

THE EFFECT OF LEVERAGE, INVENTORY TURNOVER, AND SALES GROWTH ON PROFIT GROWTH WITH FIRM SIZE AS MODERATING VARIABLES IN FOOD AND BEVERAGE COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE 2016 - 2021

Citra Uli Bastanta S¹, Fachrudin², Bambang Satriawan³, Robin⁴, Muammar Khaddafi⁵

^{1,2,3,4}Faculty of Economics and Business, Universitas Batam

⁵Faculty of Economics and Business, Universitas Malikussaleh

Email: ¹citraulibastanta93@gmail.com, ²kap.fachrudin_mahyuddin@yahoo.com,

³bambangsatriawan@univbatam.ac.id, ⁴robin_1025@hotmail.com, ⁵khaddafi@unimal.ac.id

Abstract

This study aims to examine the effect of Leverage, Inventory Turnover, and Sales Growth on Profit Growth with Firm Size as a moderating variable in Food and Beverage companies listed on the Indonesia Stock Exchange for the period 2016-2021. This study uses secondary data. This study uses a purposive sampling technique with a sample of 10 companies. The data analysis technique used is moderated regression analysis (MRA) with the help of the student version of SmartPLS 3.29. Based on the test results, it is known that the Leverage variable as measured by DER has a negative and insignificant effect on Profit Growth, with a significance value of 0.075 where the significance value of DER is greater than 0.05. Inventory Turnover has a positive and significant effect on Profit Growth, with a significance value of 0.038 where the ITO significance value is less than 0.05. Sales Growth has a positive and significant effect on Profit Growth, with a significance value of 0.000 where the significance value of SG is less than 0.05. Firm Size has a negative and significant effect on Profit Growth with a significance value of 0.023 where the significance value of FS is less than 0.05. Firm Size does not moderate the effect of DER on Profit Growth with a significance of 0.839 greater than 0.05. Firm Size does not moderate the effect of ITO on Profit Growth with a significance of 0.332 greater than 0.05. Firm Size does not moderate the effect of SG on Profit Growth with a significance of 0.223 greater than 0.05

Keywords: *Leverage (DER), Inventory Turnover, Sales Growth, Firm Size, Profit Growth*

1. INTRODUCTION

A Food and Beverage company is a company engaged in the food and beverage sector, this company is one of the industrial sector categories on the Indonesia Stock Exchange (IDX) which has the opportunity to grow rapidly, along with the increasing number of Indonesian people, the volume of demand for food and beverage is also increasing. continue to increase. Currently, businesses or companies in the culinary or food and beverage industry are increasingly showing their development. Where this trend has made many entrepreneurs switch to opening a culinary business and competing in the midst of a lot of competition. Many of them are also competing to develop their business.

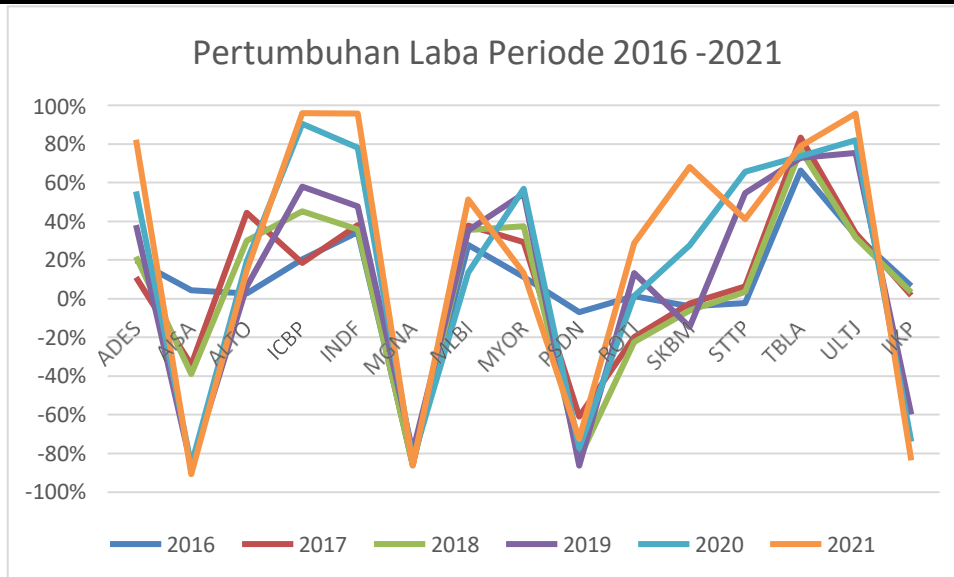
Profit growth will indicate an increase or decrease in company profits. There are several factors that affect profit growth such as selling price, units sold, operating costs, and other income or expense components. Because financial ratios link estimates on the balance sheet and income statement, an increase or decrease in financial ratios can indicate profit growth. Profit growth is a ratio that shows the company's ability to increase net income compared to the previous period. Profit growth shows an increase or decrease in profit per year. Profit growth can be used to assess the performance of a company. Profit growth is influenced by several factors, including Leverage (Debt Equity Ratio), Inventory Turnover, and Sales Growth.

