in the company. Research [Tilawa & Suprihhadi \(2022\)](#), [Nurhayati et al \(2020\)](#), [Surya et al \(2020\)](#), [Hanisah et al \(2019\)](#) shows the results that the activity ratio has a positive effect on profit growth.

H₃: Activity ratio has a positive effect on profit growth

Profitability in this study is proxied using return on assets. The higher the return on assets shows that the company is able to utilize its assets to generate profits. A high return on assets value shows that the company has good performance and is able to increase the company's profit growth ([Ryadi & Abundanti, 2023](#)). The higher the return on assets value, the higher the company's ability to earn profits. Increased profits are related to signal theory because increased profits will be a good signal for investors. This is because with an increase in profit, investors will get a high return on their investment, so they will be interested in investing their capital. Research [Efendy et al \(2023\)](#), [Indaryani et al \(2022\)](#), [Hanisah et al \(2019\)](#) shows that profitability has a positive effect on profit growth

H₄: Profitability has a positive effect on profit growth

METHOD

The research methods used in this research are descriptive and verification methods. The descriptive method in this study is used to describe and analyze each variable studied, namely

liquidity, solvency, activity, profitability and profit growth. The verification method in this study is used to determine the effect of liquidity, solvency, activity, profitability on profit growth.

The population in this study were all non-cyclical consumer sector companies listed on the Indonesia Stock Exchange during the 2018-2022 period, namely 70 companies. In this study, the method used for sampling is probability sampling method with proportionate stratified random sampling technique. This sampling technique is carried out with the aim of obtaining a representative sample by looking at the stratified population, which consists of 4 sub sectors. To determine the number of research samples, researchers used the Isaac and Michael table. Based on the Isaac and Michael table, the 5% error rate of the population of 70 companies results in 58 samples that can be studied. There are 21 companies that have outlier data. So that the number of samples is 37 companies.

The type of data used is quantitative data. The data source used in this research is secondary data. Secondary data in this study are in the form of annual reports and financial reports of consumer non cyclicals sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2018-2022 with data sources obtained from the website www.idx.co.id and the websites of each company.

This study consists of 4 variables, namely: liquidity, solvency, activity and profitability. There is 1 dependent variable, namely profit growth. The following is a variable operationalization table:

Sub Sector	Populatio n	Calculation	Sample
D1. <i>Food & Staples Retailing</i>	10	$(10/70) \times 58 = 8,29$	9
D2. <i>Food And Beverage</i>	50	$(50/70) \times 58 = 41,43$	41
D3. <i>Tobacco</i>	4	$(4/70) \times 58 = 3,31$	3
D4. <i>Nondurable Household Products</i>	6	$(6/70) \times 58 = 4,97$	5
Total	70	58	58
Companies with Outlier data			21
Number of companies sampled			37
Research period			5
Number of observation samples			185

Source: Data processed, 2023

Table 1.
Research
Sample

Variable	Indicator	Scale
Profit Growth (Y)	The measurement of profit growth (PG) in this study is measured by: $Profit\ Growth = \frac{Current\ period\ profit - previous\ period\ profit}{previous\ period\ profit}$	Ratio
Liquidity (X ₁)	Liquidity measurement in this study can be measured using the current ratio. $Current\ Ratio = \frac{Current\ Assets}{Current\ Liabilities} \times 100\%$	Ratio
Solvency (X ₂)	Solvency measurement in this study can be measured using the debt to assets ratio. $Debt\ to\ Assets\ Ratio = \frac{Total\ Liabilities}{Total\ Assets} \times 100\%$	Ratio
Activity (X ₃)	Activity measurement in this study can be measured using total asset turnover. $Total\ Asset\ Turnover = \frac{Sales}{Total\ Assets}$	Ratio
Profitability (X ₄)	Activity measurement in this study can be measured using return on assets. $Return\ on\ Assets = \frac{EAT}{Total\ Asset}$	Ratio

