

THE DETERMINANS OF NET PROFIT MARGIN: STUDY AT PT. INDOFOOD SUKSES MAKMUR TBK.

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ABSTRAK

Tujuan studi ini untuk menganalisis faktor penentu net profit margin pada Perseroan Terbatas Indofood Sukses Makmur Tbk.. Tujuan lain untuk menganalisis bagaimana pengaruh Working Capital Turnover, Currents Ratio, Total Assets Turnover di Perusahaan tersebut dan pengaruhnya terhadap Net Profit Margin. Metode penelitian menggunakan pendekatan kuantitatif deskriptif dengan data sekunder berupa laporan keuangan tahunan perusahaan tahun 2011 – 2022. Alat analisis yang digunakan adalah analisis regresi berganda. Hasil penelitian secara deskriptif menunjukkan bahwa Variabel yang diteliti berfluktuatif selama periode penelitian. Selanjutnya dari uji simultan menunjukkan bahwa *Working Capital Turnover, Turrent Ratio, dan Total Asset Turnover* berpengaruh *secara simultan* terhadap *Net Profit Margin*. Uji parsial menunjukkan bahwa *Working Capital Turnover* berpengaruh positif terhadap *Net Profit Margin*. Sedangkan *Current Ratio*, dan *Total Assets Turnover* tidak berpengaruh terhadap *Net Profit Margin*.

Kata kunci: *Working Capital Turnover, Current Ratio, Total Asset Turnover, Net Profit Margin.*

ABSTRACT

The purpose of this study is to analyse the determinants of net profit margin at Indofood Sukses Makmur Tbk Limited Company. Another goal is to analyse how the effect of Working Capital Turnover, Currents Ratio, Total Assets Turnover in the company and its effect on Net Profit Margin. The research method uses a descriptive quantitative approach with secondary data in the form of the company's annual financial statements for 2011 - 2022. The analysis tool used is multiple regression analysis. The descriptive research results show that the variables studied fluctuated during the study period. Furthermore, the simultaneous test shows that Working Capital Turnover, Turrent Ratio, and Total Asset Turnover simultaneously affect Net Profit Margin. Partial tests show that Working Capital Turnover has a positive effect on Net Profit Margin. While Current Ratio, and Total Assets Turnover have no effect on Net Profit Margin.

Keywords: *Working Capital Turnover, Current Ratio, Total Asset Turnover, Net Profit Margin.*

INTRODUCTION

Financial reports are necessary for investors to assess and examine the state of the company's finances (Sukamulja, 2024). One of the methods used is the profitability ratio, which helps estimate the business's capacity to turn a profit, one of which is by using Net Profit Margin variable. PT. Indofood Makmur Jaya as a public company with many entities under it has demands to increase profitability.

Maximum profitability can be achieved whether the business can turn a profit in its operational activities. According to (Nasution & Agustin, 2020) profitability is a measure of a company's capacity to generate profits over a specific time frame. The company's ability to make a profit will attract investors to invest in the company so that the company can expand its business. Conversely, if the company is unable to make a profit, it will cause investors to withdraw their investment. Among the methods for determining profitability is the return on assets (ROA) approach (Mulyani & Agustinus, 2021).

The results of previous research show a variety of findings. According to certain research, the current ratio has no apparent effect on earnings growth (Susyana & Nugraha, 2021), while other studies show a significant effect (Amalina & Efriadi, 2022). Research by (Fathimah & Novian, 2021) and (Aulia Indah Juita et al., 2021) explains how working capital turnover has not had any effect on NPM. In contrast, various studies showing that the turnover of total assets significantly affects the growth of profits (Suleman et al., 2023) and NPM (Gunawan, 2012; Mus, 2018).

The difference in research results indicates that there are inconsistencies related to the variables to be examined in this study. Therefore, the importance of further research by considering these variables, differences in industrial sectors, and a longer period of time to produce more generalisable findings. Thus, this research raises the theme of The Determinants of Net Profit Margin: Study at PT Indofood Sukses Makmur Tbk.

METHOD

The methodology is a quantitative one with descriptive approach, which uses quantitative data types with source data from audited financial reports at Indonesia Stock Exchange. Multiple Linear Regression is the analysis tool that is employed.