The following presents the phenomenon regarding the profit growth of companies in the Food and Beverage sector that occurred in Indonesia:

Graph 1. The phenomenon of Profit Growth of Food and Beverage Sector Companies

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Based on Graph 1 above, it can be seen that profit growth in Food and Beverage sector companies in Indonesia has fluctuated in the period 2016-2021. In 2021 there are companies that experience a very significant decrease in profits and there are also companies that experience a significant increase in profits. Of the 15 Food and Beverage sector companies listed on the IDX, there is one company whose profit growth is consistent from 2016 - 2021 and continues to increase, namely, PT. Indofood CBP Sukses Makmur Tbk. There are 6 Food and Beverage sector companies that experienced positive profit growth in 2019 - 2020, where in 2020 - 2021 the Covid-19 pandemic was hitting Indonesia and many companies experienced a decline in profits and even many companies experienced losses.

This research is also motivated by differences in research results (research gaps) from several previous researchers regarding Profit Growth and influencing factors, including Research

conducted by Eri Maryati and Tutik Siswanti (2022) stated that the Debt-to-Equity Ratio had no effect on profit growth while Erick Agustinus (2021) states that the Debt-to-Equity Ratio has a positive and significant effect on profit growth. According to Weni Rosali (2020) Inventory Turnover has a positive but not significant effect on Profit Growth, while in the research of Okwo, Enekwe, & Okelue (2012) it was found that Inventory Turnover had a negative effect on Profit Growth. Tri Wahyuni's research (2017) found that Inventory Turnover did not affect Profit Growth.

In this study, using firm *size* is a moderating variable because firm size is one indicator that shows the larger the size of the company, the more available resources that can be utilized by company management to obtain greater profits. The larger the size of the company, usually it will have its own strength in dealing with business problems and the company's ability to earn high profits because it is supported by large assets so that the company's obstacles can be overcome.

Simamora M. (2018) in his research concluded that the *Current Ratio*, Debt to Asset Ratio, Inventory Turn Over, Total Asset Turn Over and Sales Growth to Profit Growth cannot be moderated by Company Size. However, according to Weni Rosali (2020) Firm Size as a moderating variable is able to strengthen and significantly the relationship of Debt to Asset Ratio to Profit Growth but Firm Size is not able to moderate the effect of Current Ratio, Inventory Turnover, and Sales Growth on Profit Growth.

Based on the background that has been stated, the researchers are interested in conducting a study entitled "The Influence of leverage, Inventory Turnover and Sales Growth on Profit Growth with Firm Size as Moderating Variable (Study on Food and Beverage Companies Listed on the Indonesia Stock Exchange)".

2. LITERATURE REVIEW

Agency Theory

Agency Theory is a theory that explains the relationship that occurs between the management of the company as an agent and the owner of the company as the principle. The principle is the party that mandates the agent to act on behalf of the principle, while the agent is the party that is mandated by the principle to run the company.

