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Research Article

Influences Of Sales Growth And Leverage On Profitability (Empirical Study of Manufacturing Companies in the Consumer Goods Sector listed on the Indonesia Stock Exchange for the 2016-2019 Period)

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Abstract: This study aims to determine the relationship between the effect of sales growth and leverage on profitability. The factors tested in this study are sales growth and leverage as independent variables. Meanwhile, profitability is the dependent variable. The research method used in this research is descriptive and verification research methods. The population in this study were 53 companies in the consumer goods sector. The data collection technique used in this study is to use financial reports with a total sample of 27 companies in the consumer goods sector. While the analysis method used in this research is panel data regression analysis at a significance level of 5%. The program used in analyzing the data used Eviews 10. The results showed that sales growth had a significant positive effect on profitability, while leverage had no effect on profitability.

Keywords: Sales Growth, Leverage, Profitability

1. Preliminary

The consumer goods industry sector is one of the main contributors to economic growth and is considered quite attractive because consumer goods products are always needed in daily life. Consciously and unconsciously, humans definitely need it. The industry sector of consumer goods consists the food and beverage, the cosmetics and household needs industry, the cigarette industry and the pharmaceutical industry. (www.sahamok.com).

The capacity to generate profits is an important goal for all companies including consumer goods manufacturing companies listed on the Indonesia Stock Exchange. Profit is an indicator of the success of a company performance.

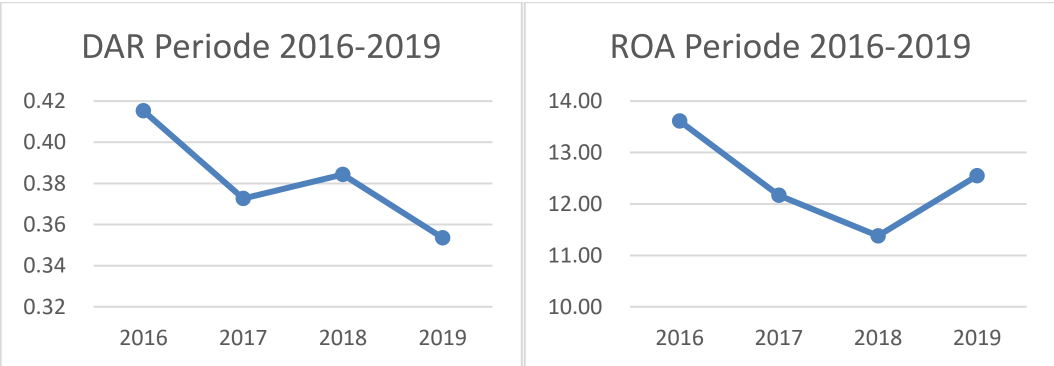

Figure 1.1
Development of DAR and ROA

Based on Figure 1.1, shows the development of leverage (DAR) in consumer goods sector of manufacturing companies listed on the IDX for the 2016-2019 period, which tends to decline every year. This is directly proportional to the graph of the development of profitability which is decreasing every year. However, there is an inconsistency between theory and the actual situation where the relationship between leverage and profitability is inversely related.

The leverage measurement tool used in this research is the Debt to Asset Ratio (DAR), which measures the company's how much assets are financed by debt or how much the company's debt affects asset financing (Sutrisno, 2011). DAR is an important factor affecting ROA because DAR can be used by companies to increase company capital in order to increase profits (Singapurwoko, 2011).

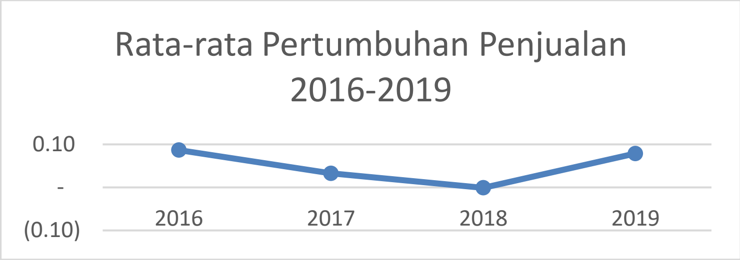

Figure 1.2
The Average Sales Growth of Manufacturing Companies in the Consumer Goods Sub-Sector for the 2016-2019 Period

Figure 1.2 shows the development of sales growth of manufacturing companies in the consumer goods sub-sector for the period 2016-2019 which experienced fluctuating changes. The average value of sales growth in 2016 was 0.09, falling to 0.03 in 2017, continuing to fall to 0.00 in 2018, starting to increase to 0.08 in 2019.

The formulation of the problem in this research is whether sales growth has an affect on profitability in the consumer goods sub-sector manufacturing company for the 2016-2019 period. Does leverage in manufacturing companies affect profitability in the consumer goods sub-sector for the period 2016-2019.

