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THE EFFECT OF PROFITABILITY, LIQUIDITY, LEVERAGE, ACTIVITY RATIOS AND AUDIT COMMITTEE ON PROFIT GROWTH WITH MANAGERIAL OWNERSHIP AS A MODERATING VARIABLE IN AUTOMOTIVE AND COMPONENT COMPANIES LISTED ON THE INDONESIAN STOCK EXCHANGE (IDX) FOR THE PERIOD 2019–2024

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Abstract

This study aims to analyze the effect of profitability, liquidity, leverage, activity ratios, and audit committee on profit growth, with managerial ownership as a moderating variable in automotive and component companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2024 period. Profit growth is an important indicator in assessing company performance and sustainability, particularly in the automotive industry, which faces dynamic economic conditions and intense competition. This research employs a quantitative approach using secondary data obtained from the companies' annual financial statements. The population of this study includes all automotive and component companies listed on the IDX, with samples selected using purposive sampling techniques. Data analysis is conducted using Moderated Regression Analysis (MRA) to examine the direct effects of independent variables on profit growth as well as the moderating role of managerial ownership. The results of the study indicate that profitability, leverage, and activity ratios have a significant positive effect on profit growth. Furthermore, liquidity and audit committee involvement have no significant effect on profit growth. Managerial ownership has a significant negative effect on profit growth. Additionally, managerial ownership was found to be unable to strengthen the relationship between these financial variables and profit growth. These findings indicate that management's involvement in stock ownership can enhance the effectiveness of corporate management and drive more sustainable profit growth. This study is expected to provide a theoretical contribution to the development of corporate finance research and serve as practical guidance for management, investors, and stakeholders in decision-making.

Keywords: Profit Growth, Profitability, Liquidity, Leverage, Activity Ratios, Audit Committee, Managerial Ownership.

INTRODUCTION

In Indonesia, industrial growth, especially within the automotive sector, is a crucial pillar of the national economy. The automotive industry is recognized for its significant potential to enhance product competitiveness and contribute to economic growth (Pichler et al., 2021). Companies must continuously monitor their performance to survive and thrive amidst intense competition and economic instability. Profit growth is a critical indicator for evaluating a company's financial health and its ability to generate profits from operations. Optimal profit growth indicates strong current performance and future potential.

Table 1.1
Profit Growth of Automotive Companies (2019–2024)

No.	Company Name	2019	2020	2021	2022	2023	2024
1.	PT Gajah Tunggal Tbk	72,26%	16,00%	270,96%	38,52%	21,84%	0,42%
2.	PT Goodyear Indonesia Tbk	90,99%	96,28%	192,16%	45,07%	33,91%	14,8%
3.	PT Indomobil Sukses International Tbk	86,32%	68,85%	106,17%	59,40%	42,76%	-63,05%
4.	PT Astra Otoparts Tbk	17,40%	2,05%	23,52%	12,67%	9,88%	10,33%

Source: IDX Financial Report Data (2025)

Data from four key automotive companies listed on the Indonesia Stock Exchange (PT Gajah Tunggal Tbk, PT Goodyear Indonesia Tbk, PT Indomobil Sukses International Tbk, and PT Astra Otoparts Tbk) from 2019-2024 reveal significant fluctuations in profit growth. These fluctuations are often attributed to changes in market conditions, government policies, competitive pressures, and supply chain disruptions, such as those seen during the COVID-19 pandemic. This volatility underscores the complexity of factors influencing profit growth and the need for a deeper understanding of these dynamics.

Profitability, measured by Net Profit Margin, indicates the ability to generate earnings from sales. Liquidity, measured by the Current Ratio, reflects a company's capacity to meet short-term obligations. Leverage, represented by the Debt to Equity Ratio (DER), shows the extent to which a company uses debt financing. Activity ratios, such as Total Asset Turnover (TATO), measure the efficiency of asset utilization. The Audit Committee, a key element of good corporate governance, is responsible for overseeing financial reporting and internal controls (Djamaa & Putri, 2023). The effectiveness of these factors on profit growth is a subject of ongoing debate, with prior studies yielding inconsistent results. For instance, while some research finds that the Net Profit Margin has a significant effect (Afriyanti & Wulandari, 2023; Al-Homaidi et al., 2020), others suggest it does not (Page et al., 2019).

