**Effect of TATO and ROA on profit growth in sharia food and beverage companies**

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**Received:** Month, Date, Year (Required) **Revised: Accepted:**

**Abstract**

This study aims to examine the effect of financial ratios, namely Total Asset Turnover (TATO) and Return on Asset (ROA), on profit growth in food and beverage sector companies listed on IDX Sharia Growth during the period of 2014-2023. This study uses a quantitative approach with a sample of 30 companies and 10 years of data. The data analysis methods used include descriptive statistics, classical assumption tests, and multiple linear regression. The results of the study indicate that, simultaneously, Total Asset Turnover (TATO) and Return on Asset (ROA) have a significant effect on the company's profit growth. Specifically, the study finds that TATO has a significant negative effect on profit growth, suggesting that high asset turnover may not always lead to profit growth if operational costs are not effectively managed. On the other hand, ROA has a significant positive effect on profit growth, indicating that companies that effectively manage assets to generate profit tend to experience better profit growth. These findings have important implications for company management, investors, and other stakeholders in designing more effective financial strategies. Company management should focus on cost efficiency to maximize the positive impact of asset utilization, while investors can look for companies with high ROA as indicators of better potential for profit growth. This study contributes to the limited literature on financial performance in the food and beverage sector, especially within the sharia index, and offers valuable insights for strategic decision-making.

**Keywords:** Total Asset Turnover (TATO), Return on Asset (ROA), profit growth

**DOI :**

**p-ISSN :**

**e-ISSN :**

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1. **Introduction**

The food and beverage sector is one of the industries that has an important role in the Indonesian economy because of its increasing demand every year. This is influenced by an increase in domestic consumption, innovation in food and beverage products, and an increase in people's income. As one of the leading sectors, the growth of the food and beverage industry is one of the drivers of the growing economy. Net profit growth is an important indicator to assess the company's performance. Net profit is the profit obtained from all income minus expenses incurred. The ever-increasing profit shows that the company is able to improve its performance and provide added value for shareholders. Conversely, a decline in net profit can indicate that the company is not optimal in utilizing its resources. (Asih, n.d.) (Indaryani & Santosa, 2022; Septiyarina, 2022)

The consistent increase in the company's revenue also shows the effectiveness of management in planning long-term business growth which can influence investors' investment decisions. If the company is able to show consistent profit and profitability growth, then investor confidence in the company's prospects will increase. However, if it is the other way around, a decrease in profits can have a negative impact on the company's image and investor confidence. In addition, companies that meet sharia principles are also a special attraction for investors. IDX Sharia Growth is one of the sharia stock indices that screens companies that have a trend of net profit and relative revenue growth with good financial performance and that have gone through strict selection based on financial criteria and sharia compliance. Therefore, analyzing the financial performance of companies in this index becomes important to understand the factors that affect profit growth. (Indonesia Stock Exchange, 2022)

The growth of the company's profit can be seen through financial statements which are the main source of information about the company's financial condition and performance during a certain period. These financial reports are not only needed by the company's internal parties, such as management for performance evaluation, but also by external parties, such as potential investors and creditors. Investors use financial statements to assess future profit prospects, while creditors use them to evaluate a company's ability to meet its financial obligations. To understand the information contained in financial statements, financial analysis using various financial ratios is required. This ratio helps measure the strengths, weaknesses, and efficiency of a company's financial management. In this study, the researcher only used two relevant finances, namely the activity ratio (Kashmir, 2019) (*Total Asset Turnover*) and the profitability ratio (*Return on Asset)*

***Total Asset Turnover* (TATO)** is a ratio used to assess how effective a company is in utilizing its assets to generate revenue (Kashmir, 2019). This ratio describes the level of operational efficiency of the company in using existing assets to achieve sales. The higher the value of the TATO, the more efficient the company is in utilizing its assets to generate revenue. In other words, TATO shows how much revenue can be generated from each unit of assets owned by the company (Irham Fahmi, 2020). ***Return on Asset (ROA)*** is a ratio used to measure a company's ability to generate profits from its assets (Irham Fahmi, 2020). The higher the ROA value, the better the company's performance in managing assets into profits. ROA is often used by investors as a tool to assess a company's profitability level as well as efficiency in asset management.

