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Analysis of Factors Affecting The Profitability of Companies in Indonesia 2023–2024

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ABSTRACT

The level of profitability of companies in Indonesia in 2023-2024 is the goal in this study, this is because it is the backbone of the country's economic center. This study uses a quantitative study. The collection taken in this company is all companies listed on the Indonesia Stock Exchange (IDX) on the condition of attaching financial statements regularly. The sample was taken as many as 20 companies that met the requirements in the use of the purposive sampling method and then the data was analyzed using regression. Independent variables in this study include cash turnover, capital structure, liquidity and sales growth. In this study, several main findings were produced where capital structure had a significant negative effect on profitability, sales growth had a significant positive effect. Meanwhile, the other variables, namely cash turnover and liquidity, did not show a significant relationship with profitability examined in this study. In terms of the influence of independent variables on profitability together, they have a significant influence so that they can be considered in terms of their application.

Keywords : Profitability, Cash turnover, Capital structure, Liquidity and Sales growth

INTRODUCTION

The intensifying competition in today's business environment requires companies to continuously strengthen their competitive advantage to avoid being outperformed by rivals. A company's fundamental objective is to build profits by optimizing use of available resources and enhancing operational activities so that maximum earnings can be achieved (Fiemotongha et al., 2023). Profitability illustrates how efficiently a company functions in generating returns that support long-term business survival. As stated by Horne and Wachowicz (2013), the central aim of a company is to enhance stakeholder welfare including owners and shareholders—through the profits it produces (Gofman and Wu, 2022).

Profitability ratios serve as indicators of managerial performance by showing how much profit is generated from sales and investment activities. These ratios help demonstrate the efficiency of a company by comparing components within the financial statements. Such comparisons enable stakeholders to monitor a firm's performance trends, detect improvements or declines, and identify potential issues within the company (Hanifah and

Meikhati, 2024). All operational activities carried out by a company are aligned with its business objectives. Financial performance is often assessed through the level of profit achieved, as net income reflects the final outcome of operational, financing, and investment decisions (Kumari et al., 2024).

Assessing profitability is crucial because it helps companies measure their ability to generate earnings from assets within a specific accounting period, providing valuable input for managerial decision-making. The profit level also serves as a consideration for potential investors when evaluating a company's prospects (Omole and Enke, 2024). Various factors can drive fluctuations in profitability (Migliaccio and Palma, 2024). The highly competitive business landscape pushes companies to manage their capital structure more effectively. Funding can come from internal sources, equity. Excessive use of debt compared to equity can heighten financial risk and increase the likelihood of the company experiencing financial pressure, ultimately influencing profitability (Widyatmoko and Risman, 2024). The study by Hossain et al. (2025) revealed the presence of a correlation trending toward significance between capital structure and profitability, found that capital structure does not significantly affect profitability.

Liquidity is also closely linked to profitability because it reflects the company's to secure adequate working capital operational needs (Sogomi et al., 2024). Effective liquidity management can lead to improved profitability, while providing reassurance to creditors about the company's capacity to settle short-term obligations. Sutrisna and Salman (2025) identified a positive and significant effect of liquidity on profitability, whereas Nam et al. (2024) found no such relationship. Cash and receivables also play a key role in profitability, as they support day-to-day operations and additional investment in fixed assets. Higher cash turnover indicates a faster recovery of funds tied up in operations. Surikova et al. (2022) showed that cash turnover positively and significantly affects profitability, whereas Jiaxin et al. (2021) reported no significant impact.