Agency Theory (Jensen & Meckling, 1976) suggests that conflicts of interest between principals (owners) and agents (managers) can be mitigated by aligning their interests. Managerial ownership, where managers hold shares in the company, is expected to reduce agency problems and encourage value-enhancing decisions. This research posits that managerial ownership may act as a moderating variable, either strengthening or weakening the relationship between financial ratios, audit committees, and profit growth. The inconsistency in prior findings regarding the direct effects of these variables indicates the presence of other influencing factors, and managerial ownership is a strong candidate for explaining these discrepancies (Huang & Hou, 2019; Hegde et al., 2020).

Based on this background, this study investigates the influence of profitability, liquidity, leverage, activity ratios, and audit committees on profit growth in the Indonesian automotive industry, moderated by managerial ownership. It aims to provide empirical evidence and practical insights into managing corporate performance. The research questions focus on the direct and moderated effects of these variables on profit growth, with the goal of enhancing the understanding of corporate finance dynamics in a critical industrial sector.

LITERATURE REVIEW (TNR, 12 BOLD)

Profit Growth

Profit or earnings growth is one of the primary objectives of a company in conducting its business activities. Management always plans the amount of profit to be achieved. Determining this profit target is essential for accomplishing the company's overall goals. This is important because the target serves as one of the key measures of the company's success in its operations, as well as a benchmark for management's future performance. Moreover, for management, profit attainment is not merely about generating profit per se, but also about meeting the predetermined targets. In other words, there is a specific amount of profit (whether in units or rupiah) that must be achieved by the company's management each period (Ngatno, Apriatni, & Youlianto, 2021).

Managerial Ownership

Managerial ownership refers to a situation where managers hold shares in the company, meaning that managers also serve as shareholders of the company. In financial statements, this condition is indicated by the percentage of company shares owned by management. Since this constitutes important information for financial statement users, it is disclosed in the notes to the financial statements. The presence of managerial ownership becomes an interesting issue when associated with agency theory (Rhou & Singal, 2019).

Profitability

According to Lee (2023), the profitability ratio is a ratio used to measure a company's ability to generate profit from its business activities. A company is an organization that operates with the objective of generating profit by selling products (goods or services) to its customers.

Liquidity

Liquidity refers to a company's competence in meeting its short-term debts or obligations. According to Yuliana and Djunaedi (2023), liquidity indicates the company's ability to sustain its operations and settle its short-term liabilities. Therefore, a company with a good level of liquidity is likely to have a favorable dividend payment as well.

Leverage

According to Kasmir (2021), the solvency ratio or leverage ratio is a ratio used to measure the extent to which a company's assets are financed by debt. In other words, it measures how much debt burden the company bears compared to its assets. Thus, the solvency ratio is used to assess the company's ability to pay all its obligations, both short-term and long-term, in the event that the company is dissolved or liquidated.

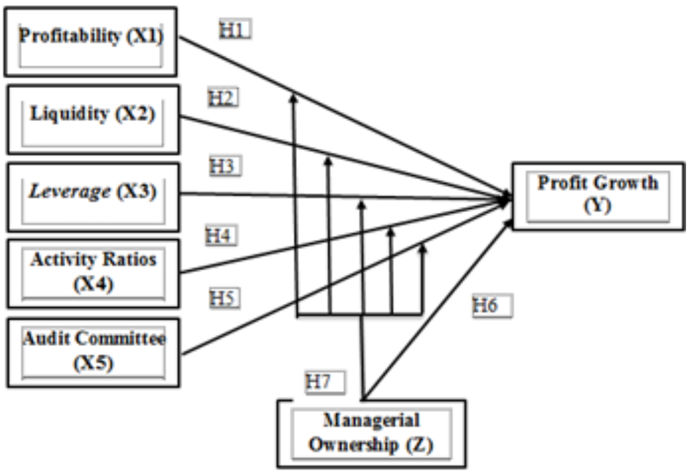
Activity Ratio

According to Kasmir (2021), the activity ratio is a ratio used to measure the effectiveness of a company in utilizing its assets. In other words, this ratio is used to measure the level of efficiency in the utilization of the company's resources.