The combination of *Total Asset Turnover* (TATO) and *Return On Assets* (ROA) provides information regarding the efficiency and profitability of the company. **TATO** assesses the extent to which a company can use its assets to generate sales, while **ROA** indicates how well the company manages those assets to generate profits. These two ratios, when analyzed together, provide a clear picture of the effectiveness of the company's resource management, which is crucial for the evaluation of the company's overall operational and financial performance

Several previous studies have examined the influence of various variables on the company's profit growth. One of the studies conducted by found that (Syarafina et al., 2024) *Total Asset Turnover* (TATO) did not have a significant effect on profit growth partially. On the contrary, research shows that (Purwitasari & Soekotjo, 2019) and (Indaryani & Santosa, 2022) *Total Asset Turnover* (TATO) has a significant influence on the company's profit growth partially. In addition, the study found that (Septiyarina, 2022) *Return On Assets* (ROA) had a significant influence on profit growth partially. However, different results were found in studies that showed that ROA did not have a significant effect on the company's profit growth partially.(Hastuti et al., 2021)

This difference in findings reflects the inconsistency of results related to the influence  *of Total Asset Turnover* (TATO) and *Return On Assets* (ROA) on the company's profit growth. Therefore, further research is needed to understand more deeply about this. In addition, the limited number of studies that focus on companies listed in the IDX Sharia Growth index further emphasizes the importance of this study. Based on this background, this study aims to analyze the influence of the activity ratio, namely *Total Asset Turnover* (TATO), and the profitability ratio, namely *Return on Asset* (ROA), on profit growth in food and beverage sector companies listed in the IDX Sharia Growth index in the 2014-2023 period.

1. **Research Design and Method**

The research method used is associative quantitative research, namely the methods and techniques used in this study, where data is collected from a sample of the research population that is analyzed using statistical methods and then conclusions are obtained. The population of this study consists of 5 food and beverage companies mentioned in the IDX Sharia Growth for the 2014–2023 period. The final amount of data used was 30 data samples because only 3 out of 5 listed companies were used for the study, for a total of 10 years of research.

Data collection uses a documentation approach to collect information by obtaining information related to the annual financial statements from the IDX website. The data source used is secondary data obtained indirectly through the website. Data analysis was processed using the help of SPSS for Windows Software V.27.0 with data analysis techniques, descriptive statistical tests, and classical assumption tests, and multiple regression. The operational variables in the study can be seen in the following table:

**Table 1. Operational Research Variables**

|  |  |  |  |
| --- | --- | --- | --- |
| **Variable** | **Concept** | **Formula** | **Scale** |
| *Total Asset Turnover* (TATO)  | Total Assets Turnover (TATO) is an activity ratio that describes how effectively a company utilizes its assets to generate revenue. (Kashmir, 2019)  | TATO **=** $\frac{Penjualan}{\begin{array}{c}Total Aktiva\\\end{array}}$ x 100% | Ratio |
| *Return on Asset* (ROA) | Return On Asset (ROA) is one of the indicators used to assess how effectively management utilizes existing assets to generate profits. (Irham Fahmi, 2020)  | ROA = x 100%$\frac{Laba bersih}{\begin{array}{c}Total Aktiva\\\end{array}}$ | Ratio |
| Profit Growth  | Profit growth An increase in the company's net profit over time. | Profit Growth =$\frac{Yt – Yt-1}{\begin{array}{c}Yt-1\\\end{array}}$ x 100% | Ratio |

1. **Results and Discussion**

***Result***

The research results are the part that presents the generic part and the description of the data found based on the output in the research. The results of this study are classical assumption analysis, descriptive analysis, multiple linear regression analysis and determination coefficient tested using *SPSS for Windows V.27.0 software.*

Descriptive Statistics

Descriptive statistical tests are used to explain the minimum, maximum, meanand standard deviation values in the variables of TATO, ROA and profit growth. The following are the results of the descriptive statistical regression analysis using SPSS version 27:

**Table 2. Descriptive Statistics**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **N** | **Minimum** | **Maximum** | **Mean** | **Std. Deviation** |
| TATO | 30 | .51 | 2.07 | 1.1113 | .47873 |
| ROA | 30 | 3.23 | 16.47 | 7.8930 | 3.72780 |
| Profit Growth | 30 | -39.90 | 64.71 | 1.2550 | 26.91045 |
| Valid N (listwise) | 30 |  |  |  |  |