To remain competitive, companies must boost revenue, particularly by increasing sales, as this helps broaden market share and strengthen competitive positioning. Sales growth can signal future expansion and reflect the effectiveness of investment decisions. It also acts as an indicator of market demand and business competitiveness. Alzoubi and Ghazal et al. (2022) found that sales growth positively influences profitability, while Salam (2022) concluded that sales growth has a negative and insignificant impact. The trading, service, and investment sectors form part of the IDX's sectoral indices, contributing to heightened competition among firms in these industries (Sumantri et al., 2022). These sectors are also known for their volatile stock price movements, which can affect profitability levels. Investors and prospective investors frequently examine financial statements as a basis for decision-making. Nevertheless, prior studies show inconsistent findings regarding the effect of sales growth on profitability, creating a notable research gap. Some researchers have documented a positive and significant relationship, whereas others report insignificant or even negative results. Such inconsistencies suggest that the impact of sales growth may differ based on industry conditions, timeframes, or firm characteristics. Additionally, empirical research specifically focusing on companies listed on the Indonesia remains limited, despite the intense competition and high volatility within this sector. Hence, further study is required to provide clearer insights into how sales growth influences profitability in this industry group (Pane et al., 2023).

LITERATURE REVIEW

1. Signaling Theory

Huang (2022) explains that signaling theory refers to the actions taken by company management to convey indications or messages to investors about their expectations for the firm's future performance. These signals function as guidance for investors when determining whether to continue or adjust their investment positions. Companies disclose specific information because it can act as a favorable signal for external stakeholders—especially investors—such as through the publication of annual reports. Information asymmetry arises when managers possess more comprehensive insight into the company's internal operations than outside parties. This imbalance may cause investors to form unfavorable assumptions, which can lead to increased capital costs or weakened market trust. To counter these risks, firms seek to send positive signals by enhancing the quality of disclosed information, including transparent financial reporting, engaging external auditors, and clarifying managerial decisions. Such signals enable investors to make more informed and accurate investment judgments (Connelly et al., 2025).

For signals to be effective, they must be credible and reliable from the perspective of outside parties. Credible signals often require the company to incur certain costs, making them difficult for poorly performing firms to replicate. Examples of such signals include steady dividend distributions, audited financial statements, and the execution of investment projects with strong value-creation potential. Firms with solid performance are generally better positioned to issue these signals than companies facing operational or financial challenges (Rawashdeh, 2025). In essence, signaling theory highlights the vital role of transparent, trustworthy communication in reducing the information gap between informed and uninformed parties. Effective signaling not only strengthens investor confidence but also helps lower financing costs and enhances a firm's competitiveness in the market. For academics and practitioners, the theory provides a critical framework for examining how companies disclose information and how such disclosures shape market responses and overall corporate outcomes (Shi et al., 2024).

2. Profitability

Profitability refers to a company's capability to produce earnings from the capital it employs. It reflects how effectively a firm can manage its operations to achieve optimal financial results. According to Umar et al. (2024), Profitability is shaped by numerous internal and external factors, including production cost efficiency, pricing policies, managerial competence, market dynamics, and broader economic conditions. Companies that efficiently manage costs while preserving product or service quality generally achieve stronger profitability. Moreover, innovation—both in product development and business processes—plays a crucial role in improving competitiveness and opening access to more profitable market segments (Musleh, 2024).

From a financial analysis standpoint, profitability is commonly evaluated using indicators such as Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). These metrics provide insight into how well a company converts its assets, equity, and revenue into profit. Continuous monitoring of profitability enables firms to detect weaknesses, design strategic improvements, and maintain long-term operational resilience (Kumar, 2024).

Profitability theory suggests that the ability of a company to earn profits is determined not only by its operational efficiency but also by its ability to capitalize on market opportunities and mitigate risks. It is considered a vital measure of financial strength because

it demonstrates how effectively management allocates resources to generate sustainable earnings. Theoretically, companies that maintain a balance between cost control, innovation, effective asset utilization, and sound strategic decisions are more likely to achieve consistent, long-term profitability, ultimately increasing their value to stakeholders (Mukhibad et al., 2024).