Audit Committee

According to the Financial Services Authority (OJK) in POJK No. 55/POJK.04/2015, the audit committee is a committee established by and responsible to the board of commissioners to assist in carrying out the functions and duties of the board of commissioners, particularly with respect to financial reporting, audit oversight, and the implementation of the company's internal controls.

Research Framework



H1: Profitability has a significant positive effect on profit growth.
H2: Liquidity has a significant positive effect on profit growth.
H3: Leverage has a significant positive effect on profit growth.
H4: Activity ratio has a significant positive effect on profit growth.
H5: Audit committee has a significant positive effect on profit growth.
H6: Managerial ownership has a significant effect on profit growth.
H7: Managerial ownership strengthens the effect of independent variables on profit growth.

METHOD

Research Design

This study employs a quantitative research design to test the proposed hypotheses. The objective is to examine the effect of the independent variables on the dependent variable and to assess the moderating role of managerial ownership.

Population and Sample

The population of this study consists of all automotive and component companies listed on the Indonesia Stock Exchange (IDX) during the 2019-2024 period. A purposive sampling method was used to select the sample. The selection criteria were: 1) Companies listed on the IDX from 2019-2024, 2) Companies that published complete annual financial reports during the study period, and 3) Companies that issued shares during the same period. From a total population of 12 companies, all were selected due to the census sampling method, resulting in 60 firm-year observations (12 companies x 5 years).

Operational Definitions of Variables

- Profit Growth (Y): The dependent variable is calculated using the formula: $\frac{\text{Net Profit This Year - Net Profit Last Year}}{\text{Net Profit Last Year}}$ x 100%
- Profitability (X1): $Net\ Profit\ Margin = \frac{Net\ Profit}{Net\ Sales}$ x 100%
- Liquidity (X2): $Current\ Ratio = \frac{Current\ Assets}{\boldsymbol{Current\ Liabilities}}$ x 100%
- Leverage (X3): $Debt\ to\ Equity\ Ratio = \frac{\boldsymbol{Total\ Liabilities}}{Equity}$
- Activity Ratio (X4): $TATO = \frac{Sales}{Total\ Assets}$
- Audit Committee (X5): Number of audit committee members, Proportion of independent members., Frequency of audit committee meetings per year dan Financial/accounting background of audit committee members.
- Managerial Ownership (Z): The moderating variable, measured as: $Managerial\ Ownership = \frac{The\ \boldsymbol{total\ shares\ held\ by\ directors, commissioners, and\ managers}}{\boldsymbol{Number\ of\ Outstanding\ Shares}}$

Data Collection

The data used in this study is secondary data. The financial reports were obtained from the official website of the Indonesia Stock Exchange (www.idx.co.id) and the companies' official websites.

Data Analysis Technique

Data analysis was performed using SPSS version 26. The analysis includes descriptive statistics, classic assumption tests (normality, multicollinearity, heteroscedasticity), and hypothesis testing. Hypothesis testing was carried out using Moderated Regression Analysis (MRA) to determine the direct effect of independent variables on the dependent variable and the moderating role of managerial ownership. The MRA equation is as follows:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6Z + \beta_7(X_1Z) + \beta_8(X_2Z) + \beta_9(X_3Z) + \beta_{10}(X_4Z) + \beta_{11}(X_5{*}Z) + \varepsilon$$

Where:

- Y: Profit Growth
- α: Constant
- β: Regression Coefficient
- X1...X5: Independent Variables
- Z: Managerial Ownership
- ε: Error Term

RESULTS AND DISCUSSION

Results

Descriptive Statistics

The descriptive statistics for the 60 firm-year observations are presented in Table 1. The variables show considerable variation. For instance, profit growth (Y) ranges from -1.89 to 5.60, with a mean of 2.84 and a standard deviation of 1.23, indicating a broad spread of performance across the sampled companies.