Table 2.
Variable
Operationalization

Source: Data processed, 2023

Data analysis techniques in this study used descriptive statistical analysis and multiple linear regression analysis. Descriptive statistical analysis consists of average, maximum value and minimum value. Multiple linear regression analysis is used to determine the effect of the independent variable on the dependent variable. The equation form of this multiple linear regression is as follows:

$$Y = a - \beta_1 X_1 - \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Y = profit growth

a = constant

β_1 = liquidity regression coefficient

X₁ = liquidity

β_1 = solvency regression coefficient

X₁ = solvency

β_1 = activity regression coefficient

X₁ = activity

β_1 = regression coefficient of profitability

X₁ = profitability

e = error term

RESULTS AND DISCUSSION

55 Descriptive Statistical Analysis Results

Descriptive statistical analysis is statistics used for data analysis through describing and describing all data that has been collected (Muliani & Efendi, 2023). There are five variables, with 37 companies and a 5-year research period from 2018 to 2022. The following are the results of descriptive statistics:

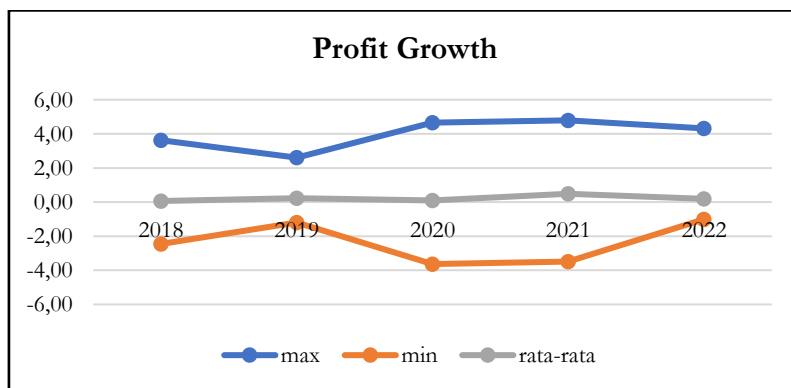
The profit growth variable (Y) has an average value of 0.2139 or 21.39%. This shows that the average company has a positive profit growth value or it can be said that the average company has growing profits. The following is a picture of profit growth during 2018-2022:

The liquidity variable in this study is proxied by the current ratio (X1). The industry standard value of the liquidity ratio using the current ratio can be said to be healthy if the value is 200% (Jamaludin, 2023). While the average value of the current ratio (X1) seen in table 3 is 1.6008 or 160%, which means that the liquidity condition is below the industry standard, it can be said that the liquidity of the consumer non-cyclicals sector for the 2018-2022 period is not healthy or not good. A low current ratio indicates a high liquidity risk. The following is a picture of liquidity conditions:

Variable	N	Minimum	Maximum	Mean
Profit Growth (Y)	185	-3,63	4,79	0,2139
Liquidity (X1)	185	0,25	4,85	1,6008
Solvency (X2)	185	0,14	0,97	0,5348
Activity (X3)	185	0,13	4,57	1,3121
Profitability (X4)	185	-0,32	0,45	0,0520

Table 3.
Descriptive
Statistics
Results

Source: Data processed, 2023



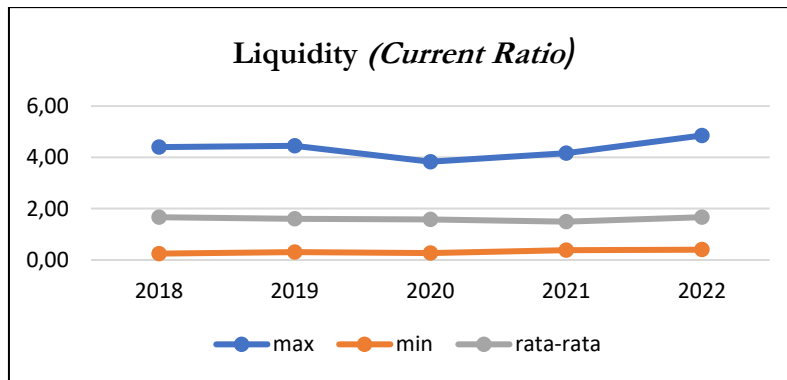
Picture 2.
Profit Growth
Consumer
Non Cyclicals
sector
companies in
2018-2022