3. Capital Structure

Capital Structure Theory focuses on how firms decide the most effective combination of debt and equity to fund their operations and investment activities. The goal is to achieve an optimal structure that lowers the cost of capital and increases the overall value of the business. Selecting the appropriate financing mix is crucial because sound capital structure decisions can improve profitability, facilitate business expansion, and reinforce the company's long-term financial stability. One of the most influential frameworks in this area is the Modigliani and Miller (MM) Theory (Ferriswara et al., 2022). According to this theory, in an idealized market without taxes, bankruptcy costs, or information asymmetry, a firm's capital structure has no impact on its value. However, once taxes are introduced, MM argues that debt financing can raise firm value because interest payments are tax-deductible, creating a tax shield. This encourages firms to utilize debt up to an optimal level, after which additional borrowing increases financial risk excessively (Adeneye et al., 2023).

The Trade-Off Theory offers another key perspective, proposing that firms weigh the benefits of debt against its potential costs. The main advantage of using debt is the tax shield, while the primary cost is the heightened probability of financial distress or bankruptcy if leverage becomes too high. Companies with steady cash flows and strong asset bases typically rely more on debt, as they are better positioned to handle financial risks. Conversely, firms facing greater business uncertainty tend to adopt more conservative borrowing strategies (Ardianto et al., 2024).

The Pecking Order Theory further explains corporate financing behavior by suggesting that firms follow a preferred sequence when sourcing funds. They prioritize internal financing (retained earnings), then debt, and lastly, equity issuance. This preference structure arises due to information asymmetry between managers and outside investors external financing, particularly equity, may signal unfavorable information about the firm's value. Therefore, internal funds are viewed as the most cost-efficient and least risky financing option (Putri and Willim, 2024)

4. Liquidity

Hermuningsih (2023) states that liquidity shows the power of a company in the context of paying off all kinds of debts, in this case it means that it is the main way for the continuation of the company. When it comes time to pay, the company is obliged to be able to pay it off and cash is fulfilled for other needs. In the process, liquidity is very important and as a reflection of some assets that are considered liquid. Companies will always compete to maintain their liquidity levels for the sake of business continuity and avoid financial famine difficulties (Abdulla, 2024).

One of the core ideas in liquidity theory is that firms must maintain an optimal balance. Although high levels of liquid assets reduces the risk of insolvency. Therefore, the challenge for management is to find the right balance ensuring enough liquidity to meet short-term needs without sacrificing the opportunity to earn higher profits through productive investments (Chen et al, 2024). Liquidity theory is often supported by financial ratio analysis, which can help formulate a company's capacity to resolve various existing obligations. A preferred ratio indicates stronger liquidity, while a lower ratio indicates potential difficulties

in meeting direct financial commitments. Investors, creditors, and managers typically use this ratio to evaluate a company's stability and short-term risk (Saleeb, 2024).

Another important concept in liquidity theory is the liquidity-risk trade-off. Companies with insufficient liquidity face a higher risk of failing to pay debts on time, which can damage their creditworthiness and reputation. On the other hand, excessive liquidity can indicate inefficient asset management. As a result, liquidity management involves strategic decisions regarding cash holdings, working capital policies, credit terms, and inventory management to maintain financial flexibility while optimizing asset utilization (Adebayo, 2025).

5. Cash Turnover

Cash turnover refers to the length of time required for cash to circulate through a company, starting from when cash is invested in working capital until it returns in the form of cash again—the most liquid portion of working capital (Hasanudin et al., 2022). The cash turnover ratio indicates how effectively a firm uses its working capital to meet its obligations and cover selling expenses. Maintaining sufficient cash helps prevent liquidity issues, as higher cash levels strengthen the company's overall liquidity position.

The theory of cash turnover focuses on how efficiently a business manages its cash to support daily operations and generate income. Cash turnover reflects the rate at which cash flows back into the company through sales and other operational activities. A higher turnover rate suggests that a firm can quickly recover the cash used to fund operations, signaling sound cash management and the ability to maintain adequate liquidity (Riskiya & Edastami, 2023). Companies that collect receivables promptly, control inventory effectively, and manage payables wisely will typically achieve more efficient cash turnover(Rodrigues et al., 2024).