Based table 2, an overview of the distribution of data from the 30 samples used can be explained as follows: 1) *Total Asset Turnover* (TATO) has a minimum value of 0.51 and a maximum value of 2.07 with a mean of 1.1113 and a standard deviation of 0.4573. This shows that the ability of companies to utilize assets to generate revenue tends to be consistent with relatively small variations; 2) *Return on Assets* (ROA) shows a minimum value of 3.23 and a maximum value of 16.47 with an average of 7.8930 and a standard deviation of 3.72780. This value indicates that there is a significant difference in the efficiency of asset management between the companies studied; and, 3) Profit Growth has a minimum value of -39.90 and a maximum value of 64.71 with an average of 1.2550 and a standard deviation of 26.91045, the magnitude of the standard deviation in this variable shows a very large variation in profit growth between companies which indicates a fairly extreme fluctuation in financial performance in the research sample.

Classical Assumption Test

Normality Test

The normality test of data using Kolmogrov-smirnov must have a significance value (2-tailed) greater than 0.05, so it can be interpreted that the data is normally distributed.

**Table 3. Normality Test One-Sample Kolmogorov-Smirnov Test**

|  |  |
| --- | --- |
| N | 30 |
| Normal Parametersa,b | Mean | 18.9145 |
| Std. Deviation | 12.43250 |
| Most Extreme Differences | Absolute | .113 |
| Positive | .113 |
| Negative | -.089 |
| Test Statistic | .113 |
| Asymp. Sig. (2-tailed)c | .200d |
| Monte Carlo Sig. (2-tailed)e | Sig. | .418 |
| 99% Confidence Interval | Lower Bound | .405 |
| Upper Bound | .431 |

Based on Table 3, the significance asymp value of 0.200 > 0.05 was obtained, which means that the research data is normally distributed because the significance is greater than 0.05. Thus, the normality test is met and regression analysis can be carried out.

Multicollinearity Test

The multicollinearity test aims to determine whether or not there is a correlation between independent variables, meaning that if the absence of multicollinearity is identified as seen from the VIF value of < 10 and the tollerance value of > 10.

**Table 4. Multicollinearity Test**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Type** | **Unstandardized Coefficients** | **Standardized Coefficients** | **t** | **Sig.** | **Collinearity Statistics** |
| **B** | **Std. Error** | **Beta** | **Tolerance** | **VIF** |
| 1 | (Constant) | -2.477 | 11.395 |  | -.217 | .830 |  |  |
| TATO | -36.925 | 13.902 | -.657 | -2.656 | .013 | .439 | 2.279 |
| ROA | 5.672 | 1.785 | .786 | 3.177 | .004 | .439 | 2.279 |

Table 4 shows that the value of the inflation variation factor (VIF) is 2.279 and the tolerance value is 0.439, which shows that there is no multicollinearity between the independent variables in this study. Therefore, it can be concluded that there is no multicollinearity, and the regression model is feasible to use

Heteroscedasticity Test

The heteroscedasticity test was carried out using a scatterplot graph model to test whether there was a variance inequality in the regression model between one observation and another. If the regression model shows a specific pattern, such as points that form a wavy or widening pattern, then it can be concluded that there is an indication of heteroscenidism. Conversely, if the data does not form a pattern and the dots are scattered above and below the number 0 on the Y axis, then it can be concluded that there is no indication of heteroscedasticity.



**Figure 1. Heterokedasticity Test Results**

Based on Figure 1, it can be seen that the dots spread out and do not form an orderly pattern. Therefore, it can be concluded that there is no indication of heteroscedasticity and the heteroscedasticity test is fulfilled

Autocorrelation Test

The Autocorrelation Test using the Durbin Watson model means that if the Du value is calculated > Du table < 4-Du table, then the data does not have any indication of autocorrelation and meets the Durbin Watson value criteria.

**Table 5. Autocorrelation Test Durbin Watson**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Type | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
| 1 | .525a | .276 | .222 | 23.73867 | 2.308 |

Based on Table 5, it is known that the Du calculated value of 2.308 > Du table is 1.5666 < 4-Du table is 2.4332. Therefore, it can be concluded that there is no indication of autocorrelation in the data tested.