Source: Data processed, 2023

Solvency variable proxied by debt to assets ratio (X2). Based on industry standards, the solvency ratio using the debt to assets ratio is said to be healthy if the value is 35%. (Jamaludin, 2023). From table 3, it can be seen that the average value of the debt to assets ratio (X2) is 0.5348 or 53.48%, which means that the consumer non-cyclicals sector for the 2018-2022 period is in a less healthy or less good condition. The company's funding source of 53.48% comes from debt, while the remaining 46.52% comes from equity. So that the company's assets are more financed from debt. The following is a picture of the condition of the debt to assets ratio:

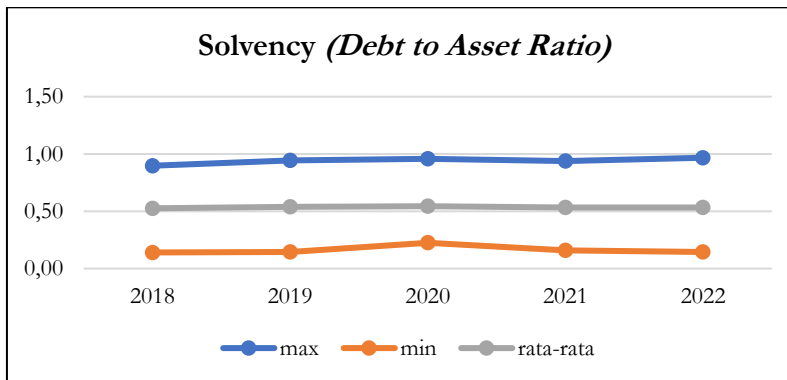
The activity variable proxied by total asset turnover (X3). The industry standard of total asset turnover (X3) is 2 times (Jamaludin, 2023). While the average value of total asset turnover shown in table 3 is 1.3121 times so that the condition of the non-cyclical consumer sector activities for the 2018-2022 period is less healthy or not good. This shows that the sales generated are 1.3121 times the total assets owned by the company. So that the asset turnover that occurs is not able to generate maximum sales. The following is a picture of the total asset turnover condition:

Picture 3.
Liquidity
(Current
Ratio)
Consumer
Non Cyclical
sector
companies in
2018-2022

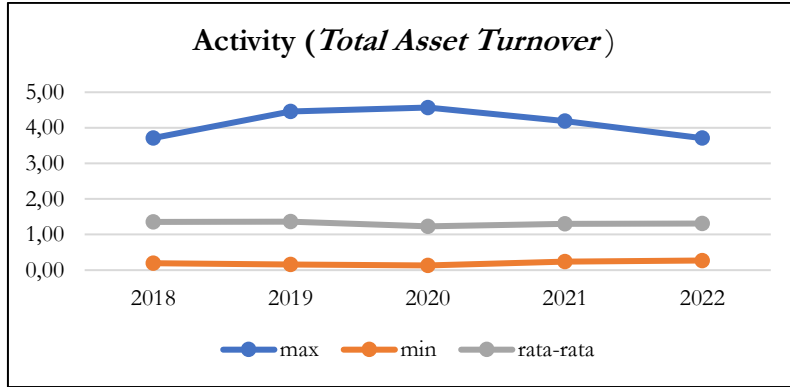


Source: Data processed, 2023

Picture 4.
Solvency
(Debt to
Assets Ratio)
Consumer
Non Cyclical
sector
companies in
2018-2022