The principle always wants to know all information about the company's activities, including management activities in terms of operating funds invested in the company. Through accountability reports made by management as agents, principles get the information they need and at the same time as an assessment tool for the performance of the agent in a certain period. To facilitate this contractual relationship, the board of commissioners gives this authority to top management. The aim is for top management to run the business and generate high profits, and the board to oversee its implementation (Kurniawansyah, 2018).

Profit Growth

According to Sundari & Satria (2021), Profit growth is the ratio of the company's ability to increase profits compared to the previous year. Companies with growing profits can strengthen the relationship between company size and the level of profit, whereas companies that have growing profits will have large amounts of assets thereby increasing opportunities to generate profitability.

Companies that experience profit growth indicate that the company has a good performance. Good growth in operating profit indicates that the business is in good financial condition, which in turn will increase the operating value.

Leverage

According to Kasmir (2012), the solvency ratio (leverage) is a ratio used to measure the extent to which the company's assets are financed by debt. Is the additional source of funds less or even more? Companies can also find out their capabilities. Is the company able to carry out its obligations, especially to return the source of funds in accordance with the provisions. The leverage ratio can be measured by the Debt-to-Equity Ratio (DER).

According to Kasmir (2016:157) "Debt to Equity Ratio is the ratio used to assess debt to equity". Debt To Equity ratio can be calculated using the formula:

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$$\text{DER} = (\text{Total Debt}) / (\text{Total Equity})$$

The size of the DER ratio will affect the level of achievement of company profits. The lower the DER ratio, the better, with a low DER ratio, the higher the level of funding provided by the owner and the greater the security limit for the borrower in the event of a loss or depreciation of asset value, the size of the DER will affect the level of achievement of company profits (Fitriati, 2021). :60).

Inventory Turnover

According to Ahmad Syafi'I (2014), the valuation of the ending merchandise inventory using the comwil method allows the ending merchandise inventory to be valued lower than its acquisition price. The accounting treatment for the decline in the value of the ending merchandise inventory arising from the assessment is to record the impairment in the journal in accordance with the method of recording the inventory of merchandise transactions used, namely whether to use the physical or perpetual method.

The formula for finding inventory turnover is:

$$\text{ITO} = \text{COGS} / \text{Inventory}$$

One way to assess business performance is to find out how quickly the product sells, how effectively it meets market demand, and how it performs compared to competitors. According to Harahap (2011) inventory turnover shows how fast the inventory turnover is in the normal production cycle. The faster the turnover, the better because it is considered that sales activities are running fast.

Sales Growth

According to Widhiari and Merkusiwati (2015) sales growth is the company's success in implementing investments in the previous period which can be used as a prediction of the company's sales growth in the future. Sales growth reflects the manifestation of past investment success and can be used as a tool to predict future growth. Sales growth is an indicator of the demand and competitiveness of companies in an industry.

The formula for finding sales growth is:

$$\text{Sales Growth} = (\text{Sales} - \text{Sales-1}) / (\text{Sales-1})$$

The company's growth can be said to experience better growth if the company experiences a consistent increase in the company's main operating activities which can be seen from the increase in volume and increase in selling prices because sales are a common activity carried out by companies to earn profits (Arika & Ardini, 2017).

Firm Size

According to Brigham & Houston (2011) company size is the size of the company which can be classified based on various ways, including the size of income, total assets, and total equity. Firm size illustrates the size of the company. The larger the size of the company, the more assets of the company can be used to generate profits. The firm size provides information about the number of assets owned by a company that describes its equity and debt. The larger the firm's size, it can be concluded that the larger the funds managed, the more complex the management, and the better it is at dealing with risks and developing the company's operations than small companies.

The formula for determining firm size is:

$$\text{Firm Size} = \text{Ln} (\text{Total Assets})$$

When the size of the company is large, the company will have many assets that can be used during company operations. This indicates the magnitude form *size the* wider the market share that can be reached by the company and the greater the profit earned. Company size is the size or amount of assets owned by the company. Small companies will tend to use their own cost of capital



and short-term debt than long-term debt, because the costs are lower. While large companies are more likely to have a strong source of funding.