The rate of cash turnover also reveals how well a company manages its sales activities and operating expenses. Firms with efficient operations, well-planned sales strategies, and disciplined cost control tend to produce more consistent cash flows. A high cash turnover rate signals that the company is using its cash resources efficiently, which can enhance investor and creditor confidence in its financial stability.

In financial analysis, cash turnover is often used to evaluate revenue from the cash invested in its operations. This measure helps management determine whether operational cash use is proportional to the revenue produced. A low cash turnover ratio indicates that the company takes longer to recover its cash, which may suggest inefficiencies or weaknesses in working capital management (Liu & Suzuki, 2025). Overall, cash turnover theory underscores the significance of managing cash efficiently to maintain liquidity, reduce financial risk, and support ongoing operations. Companies with high cash turnover are generally better equipped to adjust to market shifts and economic uncertainty, making cash turnover an essential tool for managerial decision-making and assessing overall financial health (Olanrewaju, 2025).

6. Sales Growth

Pane et al. (2023) explain that sales growth is measured by comparing a company’s sales in the current period with those of the previous period. The rate of sales growth can be used as a signal to forecast the company’s future profitability. Essentially, sales growth reflects an upward trend in sales over time and demonstrates the company’s ability to sustain its economic position during phases of economic development. An increase in market share typically indicates rising sales growth, which subsequently enhances sales value and overall profitability.

Sales Growth Theory centers on the expansion of a company's sales within a certain timeframe and functions as a crucial measure of business development and market performance. Rising sales indicate the firm's capability to attract more customers, broaden its market presence, and strengthen the perceived value of its products or services. Continuous improvement in sales is frequently associated with effective strategic planning, strong marketing execution, and a favorable competitive stance. Because of this, sales growth is widely utilized by managers, analysts, and investors to assess long-term business outlooks (Salam, 2022).

Internal determinants product excellence, pricing decisions, innovation, customer service performance, and the effectiveness of distribution networks. On the other hand, external influences such as macroeconomic conditions, shifting consumer tastes, competition intensity, and technological advancements also contribute significantly. Companies that respond swiftly to market changes and continuously refine their offerings generally achieve stronger sales growth (Alkobar, 2024).

Sales growth is strongly linked to key strategic choices, especially in areas such as marketing and capital investment. Firms often allocate resources to research and development, promotional campaigns, and market diversification to stimulate higher sales. Strong branding efforts and effective customer relationship management further reinforce steady sales performance. When a company consistently grows its sales, it reflects solid financial standing, operational effectiveness, and long-term sustainability—factors that can draw investor interest and reinforce competitive strength (Amin et al., 2024).

From a financial viewpoint, sales growth holds considerable importance because it influences profitability, cash flow, and the company's capacity to fund future initiatives. Nonetheless, the theory stresses the need for controlled and well-managed growth; rapid increases in sales that are not supported by adequate operational systems can result in cost overruns, inventory problems, or liquidity challenges. Therefore, companies must align their growth ambitions with effective resource management to secure stable and sustainable long-term development (Sapitri et al., 2024).

Hypothesis Development

1. Effect of Capital Structure on Profitability

The capital structure includes a combination of liabilities, in terms of reducing dependence on external financing, companies are encouraged to maximize the use of internal funding sources. An ineffective capital structure can increase the cost of capital, while good financial structuring helps lower financing costs and increase profitability. Nurcahyanto et al. (2025), a study of pharmaceutical companies listed on the IDX, concluded that capital structure has a positive and significant effect on profitability. These findings are in line with the results of Izhakian et al. (2022), who examined IDX companies from 2016 to 2021. However, contrasting evidence is reported by Alwan and Risman (2023), whose research on automotive subsector companies (2016–2021) shows that capital structure has no significant effect on profitability. Researchers support the argument presented by Ferriswara et al. (2022), which states that greater retained earnings capacity results in a larger equity component in a company's capital structure, hypothesis:

H1: Capital structure ratio affects profitability in trade, services, and investment companies listed on the IDX.