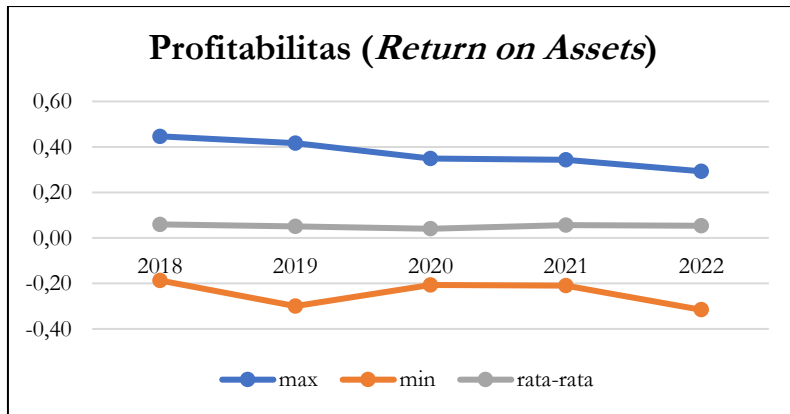


Source: Data processed, 2023



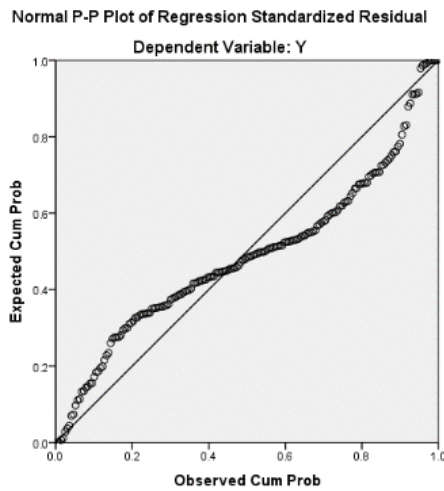
Source: Data processed, 2023

Picture 5. Activity (Debt to Assets Ratio) Consumer Non Cyclical sector companies in 2018-2022



Source: Data processed, 2023

Picture 6. Profitability (Return on Assets) Consumer Non Cyclical sector companies in 2018-2022



Source: Data processed, 2023

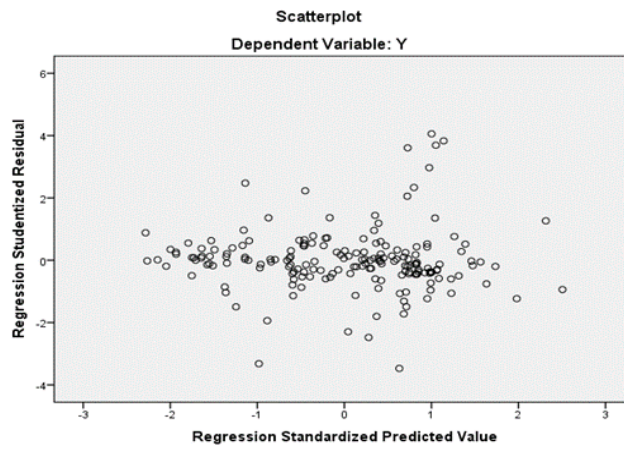
Picture 7. Normality Test Results

Profitability variables are calculated using return on assets (X4). The industry standard return on assets is 30% (Jamaludin, 2023). While the average value of return on assets (X4) in table 3 is 0.0520 or 5.20% much smaller than the industry standard. This shows that the profitability of the consumer non-cyclicals sector for the 2018-2022 period is in poor condition. Thus, every Rp.0.0520 of net profit is generated from an investment of Rp.1 of the company's assets. The following is a picture of the condition of return on assets:

This normality test aims to test whether the data is normally distributed. Based on testing using the normal P-P Plot graph. The data spreads around the diagonal line, it means that the distribution pattern is normal, so it is said that the regression model fulfills the assumption of normality.

The heteroscedasticity test aims to test whether the regression model occurs inequality of variance from the residue of one observation to another. It can be seen in Figure 8 that the scatter plot points are scattered around the number 0 (zero) on the y-axis and do not form a certain pattern, so it can be concluded that there is no heteroscedasticity in the regression model.

The Autocorrelation test aims to test whether in a linear regression model there is a correlation between confounding errors in period t and confounding errors in period t-1 (previous). Testing for autocorrelation problems uses the Durbin-Watson test. Based on the results of the autocorrelation test, the DW value of the regression model is 2.149 while the dL value at $n = 37$ and $k = 4$ is 1.2489, $du = 1.7233$ so that the value of $4 - du = 2.2767$. These values indicate that $dL < dw < 4 - du$ or $1.2489 < 2.149 < 2.2767$ so that the data studied does not occur autocorrelation.