3. IMPLEMENTATION METHOD

Place and time of research

This research was conducted on Food and Beverage companies listed on the Indonesia Stock Exchange from 2016 to 2021 which were obtained from the websites www.idx.co.id and www.idnfinancials.com to obtain data on published financial statements.

Overall, this research activity was carried out for 8 months, from March 2022 to October 2022.

Population and Sample

A population is a group of people, events, and things that have certain characteristics. The population represents the characteristics that the research intended to obtain (Rumengan et al, 2019:43). The population in this study are companies food *and beverage listed* on the Indonesia Stock Exchange from 2016 – 2021. The sampling technique used is purposive sampling, sampling based on certain criteria, (Cooper, 2006).

The number of years of observation used in this study is 6 (six) consecutive years from 2016 to 2021. The population used is 30 companies and the number of companies that have financial statement data consecutively from 2016 to 2021 in 15 companies. And of the 15 companies that have financial statements, only 10 companies experience profits annually during the 2016-2021 observation year. So, from the sampling criteria above, the number of samples in this study was 10 samples of companies. Then 6 years of observation x 10 samples = 60 observation samples.

Method of collecting data

This research is quantitative because it utilizes data in the form of numbers as an analytical tool. The type of data used in this study is secondary data, so data collection is done by the documentation method based on financial reports published by the Indonesia Stock Exchange through the Indonesia Stock Exchange for the period 2016 - 2021.

Data analysis technique

Data analysis aims to interpret the data that has been collected and processed so that later answers will be obtained for the formulation of research problems and are able to prove the hypothesis proposed by the researcher (Juliandi et al, 2016; 5).

This study uses data analysis using SmartPLS software, which is run with computer media. pls (*Partial Least Square*) is a variant-based structural equation analysis (SEM) that can simultaneously test the measurement model as well as test the Structural model. This analysis is a good alternative to the multiple regression analysis methods and principle component regression because this method is more robust or immune. The measurement model is used to test the validity and reliability. While the structural model is used for the causality test. PLS (Partial Least Square) is an analysis that is soft modeling because it does not assume the data must be with a certain scale measurement, which means the number of samples can be small (under 100 samples).

Descriptive Statistics Test

Descriptive statistics are carried out to provide a descriptive picture of data consisting of the average value, standard deviation, maximum and minimum. This analysis is used to make it easier for readers to read the results of this research data. The average value is used to describe the average in the study, the standard deviation to determine the variation contained in the study of each variable, and the minimum maximum to describe the largest and smallest data in the study.

Data Validity and Reliability Test

Measurement of validity includes testing how well the value of an instrument developed in measuring a study is. The higher the value of the instrument, the better it represents the research

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question (Andreas Wijaya, 2019:47). To measure validity, it is necessary to examine the relationship between variables, including Discriminant Validity and Average Variance Extracted (AVE) with an expected AVE value of > 0.5 (Andreas Wijaya, 2019:101).

The condition that is usually used to assess construct reliability is that composite reliability must be greater than 0.7 for confirmatory research and a value of 0.6 – 0.7 is still acceptable for exploratory research (Ghozali & Latan, 2015: 75). Reliability tests cannot be carried out on formative models because each indicator in a latent variable is assumed to be uncorrelated or independent (Andreas Wijaya, 2019:100).

Structural Model Test or Inner Model

The inner model is a structural model that connects latent variables that describe the relationship between latent variables in the research model. The structural model was evaluated using R-square for the dependent construct, t-test, and the significance of the coefficients of the structural model parameters.

Live Effect Test

In the PLS-SEM analysis, the value of this direct effect is also called the path coefficient. Furthermore, the measurement of path coefficients between constructs is carried out to see the significance and strength of the relationship and also to test the hypothesis. Path coefficient values range from -1 to +1. The value of path coefficients is getting closer to the +1 value, and the relationship between the two constructs is getting stronger. A relationship that is closer to -1 indicates that the relationship is negative (Sarstedt et al., 2017).