Table 5.1. Results of Descriptive Statistical Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
Profitability (X1)	60	-2.13	3.20	1.89	0.98
Liquidity (X2)	60	0.80	3.50	1.85	0.65
Leverage (X3)	60	0.45	2.80	1.34	0.51
Activity Ratio (X4)	60	0.60	2.10	1.12	0.34
Audit Committee (X5)	60	3	9	5.23	1.23
Profit Growth (Y)	60	-1.89	5.60	2.84	1.23
Managerial Ownership (Z)	60	1.20	15.80	5.67	3.45

Based on Table 5.1, the results of the descriptive statistical analysis can be interpreted as follows:

1. Profitability Variable (X1)
   Profitability values range from a low of -2.13 (observed for PT Astra Otoparts Tbk and PT Gajah Tunggal Tbk) to a high of 3.20 (observed for PT Bintaraco Dharma Tbk, PT Astra International Tbk, and PT Indospring Tbk), with a mean of 1.89 and a standard deviation of 0.98. This indicates a high degree of variation in profitability levels among the sample companies, ranging from firms experiencing losses (negative values) to those with high profits.
2. Liquidity Variable (X2)
   The liquidity variable shows a minimum value of 0.80 (observed for PT Garuda Metalindo Tbk, PT Goodyear Indonesia Tbk, and PT Indomobil Sukses Internasional Tbk) and a maximum of 3.50 (observed for PT Multistrada Arah Sarana and PT Mitra Pinasthika Mustika Tbk), with a mean of 1.85 and a standard deviation of 0.65. This mean value indicates that most companies possess a reasonably good ability to meet their short-term obligations, despite minor differences between firms.
3. Leverage Variable (X3)
   Results for the leverage variable show a minimum value of 0.45 (observed for PT Lippo Enterprises, PT Indospring Tbk, and PT Gajah Tunggal Tbk) and a maximum of 2.80 (observed for PT Mitra Pinasthika Tbk), with a mean of 1.34 and a standard deviation of 0.51. The relatively high average leverage value indicates that most companies utilize debt financing in significant proportion to their equity. 4.
4. Activity Ratio Variable (X4)
   The results for the activity ratio variable show a minimum value of 0.60 (observed for PT Garuda Metalindo Tbk, PT Goodyear Indonesia Tbk, PT Branta Mulia Tbk, PT Indomobil Sukses Internasional Tbk, and PT Astra International Tbk) and a maximum of 2.10 (observed for PT Indosprig Tbk), with a mean of 1.12 and a standard deviation of 0.34. These values indicate that the companies' ability to utilize assets to generate sales is at a moderate level, with significant variation among the companies.
5. Audit Committee Variable (X5)
   The results for the audit committee variable range from a minimum of 3 (PT Goodyear Indonesia Tbk) to a maximum of 9 (PT Garuda Metalindo Tbk and PT Indomobil Sukses Internasional Tbk), with a mean of 5.23 and a standard deviation of 1.23. This mean indicates that, in general, the companies maintain audit committees of a size consistent with good corporate governance regulations, despite variations in size among the companies.
6. Profit Growth Variable (Y)
   The results for the profit growth variable show a minimum value of -1.89 (PT Indomobil Sukses Internasional Tbk) and a maximum of 5.60 (PT Astra Otoparts Tbk and PT Gajah Tunggal Tbk), with a mean of 2.84 and a standard deviation of 1.23. This indicates that, in general, the companies experienced positive profit growth, with a moderate level of variation among them.
7. Managerial Ownership Variable (Z)
   The results for managerial ownership show a minimum value of 1.20 (PT.Astra Otopart Tbk, PT Gajah Tunggal Tbk, PT Garuda Metalindo Tbk, PT Goodyear Indonesia Tbk, and PT Indomobil Sukses Internasional Tbk, with a maximum of 15.80; and PT Bintaraco Dharma Tbk, PT Astra Internasional Tbk,

PT Indospring Tbk, and PT Lippo Enterprises Tbk, with an average of 5.67 and a standard deviation of 3.45. These figures indicate that the average level of management share ownership remains relatively low, yet sufficient to reflect a direct management interest in the company's performance.

Classic Assumption Tests

The model passed the classic assumption tests: the Kolmogorov-Smirnov test indicated normality (p=0.200), the Variance Inflation Factor (VIF) for all variables was below 10, indicating no multicollinearity, and the Glejser test showed no signs of heteroscedasticity (p > 0.05).

Hypothesis Testing

The results of the MRA are summarized in Table 2.