Source: Data processed, 2023

Picture 8.
Heteroscedasticity Test Results

Table 4.
Autocorrelation Test Results

Test Results	Durbin Watson
Autokorelasi	2,149

Source: data processed, 2023

Variable	Tolerance	VIF
Liquidity (X1)	0,374	2,677
Solvency (X2)	0,370	2,704
Activity (X3)	0,937	1,068
Profitability (X4)	0,865	1,156

Source: data processed, 2023

Table 5.
Multicollinearity
Test Results

Variable	Hypothesis	Regression Coefficient	t-value	Probability (Sig)	Description
Constant		1,242			
Liquidity (X1)	H1	-0,276	-2,011	0,046	Accepted
Solvency (X2)	H2	-1,467	-2,256	0,025	Accepted
Activity(X3)	H3	0,145	1,526	0,129	Rejected
Profitability (X4)	H4	0,143	0,191	0,849	Rejected
F	H5	1,639		0,166	Rejected
R Square		0,035			

Source: data processed, 2023

Table 6.
Hypothesis
Test Results

The multicollinearity test is carried out with the aim of testing whether or not there is a correlation between the independent variables where a good regression model is one that does not have multicollinearity. In table 5 above, it can be seen that all independent variables do not have a VIF that exceeds 10 and none of them show a tolerance smaller than 0.1 so that it can be concluded that the regression model in this study does not experience multicollinearity.

Based on table 6, the regression equation in this study is:

$$Y = 1,242 - 0,276X_1 - 1,467X_2 + 0,145X_3 + 0,143X_4 + e$$

Based on table 6 above, it can be seen that the calculated F value is 1.639, the probability value of F is 0.166 greater than the significance level of 0.05 or $0.166 > 0.05$. This shows that simultaneously liquidity, solvency, activity, and profitability have no effect on profit growth.

The coefficient of determination in table 6 shows that the R Square value is 0.035. This value indicates that liquidity, solvency, activity and profitability contribute 3.5% to profit growth. While the remaining 96.5% is explained by variables outside this study.

Based on the hypothesis test results in table 6, it is found that liquidity has a negative and significant effect on earnings growth. This means that every time there is an increase in liquidity value, there will be a decrease in profit growth value. Liquidity is a ratio that describes the company's ability to meet short-term obligations when due (Cahyani & Sitohang, 2020). Companies that have good liquidity will make debt payments on time so that they have an impact on improving company performance and increasing profits. (Afriyanti & Wulandari, 2023). However, if the company's management is less effective in utilizing its current assets to maximize profits, an increase in liquidity will have an impact on decreasing profits (Ryadi & Abundanti, 2023). Too high a level of liquidity can cause excess

current assets in the company so that asset management becomes less effective. This makes the company less optimal in terms of operations so that the products produced are less than optimal. When the products produced are less than optimal, it leads to less than maximum profit and has an impact on decreasing profits. The results of this study are related to signaling theory. Liquidity that is too high is a signal that there are excess current assets which have a bad impact on the company's profit growth ability, because current assets produce lower returns than fixed assets. The results of this study are in line with the results of research conducted by [Sari et al \(2021\)](#) that liquidity has a negative effect on earnings growth. However, the results of this study are not in line with research conducted by [Digdowiseiso & Santika \(2022\)](#), [Yanti et al \(2022\)](#), [Mardiana et al \(2021\)](#), [Rudikson et al \(2018\)](#) which states that liquidity has no effect on profit growth.

Based on the hypothesis test results in table 6, it is found that solvency has a negative and significant effect on earnings growth. This shows that every time there is an increase in solvency value, there will be a decrease in profit growth value. Solvency is the company's ability to settle all its obligations ([Komala et al, 2023](#)). The debt obtained can be used for the company's operational activities so as to increase company profits ([Efendy et al, 2023](#)). However, if the company uses too much debt, the interest expense that must be paid increases ([Afriyanti & Wulandari, 2023](#)). A high solvency value indicates that the company's funding source from debt is high. The debt will burden the profit earned by the company, because high debt will be accompanied by high interest expenses and will later reduce profits so that it ends in a decrease in profits. Signaling theory is related to the results of this study. High solvency signals that the company uses many sources of funds from creditors. The results of this study are in line with research [Indaryani et al \(2022\)](#), [Sari et al \(2021\)](#), [Nurhayati et al \(2020\)](#), [Surya et al \(2020\)](#), [Hanisah et al \(2019\)](#) which states that solvency has a negative effect on earnings growth. However, the results of this study are not in line with research [Digdowiseiso & Santika \(2022\)](#), [Yanti et al \(2022\)](#), [Rahayu & Sitohang \(2019\)](#) shows that solvency has no effect on profit growth.