Analysis of Moderating Variables

Moderation hypothesis testing was carried out using moderated regression analysis (MRA) which was estimated using SEM-PLS (Ghozali and Latan, 2012). To test SPM as a moderating variable of the relationship between. A variable that can be said to be a moderating variable will be declared meaningful or significant if the t-value is significantly less than 0.05.

The moderator variable itself can be in the form of qualitative (code, category) or quantitative (score). According to Solimun (2011) moderator variables can be classified into 4 types, namely:

1. Pure Moderator (Pure Moderator)
Pure moderation is a variable that connects the predictor variable and the dependent variable, where this pure moderating variable interacts with the predictor variable without being a predictor variable.
2. Quasi Moderator (Pseudo Moderator)
Quasi-moderation is a variable that connects the predictor variable and the dependent variable, in which the pseudo-moderating variable interacts with the predictor variable as well as being a predictor variable.
3. Homologiser Moderator (Potential Moderator)
Moderation homologiser is a variable that has the potential to be a moderating variable that affects the strength of the relationship between the predictor variable and the dependent variable. This variable does not interact with the predictor variable and has no significant relationship with the dependent variable.
4. Predictor Moderator (Moderator As Predictor)
Moderating predictor is a type of moderator variable that only acts as a predictor variable in the relationship model that is formed.



4. RESULTS AND DISCUSSION

Results

a. R-Square

Table 1.R-Square Direct Effect

R Square

	R Square	R Square Adjusted
Y	0.342	0.294

Source: SmartPLS

From the R Square table above, the R Square value is 0.342. This R Square number can be explained that the influence of the leverage variable (X1), inventory turnover (X2), sales growth (X3), and profit growth (Y) gives a value of 0.342 which can be interpreted that the dependent latent variable can be explained by the independent latent variable. by 34.2%, while 65.8% is explained by other variables outside the study.

Table 2. R-Square Moderating Effect

	R Square	R Square Adjusted
Y	0.404	0.323

Source: SmartPLS

From the R Square table above, the R Square value is 0.404. This R Square result can be explained that the effect of firm size (Z) as a moderating variable for the leverage variable (X1), inventory turnover (X2), and sales growth (X3), on the Profit Growth variable (Y) gives a value of 0.404 which can be interpreted that the dependent latent variable can be explained by the independent latent variable of 40.4%, while 59.6% is explained by other variables outside the study

b. Live Effect Test

Table 3. Path Coefficients

Path Coefficients

Mean, STDEV, T-Values, P-Values

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
X1 -> Y	-0.150	-0.147	0.084	1,784	0.075
X2 -> Y	0.211	0.254	0.102	2.072	0.038
X3 -> Y	0.465	0.525	0.099	4,683	0.000
Z -> Y	-0.150	-0.161	0.066	2,274	0.023

Source: SmartPLS

The Leverage variable (X1) has a negative Original Sample result and a P value of 0.075 > 0.05. It can be concluded that the leverage variable has a negative and insignificant effect on profit growth so the first hypothesis is rejected. The Inventory Turnover variable (X2) has a positive Original Sample result and a P value of 0.038 < 0.05. It can be concluded that the Inventory Turnover variable has a significant positive effect on profit growth so the second hypothesis is accepted. The Sales Growth variable (X3) has a positive Original Sample result, a P value of 0.000 < 0.05. It can be concluded that the sales growth variable has a significant positive effect on profit growth so the third hypothesis is accepted. The Firm Size (Z) variable has a negative Original Sample result and a P value of 0.023 < 0.05.