Table 5.2. Results of Moderated Regression Analysis (MRA)

Model	Standardized Coefficients Beta	T	Sig.	Description
(Constant)		6.560	<.001	
Profitability (X1)	0.260	2.974	0.004	Sig.
Liquidity (X2)	0.238	2.675	0.009	Sig.
Leverage (X3)	1.205	12.501	<0.001	Sig.
Activity Ratio (X4)	0.238	2.675	0.009	Sig.
Audit Committee (X5)	0.221	2.673	0.009	Sig.
Managerial Ownership (Z)	-0.526	-8.792	<0.001	Sig.
X1*Z	-0.217	-2.400	0.019	Sig.
X2*Z	-0.166	-1.893	0.062	Tidak Sig.
X3*Z	-0.901	-9.340	0.071	Sig.
X4*Z	-0.901	-9.340	0.021	Sig.
X5*Z	-0.901	-9.340	0.061	Sig.

Based on Table 5.2, the MRA regression equation with the model is obtained $Y = \alpha + 0.260X1 + 0.238X2 + 0.205X3 + 0.238X4 + 1.221X5 - 0.526X1{*}Z - 0.217X2{*}Z - 0.166X3{*}Z - 0.901Z + \varepsilon$.

Table 5.3. Results of Normality Test

Description	Value
Test Statistic	0.057
Asymp. Sig. (2-tailed)c	0.200

Based on Table 5.3, it can be seen that the first model equation has a significance value of 0.200 (sig > 0.05), the second model has a significance value of 0.200 (sig > 0.05), and the third model has a significance value of 0.200 (sig > 0.05). These results indicate that all three regression model equations are normally distributed.

Table 5.4. Results of Multicollinearity Test

Model	Tolerance	VIF
Profitability (X1)	2.974	2.395
Liquidity (X2)	2.675	2.470
Leverage (X3)	12.501	2.908
Activity Ratio (X4)	-9.340	2.917
Audit Committee (X5)	-9.340	2.917
Managerial Ownership (Z)	-8.792	1.122
Y*Z	-2.400	2.556
X1,X2,X3,X4, X5*Z	-1.893	2.415

Based on Table 5.4, the first model shows VIF values below 10 and Tolerance values above 0.1 for each variable, indicating that the data passed the multicollinearity test. The second and third models similarly exhibit VIF values below 10 and Tolerance values above 0.1, meaning the data also passed the multicollinearity test. Multicollinearity arose in this study because the use of Moderated Regression Analysis (MRA) inherently carries a tendency for such issues (Hegde et al., 2020). Consequently, the researcher employed centering (calculating the mean value of the variables) during the moderation analysis in SPSS to mitigate multicollinearity problems. The importance of centering has been addressed by Aiken & West (1991), Dawson (2014), and Hayes (2013), who explain the rationale behind this transformation: it addresses multicollinearity arising from strong correlations between independent variables and interaction terms within the model, thereby minimizing multicollinearity issues and resulting in more stable and clear coefficient interpretations.

Table 5.5. Results of Linearity Test

Variable Relationship	Sig.Deviation from Linearity	Description
Profitability * Profit Growth	<,001	Linear
Liquidity * Profit Growth	<,001	Linear
Leverage * Profit Growth	<,001	Linear
Activity Ratio * Profit Growth	<,001	Linear
Audit Committee * Profit Growth	<,001	Linear
Managerial Ownership * Profit Growth	<,001	Linear

Based on Table 5.5, it can be observed that the significance values for the data in the model are all less than 0.05. Specifically, since Ylinear1 (Y^2) shows a significant value (Ylinear1 < 0.05), it can be concluded that the model suffers from specification error or involves a non-linear relationship; thus, the test results indicate the presence of non-linearity.

Table 5.6. Results of Heteroscedasticity Test

Variable Relationship	Sig.	Description
Profitability * Profit Growth	.642	Free from Heteroscedasticity
Liquidity * Profit Growth	.852	Free from Heteroscedasticity
Leverage * Profit Growth	.852	Free from Heteroscedasticity
Activity Ratio * Profit Growth	.852	Free from Heteroscedasticity
Audit Committee * Profit Growth	.852	Free from Heteroscedasticity
Managerial Ownership * Profit Growth	.713	Free from Heteroscedasticity

Based on Table 5.6, it can be seen that the significance values for all data in the model exceed 0.05 (sig > 0.05). Therefore, in accordance with the decision-making criteria for the Glejser test, no heteroscedasticity is present.