Research Variables

This study uses 3 types of variables, namely:

1. Dependent Variable

The dependent variable in this study is net profit margin with the following formula.

$$\text{Net profit margin} = \frac{\text{Net Incomr}}{\text{Annual Sales}} \times 100\%$$

2. Independent Variables

The independent variables in this study consist of working capital turnover, current ratio and total asset turnover. The formulas of the independent variables are as follows.

a. Working Capital Turnover yang dihitung dengan rumus:

$$\text{Working Capital Turnover} = \frac{(\text{Revenue})}{\text{Working Capital}}$$

b. Current Ratio yang dihitung dengan rumus:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

c. Total Asset Turnover yang dihitung dengan rumus:

$$\text{Total Asset Turnover} = \frac{\text{Net Sales}}{\text{Average Total Assets}}$$

RESULTS AND DISCUSSION

Based on the results of data processing regarding the determinants of net profit margin, it can be presented as follows.

Table 1.
Working Capital Turnover
PT. Indofood Sukses Makmur Periode 2011 - 2022

NO	YEAR	WORKING CAPITAL TURNOVER
1	2011	6,30
2	2012	6,30
3	2013	6,30
4	2014	6,36
5	2015	6,50
6	2016	6,60
7	2017	7,02
8	2018	7,20
9	2019	7,40
10	2020	7,50
11	2021	7,65
12	2022	7,60
MEAN		6,75
MAXIMUM		7,50
MINIMUM		6,30

Source: Company annual report (data processed)

Based on available data, research on Working Capital Turnover (WCT) at PT Indofood Sukses Makmur Tbk for the period 2011-2022 shows fluctuating changes. The highest value of WCT was reached in 2022 with a figure of 7.5 times, which means that every Rp1 of working capital is able to generate sales of Rp7.50, This illustrates the company's ability to optimise working capital. The average WCT during the period was 6.75 times. In 2017 to 2022, the WCT value was recorded to be above average, while in the period 2011 to 2016 it was below average. The lowest value was recorded in 2011 with a WCT of 6.3 times, which indicates that every Rp1 of working capital is only able to generate sales of Rp6.30, The low WCT value at the beginning of the period was due to excess working capital accompanied by an increase in current assets. This occurred due to a decrease in merchandise inventory and trade receivables. Overall, the WCT showed an increasing trend over the eleven years, reflecting an increase in the effectiveness of the use of working capital in driving sales. With this positive trend, the company managed to manage working capital more efficiently throughout the study period.

Table 2.
Current Ratio
PT. Indofood Sukses Makmur Tbk. Periode 2011-2022

NO	YEAR	CURRENT RATIO
1	2011	1,91
2	2012	1,99
3	2013	1,67
4	2014	1,81
5	2015	1,71
6	2016	1,51
7	2017	1,49
8	2018	1,45
9	2019	1,65
10	2020	1,76
11	2021	1,71
12	2022	1,70
MEAN		1,70
MAXIMUM		1,99
MINIMUM		1,45

Source: Company annual report (data processed)

Research on the Current Ratio of PT Indofood Sukses Makmur Tbk. period 2011-2022 revealed that the ratio value was still below the industry average set by Munawir (2015) of 200% (2 times). The highest achievement occurred in 2012 with a value of 1.99 times, which shows the company's ability to meet short-term obligations of 1.5 times. Conversely, the lowest value was recorded in 2018 at 1.45 times, which means the company can only pay short-term liabilities 1.98 times. Overall, the current ratio shows a fluctuating pattern and tends to decrease after 2012. During that period, the average current ratio value was 1.70 times, which is still below the industry standard. This decline is due to the high current liabilities, which may increase liquidity risk when the liabilities are due. Nevertheless, there was an improvement after 2018 with a positive trend in the 2019-2022 period. However, the company's ability to fulfil short-term obligations still does not fully reach the industry standard.

Table 3.
Total Asset Turnover
PT. Indofood Sukses Makmur Tbk. Periode 2011-2022

No	YEAR	TOTAL ASSET TURNOVER
1	2011	0,85
2	2012	0,84
3	2013	0,74
4	2014	0,90
5	2015	0,70
6	2016	0,91
7	2017	0,80
8	2018	0,76

9	2019	0,80
10	2020	0,75
11	2021	0,80
12	2022	0,81
MEAN		0,85
MAXIMUM		0,91
MINIMUM		0,70

Source: Company annual report (data processed)

Research on Total Asset Turnover PT Indofood Sukses Makmur Tbk. period 2011-2022 shows fluctuations in value. The highest achievement was recorded in 2016 at 0,91 times, which means that every Rp1 of assets is able to generate revenue of Rp0,91. During the period, the average total asset turnover was 0,851 times, although most of the annual values were below the average. The lowest value was recorded in 2017 at 0,70 times, which indicates that every Rp1 of assets only provided Rp0,70 of revenue. Compared to the Murhadi (2013) standard which states that the ideal value is close to 1 time, the total asset turnover of PT Indofood Sukses Makmur Tbk during this period can be said to be quite good, indicating that the company has succeeded in utilising its assets efficiently to generate revenue.