Partial t-test

**Table 6. Partial t-test**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Type** | **Unstandardized Coefficients** | **Standardized Coefficients** | **t** | **Sig.** |
| **B** | **Std. Error** | **Beta** |
| 1 | (Constant) | -2.477 | 11.395 |  | -.217 | .830 |
| TATTOO | -36.925 | 13.902 | -.657 | -2.656 | .013 |
| ROA | 5.672 | 1.785 | .786 | 3.177 | .004 |

The Partial t-test aims to determine the significant influence of each independent variable on the dependent variable in a regression model with a significance criterion of < 0.05 so that the independent variable can have a significant effect on the dependent variable. Based on Table 6, it is known that the significance level of the X1 Total Asset Turnover (TATO) variable is 0.013, while the X2 Return on Asset (ROA) variable has a significance level of 0.004. The significance value of the two variables is less than 0.05, so it can be concluded that each variable X has a significant influence on variable Y.

The results of the partial test can be concluded as follows: a) The effect of Total Asset Turnover on profit growth: The t-value of -2,656 with a significance level of 0.013 < 0.05 indicates that TATO has a negative and significant influence on profit growth. b) Effect of Return on Asset on profit growth: A t-value of 3,177 with a significance level of 0.004 < 0.05 indicates that ROA has a positive and significant influence on profit growth

Simultaneous F test

The Simultaneous F test aims to determine the simultaneous significance of all independent variables to dependent variables in a regression model with a significance level criterion of < 0.05, then multiple linear regression can be said to be feasible to use.

**Table 7. Simultaneous F Test**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Type** | **Sum of Squares** | **df** | **Mean Square** | **F** | **Sig.** |
| 1 | Regression | 5785.842 | 2 | 2892.921 | 5.134 | .013b |
| Residual | 15215.156 | 27 | 563.524 |  |  |
| Total | 21000.998 | 29 |  |  |  |

Based on Table 7, the F value is calculated at 5,134 with a significant level of 0.013 < 0.05 which means that the independent variables, namely *Total Asset Turnover* (TATO) and *Return On Asset* (ROA) simultaneously affect the dependent variable, namely profit growth because the significance is less than 0.05 so that the multiple linear regression model is suitable for research.

Coefficient of determination test

The determination coefficient test aims to describe the extent to which independent variables can affect dependent variables, which are measured through the adjusted R-Squared value. In other words, this test shows the proportion of variation in the dependent variable that can be explained by the independent variable in the regression model.

**Table 8. Coefficient of Determination**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Type | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .525a | .276 | .222 | 23.73867 |

Based on Table 8, the value of the determination coefficient (R-squared) obtained is 0.276 or 27.6%, indicating that the *Total Asset Turnover* (TATO) *and Return on Asset* (ROA) variables can explain 27.6% of the changes that occur in the profit growth variable. In other words, although TATO and ROA contribute to profit growth, there are still other factors outside of these two variables that also affect changes in the company's profit growth.

**Multiple Regression Analysis Test**

The multiple linear regression analysis test is used to measure the extent of the influence of independent variables on dependent variables. The following are the results of multiple linear regression analysis conducted using SPSS software version 27:

Based on Table 9, the regression equation is obtained:

Y = a + b1 (X1) + b2 (X2)

PL = -2.477 – 36.925 (TATO) + 5.675 (ROA)

**Table 9. Multiple Linear Regression Test**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Type | Unstandardized Coefficients | Standardized Coefficients | t | Sig. |
| B | Std. Error | Beta |
| 1 | (Constant) | -2.477 | 11.395 |  | -.217 | .830 |
| TATO | -36.925 | 13.902 | -.657 | -2.656 | .013 |
| ROA | 5.672 | 1.785 | .786 | 3.177 | .004 |

Based on the regression equation above, the explanation is as follows: Constant (a) is valued at -2,477, which means that if all independent variables such as TATO (X₁) and ROA (X₂) are valued at zero, then profit growth is expected to decrease by 2,477. 2) The regression coefficient for Total Asset Turnover (TATO) of -36,925 indicates a significant negative influence on profit growth. This means that any increase in the value of TATO will result in a decrease in profit growth of 36,925. 3) The regression coefficient for Return On Asset (ROA) of 5,672 shows that ROA has a positive and significant effect on profit growth. This means that any increase in ROA value will be followed by an increase in profit growth.

The value of the determination coefficient (R-squared) obtained is 0.276 or 27.6%, indicating that the *Total Asset Turnover* (TATO) *and Return on Asset* (ROA) variables can explain 27.6% of the changes that occur in the profit growth variable. In other words, although TATO and ROA contribute to profit growth, there are still other factors outside of these two variables that also affect changes in the company's profit growth.