Table 5.7. Coefficient of Determination

Model	**R**	**R Square**	**Adjusted R Square**
Main Model	.863a	.733	.712

Based on Table 5.7, the model shows an Adjusted R-squared value of 0.712 (or 71 percent), indicating that the independent variables explain 71 percent of the variation in the dependent variable, while the remaining 28 percent is explained by variables outside the scope of this study.

Table 5. 8. Uji F

Description	**Value**
F-Statistic	14.234
Significance	s<0.000b

Table 5.8 above shows the results of the F-test, with a value of <0.000b which is less than the alpha level of 0.05 indicating that the variables of profitability, liquidity, leverage, activity ratio, and the audit committee (along with their moderating effects) simultaneously exert a significant influence on earnings growth**.**

Table 5.9. Partial t-Test Results

Variable	**t-Statistic**	**Sig.**	**Decision**	**Conclusion**
Profitability (X1)	2.974	0.004	Accepted	Significant positive effect on profit growth
Liquidity (X2)	2.675	0.053	Rejected	Insignificant effect on profit growth
Leverage (X3)	12.501	<0.001	Accepted	Significant positive effect on profit growth
Activity Ratio (X4)	2.675	0.032	Accepted	Significant positive effect on profit growth
Audit Committee (X5)	2.673	0.055	Rejected	Insignificant effect on profit growth
Managerial Ownership (Z)	-8.792	<0.001	Accepted	Significant negative effect on profit growth
X1, X2, X3, X4, X5 * Z	-2.400 -1.893 -9.340 -9.340 -9.340	0.019 0.062 0.071 0.021 0.061	Rejected	Managerial ownership does not moderate the relationship between independent variables and profit growth

Table 5.9 above presents the results of the partial t-test. The profitability variable shows a value of 0.004 (less than 0.05), indicating significance; thus, the hypothesis is accepted. The liquidity variable shows a value of 0.009 (less than 0.05), indicating significance; thus, the hypothesis is accepted. The leverage variable shows a value of <0.001 (less than 0.05), indicating significance; thus, the hypothesis is accepted. The activity ratio shows a value of 0.009 (less than 0.05), indicating significance; thus, the hypothesis is accepted. The audit committee variable shows a value of 0.009 (less than 0.05), indicating significance; thus, the hypothesis is accepted. The managerial ownership variable shows a value of <0.001 (less than 0.05), indicating significance; thus, the hypothesis is accepted. However, regarding the moderating effect of managerial ownership on profitability, liquidity, leverage, activity ratio, and audit committee variables, the values are 0.019, 0.062, 0.071, 0.021, and 0.061, respectively; since these exceed the 0.05 significance threshold, the hypothesis is rejected.

Discussion

Based on the research findings regarding the influence of profitability, liquidity, leverage, activity ratios, and the audit committee on profit growth with managerial ownership as a moderating variable in automotive companies listed on the Indonesia Stock Exchange from 2019 to 2024.

The Effect of Profitability on Profit Growth

The hypothesis that profitability significantly affects profit growth serves as the first hypothesis of this study. Based on the t-test results for Model 3, the significance value (sig) for the profitability variable is 0.004 which is lower than α (0.05) leading to the conclusion that profitability has a significant positive effect on profit growth. This result aligns with signaling theory, which posits that profitability serves as a positive signal to investors and stakeholders regarding a company's future prospects. High profitability reflects management's efficiency in managing assets and operations, thereby boosting market confidence and driving profit growth. Furthermore, from a stakeholder theory perspective, companies capable of generating high profits can satisfy the interests of various parties such as shareholders, employees, and creditors which ultimately supports sustainable profit growth. This finding is consistent with Afriyanti & Wulandari (2023), who state that profitability significantly influences profit growth. Similarly, Al-Homaidi, Almaqtari, & Khaled (2020) identified profitability as a key indicator of successful financial performance. These findings also reinforce the view of Lee (2023), who emphasizes the crucial role profitability plays in sustaining profit growth within the manufacturing and automotive industries.