Based on the results of hypothesis testing in table 6, it is found that the activity ratio has no effect on profit growth. This shows that the company's asset turnover activity has no effect on profit growth. The activity ratio is a ratio used to assess how effective the use of resources owned by the company is. If the company can utilize all of its assets to increase sales, it will have an impact on increasing profit growth ([Efendy et al., 2023](#)). However, if the company is not able to utilize its assets, then asset turnover is not able to generate maximum sales, thus reducing the level of profit growth. High asset turnover does not guarantee an increase in the company's profit growth, this can occur when the company reduces the price of the products it sells so that the margin between sales and cost of goods sold is getting smaller. Thus, asset turnover will increase but not accompanied by an increase in the company's profit growth. The inability of asset turnover to affect profit growth can also be caused by less effective management of the company's assets to increase sales, so that profits are not optimal. The results of this study are in line with the results of research [Mardiana et al \(2021\)](#), [Sandjaja & Suwaidi \(2021\)](#), [Virgianthin et al \(2019\)](#), [Rudikson et al \(2018\)](#) shows that the activity ratio has no effect on earnings growth. The results of this study are not in line with research [Efendy et al \(2023\)](#), [Indaryani et al \(2022\)](#), [Nurhayati et al \(2020\)](#) shows that the activity ratio has a positive effect on profit growth.

Profitability illustrates how the company's ability to earn profits in a period ([Kusoy & Priyadi, 2023](#)). Based on the results of hypothesis testing in table 6, it is found that profitability has no effect on earnings growth. This shows that return on assets has no impact on earnings growth. Return on assets measures the company's ability to generate profits based on a

certain level of assets. This ratio shows the company's ability to utilize assets to generate profits. The company is less effective in utilizing its assets to generate profit growth. The results of this study are in line with the results of research [Rahayu & Sitohang \(2019\)](#) shows the result that profitability has no effect on earnings growth. However, the results of this study are not in line with research conducted by [Efendy et al \(2023\)](#), [Indaryani et al \(2022\)](#), [Hanisah et al \(2019\)](#) shows that profitability has a positive effect on earnings growth.

CONCLUSION

Based on the results of the analysis, the average profit growth is positive or there is an increase in company profits. Liquidity, solvency, activity, and profitability conditions are in an unhealthy or unfavorable state. Liquidity has a negative effect on profit growth. High liquidity is a signal that there are excess current assets which have a bad impact on the company's profit growth, current assets produce lower returns than fixed assets. Companies with high solvency have a high debt value so that the interest expense paid is high. The interest expense will reduce profits and have an impact on decreasing profits.

Limitations in this study have not been able to prove the effect of activity ratios and profitability on earnings growth. So that in conditions of increasing asset turnover and return on assets has no impact on the company's profit growth. The inability of asset turnover and return on assets to affect profit growth can be caused by the company's ineffectiveness in managing assets to increase sales or an increase in sales accompanied by a larger amount of cost expenditure, so that the profit earned is not optimal. This research can be continued with further research to be able to prove the effect of activity and profitability variables on profit growth. The implication of the results of this study is that companies must manage assets effectively and streamline costs incurred in order to generate profit growth.

Research limitations based on data are as follows: 1) limitations in the sample, because the sample of this study is only limited to consumer non cyclicals sector companies, this limitation may affect the generalization of research results to other sectors or a wider population; 2) The research period is only limited to 5 years; 3) limitations on variable measurement. So the suggestions for future researchers are: (1) increase the research period, (2) use variable measurements with different proxies, (3) expand the research not only in consumer non cyclicals sector companies (consumer non-cyclicals), but in several other sectors.

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