2. Effect of Liquidity on Profitability

Liquidity reflects the ability in a company to provide the cash needed to cover short-term liabilities and support day-to-day operations. Strong liquidity increases investor

confidence, which can increase profitability. Cobandag and Ekinci (2022) reported that liquidity had a positive effect on profitability among manufacturing companies listed on the IDX during 2017–2019. Similar findings were presented by Zhao et al. (2023) in their study in industrial enterprises in the period 2015–2019. In contrast, research by Devi and Ulfah (2023) and Cartea et al. (2022) found that liquidity did not have a significant impact on profitability. Researchers in line with Cobandag and Ekinci (2022), affirm that higher liquidity increases a company's creditworthiness. Companies with strong liquidity positions will be more able and able to deliver their obligations on time. Therefore, the following hypotheses are formulated:
H2: Liquidity ratio affects profitability in trade, services, and investment companies listed on the IDX.

3. Effect of Cash Turnover on Profitability

Cash turnover refers to the company's available cash, including both cash on hand and funds held in bank accounts that are used for routine transactions. This metric reflects how frequently the company's cash cycles within a specific period. Low or slow cash turnover is generally detrimental to a firm's financial performance. Ekayani et al. (2022) reported that cash turnover has a positive significant among companies listed on the IDX from 2017 to 2019. These results are consistent with Wajo (2021), although they contrast of Herison et al. (2022), Cash turnover does not influence profitability. The researcher agrees with Ekayani et al. (2022), stating that higher cash turnover contributes to increased profitability. A company is considered financially sound when its cash circulates rapidly, demonstrating efficient cash management, hypothesis is:
H3: Cash turnover ratio affects profitability in trade, services, and investment companies listed on the IDX.

4. Effect of Sales Growth on Profitability

Sales are a key measure for assessing profitability in the company and function as a primary indicator of overall business performance. An increase in sales growth generally contributes to greater profitability. Liviani and Rachman (2021) demonstrated that sales growth significant impact profitability manufacturing companies IDX during 2018–2020, a finding that is also supported by Afinindy et al. (2022). Conversely, Maniatis (2022) reported that sales growth does not influence profitability. The researcher agrees with Liviani and Rachman (2021) that higher sales levels tend to enhance profitability, as frequent sales reflect strong revenue generation. Hypothesis:
H4: Sales growth ratio affects profitability in trade, services, and investment companies listed on the IDX

METHODOLOGY

This research utilizes documentary data. The data applied in this study is quantitative and measured using a numerical scale. Secondary data is obtained from the annual financial statements of trading, services, and investment companies for the 2023–2024 period, which were downloaded from the Indonesia Stock Exchange (IDX) website on April 13, 2025. The population in this study includes all companies on the Indonesia Stock Exchange in 2023 and 2024. Purposive sampling, resulting in 20 companies meeting the criteria specified in the sampling technique.

Operational Definitions and Variable Measurement

Profitability is a dependent variable and is measured using Return on Assets (ROA), a ratio that measures a company's ability to generate profits from the total funds invested in its assets. ROA can be formulated systematically as follows:

$$\text{ROA} = \frac{\text{Net Income}}{\text{Total Asset}}$$

Independent Variables

1. Capital Structure

Capital structure, as defined by Ferriswara et al (2022), refers to a ratio that describes the condition of a company consisting of debt and long-term equity, which serves as a source of corporate financing. The formula capital structure is:

$$\text{LDER} = \frac{\text{Long Term Debt}}{\text{Equity}}$$

2. Liquidity

Liquidity, as defined by Abdulla (2024), is a ratio that shows a company's ability to pay its short term obligations before maturity. The formula used to measure liquidity is:

$$\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$$

3. Cash Turnover

Cash turnover, as defined by Rodrigues et al (2024), is a ratio in terms of measuring the level of a company's ability to utilize working capital to pay sales-related liabilities and costs. The formula used to measure cash turnover is:

$$\text{Cash Turnover Ratio} = \frac{\text{Net Sales}}{\text{Net Working Capital}}$$