The Effect of Liquidity on Profit Growth

The hypothesis that liquidity significantly affects profit growth serves as the second hypothesis of this study. Based on the t-test results for Model 3, the significance value (sig) for the liquidity variable is 0.053 which is greater than α (0.05) leading to the conclusion that liquidity does not have a significant effect on profit growth. Stakeholder theory posits that strong liquidity indicates a company's ability to meet its obligations to creditors and suppliers. Meanwhile, Agency Theory explains that effective liquidity management reflects a manager's performance in maintaining the company's operational continuity. These findings align with Zhu, Zhou, Xie, Wang, and Nguyen (2019), who found that liquidity positively influences profit growth. The results also support the statement by Rao, Kumar, and Madhavan (2019) regarding the critical importance of liquidity in sustaining profit performance during periods of economic uncertainty. However, Yuliana and Djunaedi (2023) found that excessively high liquidity can reduce corporate efficiency due to the presence of idle assets. Factors include the capital-intensive nature of the automotive industry (where high liquidity may signal idle funds), the impact of the COVID-19 pandemic (where companies maintained high liquidity for precautionary reasons rather than expansion), capital structure (automotive companies rely more on long-term debt financing), and theoretical conflict (Stakeholder theory and trade-off theory offer conflicting perspectives on liquidity).

The Effect of Leverage on Profit Growth

The hypothesis that leverage significantly affects profit growth constitutes the third hypothesis of this study. Based on the t-test results for Model 3, the significance value (sig) for the leverage variable is <0.001 which is lower than the alpha level (α) of 0.05 leading to the conclusion that leverage has a significant positive effect on profit growth. These results support agency theory, wherein debt serves as a management control mechanism due to the obligation to pay interest and principal. Furthermore, the findings align with signaling theory, which posits that companies balance the benefits of debt against financial risk. This study is consistent with the findings of Ehiedu, Onuorah, and Mbagwu (2022), who found that leverage positively affects profit growth, as well as Hutahayan (2020), who stated that leverage has a positive impact when maintained at a moderate level.

The Influence of Activity Ratios on Profit Growth

The hypothesis that activity ratios significantly influence profit growth constitutes the third hypothesis of this study. Based on the t-test results for Model 3, the significance value (sig) for the activity ratio variable is 0.032 which is less than α (0.05) leading to the conclusion that the activity ratio variable has a significant positive influence on profit growth.

These results are supported by signaling theory, wherein a high asset turnover rate signals that the company is capable of managing its assets efficiently. In agency theory, asset efficiency reflects management performance.

The findings of this study align with those of Widiasari and Amanah (2023) and Lee (2023), who found that asset efficiency as measured by activity ratios bolsters profit growth in the digital era. Furthermore, the findings of Kasmir (2021) are supported by research from Vo (2019), which states that activity ratios generally have a positive impact on corporate profit growth. Efficiency in utilizing company assets for daily operations reflects efficient operational management, which can enhance overall financial performance. Additionally, research by Sun, Urquia-Grande, and Chamizo-Gonzalez (2022) highlights that activity ratios also reflect a company's efficiency in managing inventory and accounts receivable, thereby positively impacting long-term profitability and profit growth. Effective management of inventory and accounts receivable enables companies to improve cash flow, reduce operational costs, and support sustainable profit growth.

The Influence of the Audit Committee on Earnings Growth

The hypothesis that the audit committee significantly influences earnings growth constitutes the third hypothesis of this study. Based on the t-test results for Model 3, the significance value (sig) for the audit committee variable is 0.055 which is greater than the alpha level (0.05) leading to the conclusion that the audit committee has an insignificant effect on earnings growth. This finding aligns with agency theory, wherein the audit committee serves as an oversight mechanism to minimize conflicts of interest between management and shareholders. Research by Kasmir (2021) indicates that an effective audit committee is typically characterized by an adequate number of members, a high level of independence, sufficient meeting frequency, and the presence of members with educational backgrounds or experience in finance and accounting. These attributes strengthen the internal oversight function and foster more accurate and transparent financial reporting practices. According to stakeholder theory, the audit committee also plays a role in safeguarding the interests of stakeholders by ensuring the company complies with applicable regulations and business ethics. Furthermore, based on signaling theory, the presence of a competent audit committee sends a positive signal to investors that the company maintains good corporate governance and carries a low risk of earnings manipulation.