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c. Moderate Variable Analysis

Table 4. Output Path Coefficients Moderating Variables

Path Coefficients

Mean, STDEV, T-Values, P-Values

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
X1*Z -> Y	-0.071	-0.159	0.349	0.203	0.839
X2*Z -> Y	-0.173	-0.226	0.178	0.970	0.332
X3*Z -> Y	-0.237	-0.171	0.195	1.218	0.223

Source: SmartPLS

The leverage variable (X1) moderated by Firm Size (Z) has a negative Original Sample result and a P value of 0.839 > 0.05. It can be concluded that the firm size variable does not moderate the relationship between leverage and profit growth so the fifth hypothesis is rejected. In the Inventory Turnover variable (X2) which is moderated by Firm Size (Z), it has a negative Original Sample result and a P value of 0.332 > 0.05. It can be concluded that the firm size variable does not moderate the relationship between inventory turnover and profit growth, so the sixth hypothesis is rejected. The Sales Growth variable (X3) moderated by Firm Size (Z) has a negative Original Sample result and a P value of 0.223 > 0.05.

Discussion

Effect of Leverage measured by DER on Profit Growth

Based on the partial test, it is known that the projected leverage with DER has a negative and insignificant effect on Profit Growth, with a significance value of 0.075 where the significance value of DER is greater than 0.05. Thus, the first hypothesis (H1) is rejected, namely Leverage measured by DER has a positive and significant effect on Profit Growth.

The higher the DER, the lower the profit growth obtained by the company. This is because a high DER indicates the proportion of capital owned by the company is smaller than the company's liabilities. Companies with high leverage identify that companies use debt more in fulfilling their operational activities. The low rate of return on profit is only used to finance the debt used, the rate of return cannot be used for investment in increasing the company's profits. This is supported by research conducted by Maulina Agustina, et al (2020) which states that the Debt-to-Equity Ratio has no effect on profit growth.

Influence of Inventory Turnover on Profit Growth

Based on the hypothesis test above, it is known that inventory turnover has a significant positive effect on Profit Growth, with a significance value of 0.038 where the significance value of inventory turnover is smaller than 0.05. Thus, the first hypothesis (H2) is accepted, namely inventory turnover has a positive and significant effect on Profit Growth.

Inventory turnover high ITO means that the company is able to sell goods quickly, thereby increasing the company's income. A high inventory turnover also indicates a higher inventory turnover in one year and this indicates the effectiveness of inventory management. This means that the effectiveness of the company's inventory turnover is very good so that the inventory owned can increase the company's operational activities, especially in terms of the ability to increase the company's profit growth. This is supported by research conducted by Dian Indah Sari (2021) which states that inventory turnover partially has a significant positive effect on profit growth.



Effect of Sales Growth on Profit Growth

Based on the hypothesis test above, it is known that sales growth has a significant positive effect on Profit Growth, with a significant value of 0.000 where the significant value of sales growth is less than 0.05. Thus, the first hypothesis (H3) is accepted, namely sales growth has a positive and significant effect on Profit Growth.

Based on data from the Food and Beverage companies that were sampled in this study, high sales growth can be seen from the company's success in implementing investments in the previous period, which was used as a prediction of future sales growth, causing the company's income to also increase. Sales growth can be seen from changes in sales in the previous year and the following year. A company can be said to experience growth in a better direction if there is a consistent increase in its main operating activities. This is supported by research done by Rifani Akbar Sulbahr (2020) which states that Sales Growth has a significant effect on profit growth.

Effect of Firm Size on Profit Growth

Based on the hypothesis test above, it is known that Firm Size has a negative but significant effect on Profit Growth, with a significance value of 0.023 where the significance value of sales growth is less than 0.05. Thus, the first hypothesis (H4) is rejected, namely, sales growth has a positive and significant effect on Profit Growth.

Based on company data food *and beverage* sample in this study is known that it is not always large companies (large total assets) will produce greater profit growth, then small companies (small total assets) do not always produce small profit growth. If companies with small assets can be managed properly, it is possible to get greater profit growth than companies with large assets. Profit Growth refers to the management's ability to manage the company's assets, the opportunity to obtain profit growth is not determined by the number of assets owned by the company. This is supported by research conducted Fenti Fiqri Fadella, et al (2020) which states that Firm Size has a negative effect on profit growth.