Sales growth is a measure of the condition of a corporates financial stability. Kasmir (2010) stated that Sales growth is a ratio that explain a company's sales ability in maintaining its revenue position amid the growth of economic and the sector of business. The rate of sales growth is the change or growth in sales per year and plays a role in increasing the profitability (ROA) of a company. The greater the sale, the more circulation of money in it. When sales of the company's production increase, it can increase profitability (ROA). This is supported by research conducted by Ellysa Fransisca (2019).
H1: Sales growth has an influence on ROA.

Leverage in the company is the level where the company's capital support is obtained from outside the company. The leverage / long-term debt to the company will cause other expenses, namely fixed expenses in the form of interest to be paid. Leverage is also often used by companies to increase the company's capital in increasing profits (Singapurwoko, 2011). Of course, this will affect the company's profitability. This is supported by research conducted by Siti Mualifah (2017).
H2: Leverage has an effect on ROA.

2. Research methods

Data analysis aims to prove the results of the research based on the model used in the analysis (Edison, 2019: 278; Perez et al., 2019). This study uses quantitative data that can support the results of the study to match expectations.

The population in this research is a population with secondary data in the form of financial reports manufacturing of the companies in the sector of consumer goods listed on the IDX as many as 53 companies. The technique of sampling used in the research was purposive judgment sampling.

Table 1.1
Sample Selection Criteria

No	Sample Criteria Number	Total
1	The companies of manufacturing industry in the consumer goods that conducted IPOs before 2016.	-11
2	The companies of manufacturing industry in the consumer goods sector that did not publish financial reports for the period ended December 31 for 4 consecutive years for the period 2016-2019.	-9
3	The companies of manufacturing industry in the consumer goods sector that have never experienced a loss in 2016-2019	-6
Number of sample companies		27
Observation Year		4
Total data 2016-2019		108

Source: www.idx.co.id and www.idnfinancial.com (data processed)

Based on table 1.1, the research sample is 27 companies. Meanwhile, 26 other companies did not meet the sampling criteria.

Edison (2019) stated that the independent variables are variables that are independent, exogenious or predictor variables and can influence other variables. The independent variables in this research are leverage and sales growth as measured using DAR.

1. Sales growth = this year's sales - last year's sales
2. DAR = Total Liabilities / Total Asset

Edison (2019) stated that the dependent variable is the dependent variable which is a variable that is influenced by other variables. Profitability which is measured using ROA in this research is dependent variable.

RoA = Net Profit / Total Capital

3. Discussion

The Effect of Sales Growth on Return on Assets (ROA)

The results of this research conducted, that the sales growth variable has a positive regression coefficient (+) of 0.242398 or 0.24%, meaning that if sales growth has increased it will contribute 0.24% increase to ROA, whereas if Sales growth has decreased, it will contribute 0.24% decrease in ROA. When viewed in testing the sales growth hypothesis on ROA, it states that sales growth is significant and influences ROA as indicated by the resulting probability of the value is 0.03 <0.05 and the resulting t-count value of 2.200915> t-table value of 1.9828.

Facts in the field that show sales growth have a significant positive effect on profitability, the Akasha Wira International Tbk (ADES) where sales in 2016, 2017, 2018 and 2019 amounted to Rp. 887,663,000, Rp. 814,490,000, Rp. 804,302,000 and Rp. 834,330,000, so the 2016-2017 sales growth is 0.33% then 2017-2018 is -0.08% then 2018-2019 is 0.04%, the increase and decrease have an effect on profitability where the 2016 ROA value -2017 amounted to 7.29% - 4.55%, 2017-2018 ROA value of 4.55% - 6.01% and 2018-2019 ROA value of 6.01% - 10.46%.

The Effect of Leverage on Return on Assets (ROA)

The results of the research, can be seen that the Leverage variable has a regression coefficient that is negative (-) of 0.19577 or 0.19%, which means that if the Leverage increases it will contribute 0.19% decrease to ROA, whereas if the Leverage has decreased then will contribute 0.19% increase to ROA. When viewed in testing the hypothesis Leverage on ROA states that Leverage is not significant and has no effect on ROA which is indicated by the resulting probability value of 0.4160> 0.05 and the resulting t-count value is -0.817642 <ttable value of 1.9828.

4. Conclusion

1. The growth of sales has a significant positive effect on profitability as indicated by the probability value generated at 0.03 <0.05 and the resulting calculated t value 2.200915> t table of 1.9828.
2. DAR has no effect on profitability which is shown by the resulting probability value and the resulting t-count value of 0.4160> 0.05 and the resulting calculated t value -0.817642 <t table of 1.9828.

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