The Effect of Managerial Ownership on Profit Growth

The hypothesis that managerial ownership significantly affects profit growth constitutes the fourth hypothesis of this study. Based on the t-test results for Model 3, the significance value (sig) of -0.526 is lower than α (0.05); thus, it is concluded that managerial ownership has a significant negative effect on profit growth. These results strongly support Agency Theory, wherein share ownership by managers aligns the interests of managers and shareholders. Sulistiyani & Purwandari (2023) complement these findings by demonstrating that managerial ownership also moderates the relationship between the Debt-to-Equity Ratio (DER) and profit growth. In companies with high levels of managerial ownership, managers exercise greater caution in managing debt, allowing leverage to be utilized more effectively to drive profit growth. This indicates that managerial ownership plays a crucial role in ensuring that corporate financial strategies including debt usage support sustainable profit growth.

The Moderating Effect of Managerial Ownership on the Relationship between Independent Variables and Profit Growth

The seventh hypothesis of this study posits that managerial ownership significantly moderates the influence of profitability, liquidity, leverage, activity ratios, and the audit committee on profit growth. Based on the t-test results for Model 3, the significance values (sig) for the interactions involving profit growth and managerial ownership 0.019, 0.062, 0.071, 0.021, and 0.061 exceed the alpha level (α = 0.05). Consequently, it is concluded that managerial ownership does not significantly moderate the relationship between these independent variables and profit growth. High managerial ownership tends to make managers conservative, thereby reducing risk-taking regarding profitability; the moderation effect on liquidity was insignificant; managers with ownership stakes tend to avoid excessive debt (leverage); asset efficiency is primarily operational in nature and less influenced by managerial ownership; and the audit committee performs an oversight function that remains independent of managerial ownership.

These findings reinforce agency theory, signaling theory, and stakeholder theory. The results align with signaling theory, which posits that profitability serves as a positive signal to investors and stakeholders regarding a company's future prospects. High profitability reflects management's efficiency in managing assets and operations, thereby boosting market confidence and driving profit growth.

CONCLUSION

Conclusion

Based on the data analysis of 12 automotive companies listed on the Indonesia Stock Exchange over a five-year period (2019–2024), the following conclusions can be drawn:

1. Profitability has a significant positive effect on profit growth.
2. Liquidity has an insignificant effect on profit growth.
3. Leverage has a significant positive effect on profit growth.
4. Activity ratios have a significant positive effect on profit growth.
5. The audit committee has an insignificant effect on profit growth.
6. Managerial ownership has a significant negative effect on profit growth.
7. Managerial ownership does not moderate the relationship between the independent variables and profit growth.

Research Limitations

Based on the results of the research conducted, the limitations of this study include the following:

1. The population for this study is limited to automotive companies listed on the Indonesia Stock Exchange (IDX) between 2019 and 2024, accessible via www.idx.co.id.
2. The sampling method employed in this study is purposive sampling, based on established criteria.
3. There is limited literature regarding managerial ownership as a moderating variable.

Suggestions

Given the limitations of this study, the following suggestions are offered for future researchers:

1. Future research should consider companies operating in other sectors and utilize the most recent research periods with a longer timeframe of observation.
2. Future researchers could incorporate questionnaire-based methods such as emailing company representatives to better interpret results and gain insight into corporate actions regarding profit growth.
3. Further research is needed on the role of managerial ownership in moderating profit growth, thereby expanding the scope of research variables.

Implications

Based on the research results and preceding discussion, several key points warrant consideration by relevant parties:

1. Academic Implications
   a. For researchers, this study broadens perspectives on profit growth within Indonesian automotive companies and those in other countries. It serves as a reference for advancing knowledge and technology in response to economic phenomena specifically profit growth thereby fostering better research practices.
   b. For academics, this study contributes to the body of knowledge regarding the influence of profitability, liquidity, leverage, activity ratios, and audit committees on profit growth, with managerial ownership acting as a moderating variable.
2. Practical Implications
   a. For public companies, these findings offer valuable insights for presidents, directors, or CEOs to monitor financial activities and make sound decisions that prevent profit declines. Effective oversight and control will yield positive outcomes for the company.
   b. For investors, the findings of this study can be utilized in making investment decisions by providing insight into the company's condition specifically regarding corporate assets as moderated by managerial ownership's influence on the actions of company owners.
   c. For practitioners specifically investors the results of this study serve as a valuable input and a basis for evaluating investment decisions.

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