***Discussion***

The Effect of Total Asset Turnover (TATO) on Profit Growth

Total Asset Turnover (TATO) is a measure of a company's efficiency in using all of its assets to generate a certain sales volume. Total Asset Turnover (TATO) is also used to measure the turnover of all assets owned by the company and shows how much sales are obtained from each rupiah of assets used. The higher the Total Asset Turnover (TATO) value, the better the company's ability to generate optimal profits. However, based on the results of the regression coefficient calculation, the effect of Total Asset Turnover (TATO) on profit growth shows a coefficient value of -2,656 with a significance level of 0.013 < 0.05. This means that Total Asset Turnover (TATO) has a negative and significant influence on profit growth in food and beverage sector companies listed on IDX Sharia Growth. In other words, the higher the Total Asset Turnover (TATO) value, the lower the company's profit growth. This can be caused by the company's lack of ability to manage and utilize its assets effectively and efficiently, so that the assets owned as a whole cannot generate optimal profits for the company.

An increase in Total Asset Turnover (TATO) that is too high may indicate that the company is more focused on increasing sales volume without effectively managing operating costs, which has the potential to reduce net profit. The higher the Total Asset Turnover (TATO) value, it does reflect efficiency in generating sales, but if it is not accompanied by good cost management, then profit growth can be hampered. This study is in line with the findings by those who conclude that (Indaryani & Santosa, 2022) Total Asset Turnover (TATO) has a negative and significant effect on profit growth, but this study contradicts that it states that (Syarafina, et al., 2024) Total Asset Turnover (TATO) has no effect and is not significant on profit growth.

**The effect of Return On Asset (ROA) on profit growth**

Return On Asset (ROA) is a ratio used to measure a company's ability to generate net profit from investments made in assets. The higher the ROA value, the higher the level of profit generated due to efficiency in asset utilization. In other words, the greater the Return On Asset (ROA) owned by the company, the more efficient the use of these assets, which in turn will increase the company's profit. Based on the results of the regression coefficient calculation, the effect of Return On Asset (ROA) on profit growth shows a coefficient value of 5,672 with a significance level of 0.004 < 0.05. This shows that the Return On Asset (ROA) variable has a positive and significant effect on profit growth in food and beverage sector companies listed on IDX Sharia Growth during the 2014-2023 period.

This study found a positive correlation between Return On Asset (ROA) and profit growth, which means that the higher the Return On Asset (ROA) value, the higher the company's profit growth. This is due to the fact that a high Return On Asset (ROA) indicates that the company is able to manage its assets efficiently to generate net profit. The higher the Return On Asset (ROA) value, the more effective the company is in turning assets into profits. Thus, companies that have a high ability to generate profits from their assets tend to show better profit growth. Therefore, an increase in Return On Asset (ROA) indicates that companies are increasingly able to manage their existing resources to achieve more optimal financial performance, which in turn drives higher profit growth. This study is in line with the findings of research conducted by which stated that (Septiyarina, 2022) Return On Asset (ROA) had a significant effect on profit growth and contradicted the research conducted by revealing that (Hastuti, et al., 2021) Return On Asset (ROA) had a non-significant effect on profit growth.

1. **Conclusions**

Based on the results of the study, it was found that *Total Asset Turnover* (TATO) had a significant negative influence on profit growth. This can be interpreted that although *Total Asset Turnover* (TATO) can increase the efficiency of the company in utilizing assets to generate sales, it does not always have a positive impact on profit growth if it is not accompanied by effective management of operational costs. The high *Total Asset Turnover* (TATO) may reflect the company's focus on increasing sales volumes without considering cost efficiency, which ultimately reduces net income. On the contrary, *Return on Asset* (ROA) has a significant positive influence on profit growth. This indicates that companies that are able to maximize asset management to generate net profit tend to show better profit growth.

This research provides important implications for company management, investors, and other stakeholders in designing more effective financial strategies. Company management needs to pay more attention to managing operational costs to ensure that the efficiency of the assets used has a positive impact on profitability. For investors, this study provides an overview that companies with high *Return On Asset* (ROA) have better potential to generate profit growth.

Overall, this study contributes to the limited literature on the financial performance of companies in the food and beverage sector in the sharia index, especially IDX Sharia Growth. Thus, the results of this research are expected to be a reference in strategic decision-making and a consideration in the development of policies that support the growth of companies based on sharia principles. Further research is recommended to explore other variables that affect profit growth to provide a more comprehensive picture.

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