Firm Size Moderating the Effect of Leverage on Profit Growth

Based on the hypothesis test above, it is known that Firm Size is not able to moderate the effect of leverage on Profit Growth, with a significance value of 0.839 where the significance value of firm size as moderating influence of leverage on profit growth is greater than 0.05. Thus, the first hypothesis (H5) is rejected, namely firm size moderates the relationship between leverage and profit growth.

In general, large companies do not need debt to finance company operations. However, small companies also do not necessarily need debt to run the company so they experience profit growth if small companies are able to be managed properly. Company size can be used to represent the company's financial characteristics. Large companies that are well stabilized will find it easier to obtain capital in the capital market than small companies. This ease of access means that large companies have greater flexibility. This is supported by research conducted by Maulina Agustina, et al (2020) which states that firm size is unable to moderate the effect of leverage on profit growth.

Firm Size Moderate Inventory Turnover Effect on Profit Growth

Based on the hypothesis test above, it is known that Firm Size is not able to moderate the effect of inventory turnover on Profit Growth, with a significance value of 0.332 where the significance value of inventory turnover is moderating influence of Inventory Turnover on profit growth is greater than 0.05. Thus, the sixth hypothesis (H6) is rejected, namely firm size moderates the relationship between inventory turnover and profit growth.

In general, the larger firm size indicates the company's production capacity is getting bigger, with a large production capacity it will make inventory turnover higher. However, this does not always increase profit growth, if the company's management does not manage expenses properly, thereby minimizing the company's profits. This is supported by research conducted by

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Weni Rosali (2020) which states that Firm Size is not able to moderate the effect of inventory turnover on profit growth.

Firm Size Moderating the Effect of Sales Growth on Profit Growth

Based on the hypothesis test above, it is known that Firm Size is not able to moderate the effect of sales growth on Profit Growth, with a significance value of 0.223 where the significance value of sales growth as moderating influence of sales growth on profit growth is greater than 0.05. Thus, hypothesis seven (H7) is rejected, namely firm size moderates the relationship between inventory turnover and profit growth.

Based on data from Food and Beverage companies that are the sample in this study, large companies tend to have high sales transaction volumes and have an extensive marketing network. However, a high sales transaction volume does not determine the company's profit growth if the company cannot manage any expenses that will suppress profits, so it does not experience profit growth. This is supported by research conducted by Weni Rosali (2020) which states that Firm Size is not able to moderate the effect of sales growth on profit growth.

5. CONCLUSION

Based on the results of research and discussion of research variables regarding the effect of Leverage, Inventory Turnover, and Sales Growth on Profit Growth with Firm Size as a moderating variable in food and beverage companies listed on the Indonesian stock exchange in 2016-2021, this study can be concluded as follows:

1. *Leverage* (DER) has a negative and insignificant effect on Profit Growth in Food and Beverage companies listed on the IDX in 2016-2021.
2. *Inventory Turnovers* had a significant positive effect on Profit Growth in Food and Beverage companies listed on the IDX in 2016-2021.
3. *Sales Growth* significant positive effect on Profit Growth in Food and Beverage companies listed on the IDX in 2016-2021.
4. *Firm Size* significant negative effect on Profit Growth in Food and Beverage companies listed on the Indonesia Stock Exchange in 2016-2021.
5. *Firm Size* does not moderate between Leverage and Profit Growth in Food and Beverage companies listed on the IDX in 2016-2021.
6. *Firm Size* does not moderate the Inventory Turnover to Profit Growth in Food and Beverage companies listed on the Indonesia Stock Exchange in 2016-2021.
7. *Firm Size* does not moderate Sales Growth to Profit Growth in Food and Beverage companies listed on the IDX in 2016-2021.
8. Variable leverage, inventory turnover, sales growth, and profit growth give a value of 0.342 which can be interpreted that the dependent latent variable can be explained by the independent latent variable of 34.2%, while 65.8% is explained by other variables outside the study. The effect of firm size as a moderating variable for the leverage variable, inventory turnover, sales growth, on the profit growth variable gives a value of 0.404 which can be interpreted that the dependent latent variable can be explained by the independent latent variable of 40.4%, while 59.6% is explained by other variables outside the study.

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