4. Sales Growth

Sales growth, as defined by Pane et al (2023), is a ratio that describes the extent to which a company is able to increase its sales compared to its total sales overall. The formula used to measure sales growth is:

$$\text{P Sales} = \frac{\text{Sale}_t - \text{Sale}_{t-1}}{\text{Sale}_{t-1}}$$

RESULTS AND DISCUSSION

Data Testing

The table below presents a summary of the regression test results using multiple linear regression analysis for hypothesis testing. Based on the table below, the results of the t-test, F-test, and R^2 test of the research regression equation show the following:

Table 1. Parsial Test

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std Error	Beta		
Constan	.85	.014		6.074	.000
Capital Structure	-.57	.016	-.574	-.3679	.001
Liquidity	-0.05	.003	-.219	-.1681	0.099

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std Error	Beta		
Cash Turnover	.001	.001	.211	1.819	0.074
Sales Growth	.044	.012	.571	3.687	0.001

Source: author (2025)

Based on Table 1, the t-value and significance level of each independent variable can be identified. The t-table value used is 2.004. The Effect of Capital Structure on Profitability, based on the statistical test results, the t-value of –3.679 is lower than –2.004, and the significance level of 0.001 is below 0.05. These findings indicate that capital structure has a negative and significant impact on profitability; therefore, H1 is accepted. The Effect of Liquidity on Profitability the statistical results show a t-value of –1.681, which is smaller than the critical value of 2.004, and a significance level of 0.099, which exceeds 0.05. This demonstrates that liquidity does not have a significant effect on profitability; therefore, H2 is rejected. The Effect of Cash Turnover on Profitability the statistical output reveals a t-value of 1.819, which is below 2.004, and a significance value of 0.074, which is greater than 0.05. These results indicate that cash turnover does not significantly influence profitability; therefore, H3 is rejected. The Effect of Sales Growth on Profitability the statistical test shows a t-value of 3.687, which is higher than 2.004, and a significance level of 0.001, which is below 0.05. This confirms that sales growth has a positive and significant effect on profitability; therefore, H4 is accepted.

Table 2. Simultan Test

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	.119	4	.030	5.795	0.01
Residual	.283	55	0.05		
Total	.402	59			

Source: author (2025)

Based on the SPSS output in Table 2, the calculated F value is 5.795 with a significance level of 0.001. The F-table value for df1 = 4 and df2 = 55 is 2.54. Since F-calculated 5.795 > F-table 2.54 and the significance value 0.001 < 0.05, it can be concluded that capital structure, liquidity, cash turnover, and sales growth jointly influence profitability, and the alternative hypothesis (Ha) is accepted.

Table 3. Results of the Coefficient of Determination (R^2) Test

R	R Square	Adjusted R Square	Std. Error of the Estimate
.545	.297	.245	.07172

Source: author (2025)

Predictors: (Constant), Sales Growth, Cash Turnover, Liquidity, Capital Structure
Based on Table 3, the R^2 is 0.245 or 24.5%. This means that independent variables explain 24.5% of profitability, while 75.5% are explained by other variables.