Table 3.

Net Profit Margin

PT. Indofood Sukses Makmur Tbk. Periode 2011-2022

NO	TAHUN	NET PROFIT MARGIN
1	2011	0,06
2	2012	0,07
3	2013	0,07
4	2014	0,08
5	2015	0,08
6	2016	0,08
7	2017	0,08
8	2018	0,10
9	2019	0,11
10	2020	0,11
11	2021	0,10
12	2022	0,09
MEAN		0,84
MAKSIMUM		0,11
MINIMUM		0,06

Source: Company annual report (data processed)

Company's NPM during the year 2011-2022 shows that the average NPM reached 0,84, which means that every Rp1 of net sales generates a net profit of Rp 0,84. The highest achievement occurred in 2019 at 0,11, while the lowest value was recorded in 2011 at 0,06, indicating fluctuations in the company's profitability performance. Despite the overall increase over the ten-year period, the value is still below the industry average set by Cashmere (2015) of 20%. With an average of only 0,84, the company's NPM performance is considered less than

optimal in generating net income. From the calculation results, the regression equation is obtained

$$Y = -15,503 + 0,343 X_1 + 0,006 X_2 - 0,003 X_3 + \varepsilon$$

This equation means:

- Constant -15,503 states that if working capital turnover, current ratio and total asset turnover = 0 or constant, then the value of Net Profit Margin is -15,503.
- Working Capital Turnover has a regression coefficient value of 0,343, meaning that a 1% change in Working Capital Turnover value causes a 34.3% increase in Net Profit Margin.
- The Current Ratio value has a regression coefficient of 0,006, meaning that a 1% change in Current Ratio causes a 6% increase in the company's Net Profit Margin.
- The Total Asset Turnover value has a regression coefficient value of -0,003, meaning that a 1% change in Total Asset Turnover causes a 3% decrease in Net Profit Margin change.

The significance value of the four variables 0,025 is greater than 0,05 so that the four are normal. Likewise, these four variables all do not occur multicollinearity because the tolerance value of the Working Capital Turnover variable (X_1) of 0,708, Current Ratio (X_2) of 0,762 and Total Asset Turnover (X_3) of 0,898 as a whole is greater than 0,1. The VIF value of the Working Capital Turnover (X_1) variable is 1.412 Current Ratio (X_2) of 1.312 and Total Asset Turnover (X_3) of 1.114, smaller than 10, In the autocorrelation test, a value of 1.665 is obtained which is close to 2 so it can be concluded that there is no autocorrelation. Meanwhile, for the heteroscedasticity test, the three independent variables have a value of more than 0,05, meaning that they do not experience heteroscedasticity. In the determination coefficient test, the adjusted R Square (R_2) value is 0,814 or equal to 81%, which means that the capital structure is influenced by independent variables by 81% while the remaining 19% is influenced by others. For the f test obtained Fcount value of 14.166 with a significance level α of 0,05 then $F_{table} (k:n-k) = (3; 10-3) = (3; 7) = 4.35$ so as to produce $F_{count} > F_{table}$ that is $14.166 > 4.35$ and a significance level of $0,004 < 0,05$. Because $F_{hitung} > F_{tabel}$ and the significance level $> 0,05$ H_a is accepted working capital turnover, current ratio and total assets turnover simultaneously have a significant effect on net profit margin. As for the results of the t test, among others:

The significance value of working capital turnover is 0,000, smaller than 0,001, so H_0 is rejected and H_a is accepted. In addition, the results of the comparison between tcount and ttable show t_{count} of 5.627 $> t_{table}$ of 2.44691, it can be concluded, working capital turnover has a significant positive effect on NPM.

- The significance value of Current ratio is 0,723, greater than 0,05 or $0,723 > 0,05$, then H_0 is accepted and H_a is rejected. In addition to the results of the comparison between tcount and ttable which shows t_{count} of 0,371 $< t_{table}$ of 2.44691, it can be concluded, Current Ratio has no significant effect on net profit margin.
- Significant value of total assets turnover 0,934. greater than 0,05 or $0,934 > 0,05$, In addition, judging from the results of the comparison showing the t_{count} of -0,086 $< t_{table}$ of 2.44691, it can be concluded that total assets turnover has no significant effect on net profit margin. And total asset turnover has a negative value, which means that if there is an increase in total asset turnover, it will reduce the value of net profit margin.
- The average working capital turnover is 67.5 times which can be seen from the actual percentage value obtained from 2011-2020 where every Rp.1 of working capital will increase the sales value of the company by Rp.67.5, so that current assets continue to increase in value. It can be concluded that the research results obtained show that in general the average value of working capital turnover in the period of 10 years has

increased. which is supported by the increasing effectiveness of the company's working capital to generate sales. Current ratio in a period of 10 years has increased and decreased but is still arguably not good because it is below the average value of the industry according to Munawir (2015) which is 200% (2x). Net profit margin in the period of 10 years has increased but is at a value below 0,2 or 20%, namely 8.4% so that the net profit margin is said to be not good, according to Kasmir (2015) that the average industry value for net profit margin is 0,2 or 20%.

Effect of Working Capital Turnover, Current Ratio, and Total Asset Turnover on Net Profit Margin simultaneously

The results of the calculation of F_{count} of 1.338 with a significance α of 0,05 then F_{tabel} ($k:n-k$) = (3; 10-3) = (3;7) = 4.35 results in $F_{\text{count}} > F_{\text{tabel}}$, namely $14,166 > 4.35$ and a significance level of $0,004 < 0,05$. then H_a is accepted, and it is concluded that simultaneously working capital turnover, current ratio and total assets turnover have a significant positive effect on net profit margin, this means that working capital turnover, current ratio, and total assets turnover together have an effect on net profit margin. The amount of contribution of working capital turnover, current ratio and total asset turnover to net profit margin is 0,814 or 81%, meaning that independent variables affect the capital structure by 81% while the remaining 19% is influenced by other variables. The results of this study are in line with the theory of Kadir and Phang (2012) that net profit margin functions to determine the profit of each sale or revenue of the company and that the factors that influence net profit margin include current ratio and working capital turnover. Pengaruh Secara Parsial Working Capital Turnover terhadap Net Profit Margin Pada PT. Indofood Sukses Makmur Tbk. Periode 2011-2022. The probability of working capital turnover is 0,001, so its significance is greater than the probability of 0,05 $> 0,001$, so H_a is accepted. While the comparison results comparison shows t_{count} of 5.627 $> t_{\text{table}}$ of 2.44691 it is concluded that partially working capital turnover has a significant positive effect on net profit margin. This is in line with Munawir's theory (2015: 134), namely the greater this ratio, the more effective the utilisation of available working capital in increasing the company's profitability. Available in increasing the company's profitability.

Effect of Current Ratio on Net Profit Margin

Current ratio has a significant 0.723 greater than the probability of 0.05 or $0.05 < 0.723$, then H_a is rejected and the comparison results show the t_{count} of 0.371 $<$ table of 2.44691, it can be concluded, Current Ratio has no significant effect on net profit margin, and hypothesis testing shows that the current ratio has a positive sign, which means that if there is an increase in the current ratio, it will be followed by an increase in the value of net profit margin but not significantly. The results of this study are in accordance with previous research conducted by Amalina & Efriadi (2022); Ningsih et al., (2020) and Nikmah et al., (2024) who found that current ratio has no effect on net profit margin. A high or low current ratio does not significantly affect the net profit margin of the Indofood Company. This means that the company is able to pay short-term liabilities with its current assets and does not interfere with the efficiency and net profit margin of the business run by the company.

Effect of Total Assets Turnover on Net Profit Margin

The significance of total assets turnover of 0.934 is greater than the probability of 0.05 or $0.934 > 0.05$, so H_a is rejected and the results of the comparison between the tcount of $-0.986 < t_{table}$ of 2.44691 concluded that total assets turnover has no significant effect on net profit margin, and the negative coefficient means that an increase in total assets turnover will be followed by a decrease in net profit margin value. The results of this study are in accordance with previous research by Lumbantobing (2023); Rumondang Sinaga et al., (2012) and Firdiana & Nugroho, (2024) who found that total asset turnover has no significant effect on net profit margin. This shows that companies with high total asset turnover and followed by high costs, the company's net profit margin remains low. In addition, the company can efficiently generate revenue from its assets, but the net profit margin is low, so total asset turnover has no effect on net profit margin.

CONCLUSIONS

Working capital turnover within 10 years has increased, the current ratio value has fluctuated and still shows results below the industry value, the total asset turnover value and the net profit margin value have increased but the total asset turnover is negative, meaning that there are fixed assets that do not generate effective income because of the fixed expenses that are too high. And partially working capital turnover, and current ratio, have a significant positive effect on net profit margin, while total asset turnover has no significant effect on net profit margin. While simultaneously working capital turnover, current ratio, and total asset turnover have a significant positive effect on net profit margin. In the end, to increase net profit margin, it is not enough for companies to increase sales so that total asset turnover increases, but companies must be able to control costs and improve overall operational efficiency.

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