Hypothesis Testing

Table 4. Multiple Linear Regression Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std.Error	Beta		
(Constan)	.085	0.014		6.074	.000
Capital Structure	-.057	0.016	-.574	-3.679	.001
Liquidity	-.005	0.003	-.219	-1.681	.099
Cash Turnover	.001	0.001	.211	1.819	.074
Sales Growth	.044	0.012	.571	3.687	.001

Source: author (2025)

The regression equation obtained from Table 4 is as follows:

$Y = a – b1X1 – b2X2 + b3X3 + b4X4 + Ɛ$

$Y = 0,085 – 0,057\ X1 – 0,005\ X2 + 0,001\ X3 + 0,044\ X4 + Ɛ$

Explanation of the regression equation:

1. The result of the value (a) of 0.085 indicates that if all the independent variables the result is zero, the profitability value is 0.085.
2. The coefficient of the regression value of the capital structure (X1) is -0.057, meaning that X1 will subtract Y by 0.057.
3. The coefficient of the liquidity regression value (X2) is -0.005, meaning that X2 will subtract Y by 0.005.
4. The regression value coefficient for cash turnover (X3) is 0.001, meaning X3 will increase Y by 0.001.
5. The regression value coefficient for sales growth (X4) is 0.044, meaning that an increase in X4 will increase Y by 0.044.

Hypothesis Discussion

1. Effect of Capital Structure on Profitability

The findings show that the capital structure provides negative and significant effects on profitability, as evidenced by a significance value of $0.001 < 0.05$ and a t-value of $-3.679 < -2.004$. Therefore, H1 is accepted. These results are best compared to research from Ferriswara et al. (2022), which reported that there was no effect in manfacturing companies during 2017–2019. However, the results are in line with the study of Adeneye et al. (2023) on mining companies listed on the IDX from 2012–2016, which found negative and significant effects. The variation in the level of capital structure reflects how effectively companies manage their financing decisions. Inefficient choice of capital structure increases the cost of capital, which ultimately reduces profitability. In this study, the costs associated with financing appeared to be greater than the benefits obtained, leading to lower profitability.

2. Effect of Liquidity on Profitability

The findings show that liquidity has no influence on profitability, as reflected by the significance value of $0.099 > 0.05$ and the t-value of $-1.681 < 2.004$; therefore, H2 is rejected. This result contradicts the study of Chen et al. (2024), which reported a positive effect. However, it is consistent with the conclusions of Abdulla (2024), Saleeb (2024), and Adebayo (2025), who also found that liquidity does not affect profitability. The lack of influence may be due to firms meeting their short-term obligations promptly, but this condition is not accompanied by increased liabilities or debt utilization. Consequently, liquidity levels alone do not determine a company's profitability.

3. Effect of Cash Turnover on Profitability

The findings indicate that cash turnover has no impact on profitability, as shown by a significance value of 0.074 > 0.05 and a t-value of 1.819 < 2.004; therefore, H3 is rejected. This result differs from the study of Riskiya and Edastami (2023), who identified a positive effect in the automotive subsector. However, the findings Hasanudin et al. (2022), who reported no influence in the food and beverage industry. Cash turnover may not serve as a reliable indicator of profitability because cash balances tend to fluctuate each year, and the presence of uncollected receivables can reduce profitability even when turnover appears relatively high.

4. Effect of Sales Growth on Profitability

The findings demonstrate that sales growth has a positive and significant impact on profitability, as indicated by a significance value of 0.001 < 0.05 and a t-value of 3.687 > 2.004; therefore, H4 is accepted. This outcome contrasts with Salam (2022), who reported no effect in manufacturing firms. However, it aligns with the results of Alkobar (2024) and Supriti et al. (2024), which showed that increasing sales growth leads to higher profitability. Because sales serve as the primary source of income for trading, service, and investment companies, an increase in sales growth naturally contributes to higher profit levels.

CONCLUSION AND SUGGESTION

Conclusion

This study investigated the factors that affect profitability. Based on the data analysis, there are several conclusions that can be obtained: First, the capital structure shows a negative and significant efect on profitability. Second, liquidity shows no effect and is not statistically significant. Third, cash turnover is also ineffectual and insignificant. Finally, sales growth shows positive and significant impact on profitability

Suggestions

Based the result above, several recommendations are offered for future researchers: First, subsequent studies are encouraged to expand the sample size. Second, future research may consider using alternative measurement formulas for the independent variables. Lastly, extending the research period is recommended to enhance the robustness of the findings

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