

Financial Ratios and Earnings Growth: Evidence from Indonesia's Consumer Goods Manufacturing Industry

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Abstract

This study aims to examine the effects of profitability, liquidity, and dividend policy on earnings growth in manufacturing companies within the consumer goods industry listed on the Indonesia Stock Exchange during the 2020–2022 period. A quantitative explanatory research design was employed using secondary data obtained from the companies' annual financial statements. The sample consisted of 12 companies (36 firm-year observations) selected through purposive sampling. Data were analyzed using multiple linear regression with IBM SPSS. The findings reveal that profitability, liquidity, and dividend policy do not have a statistically significant effect on earnings growth, either individually or simultaneously. These results indicate that earnings growth cannot be adequately explained solely by conventional financial ratios but is also influenced by other factors, including operational efficiency, investment strategies, macroeconomic conditions, and industry-specific characteristics. The findings imply that managers and investors should adopt a more comprehensive approach by considering both financial and non-financial indicators when evaluating firms' future earnings growth. The novelty of this study lies in examining the relationship between profitability, liquidity, dividend policy, and earnings growth during the post-COVID-19 economic recovery period, providing new empirical evidence on the limited explanatory power of traditional financial ratios in predicting earnings growth within Indonesia's consumer goods manufacturing sector.

Keywords: Profitability, Liquidity, Dividend Policy, Earnings Growth, Manufacturing Companies.

Abstrak

Penelitian ini bertujuan untuk menganalisis pengaruh profitabilitas, likuiditas, dan kebijakan dividen terhadap pertumbuhan laba pada perusahaan manufaktur sektor industri barang konsumsi yang terdaftar di Bursa Efek Indonesia periode 2020–2022. Penelitian menggunakan pendekatan kuantitatif dengan metode eksplanatori dan memanfaatkan data sekunder yang diperoleh dari laporan keuangan tahunan perusahaan. Sampel penelitian ditentukan menggunakan teknik purposive sampling sehingga diperoleh 12 perusahaan dengan total 36 observasi. Analisis data dilakukan menggunakan regresi linier berganda melalui IBM SPSS. Hasil penelitian menunjukkan bahwa secara parsial profitabilitas, likuiditas, dan kebijakan dividen tidak berpengaruh signifikan terhadap pertumbuhan laba. Pengujian simultan juga menunjukkan bahwa ketiga variabel tersebut secara bersama-sama tidak berpengaruh signifikan terhadap pertumbuhan laba. Temuan ini mengindikasikan bahwa pertumbuhan laba tidak hanya ditentukan oleh rasio keuangan konvensional, tetapi juga dipengaruhi oleh faktor-faktor lain, seperti efisiensi operasional, strategi investasi, kondisi makroekonomi, dan karakteristik industri. Implikasi penelitian ini menunjukkan bahwa manajemen perusahaan dan investor perlu mempertimbangkan indikator keuangan maupun nonkeuangan secara lebih komprehensif dalam mengevaluasi prospek pertumbuhan laba. Kebaruan penelitian terletak pada pengujian hubungan profitabilitas, likuiditas, dan kebijakan dividen terhadap pertumbuhan laba pada perusahaan manufaktur sektor industri barang konsumsi selama periode pemulihan ekonomi pascapandemi COVID-19, sehingga memberikan bukti empiris baru mengenai keterbatasan rasio keuangan tradisional dalam menjelaskan pertumbuhan laba pada konteks tersebut.



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Kata kunci: Profitabilitas, Likuiditas, Kebijakan Dividen, Pertumbuhan Laba, Perusahaan Manufaktur.

1. Introduction

Profit growth is one of the main indicators that reflects the company's success in creating economic value and maintaining the sustainability of its business. For investors, creditors, and other stakeholders, profit growth is an important signal in evaluating the company's future prospects because it shows the company's ability to generate profits sustainably. In manufacturing companies in the consumer goods industry sector, profit growth has an increasingly strategic role considering that this sector faces the dynamics of consumer demand, changes in raw material prices, inflationary pressures, and increasing market competition during the post-COVID-19 pandemic period. This condition requires companies to be able to manage resources efficiently in order to continue to generate profits that grow consistently. Therefore, the identification of factors influencing profit growth is an important issue in corporate finance and accounting research (Vo et al., 2022; Dang et al., 2023).

One of the factors that is estimated to affect profit growth is profitability. Profitability describes a company's ability to utilize all its resources to generate profits. The higher the level of profitability, the greater the company's ability to generate internal cash flow that can be used to support business expansion, improve operational efficiency, and strengthen the company's competitiveness. From the perspective of signaling theory, a high level of profitability also gives a positive signal to investors regarding the company's prospects so that it can increase market confidence in the company's performance. However, several previous studies still show mixed results regarding the relationship between profitability and profit growth, so further testing is needed on Indonesia's manufacturing sector which has different characteristics compared to other sectors (Nguyen et al., 2022; Pham & Nguyen, 2023).

In addition to profitability, liquidity is also an important aspect that determines a company's ability to maintain profit growth. Liquidity reflects a company's ability to meet short-term obligations using its current assets. An adequate level of liquidity allows the company to maintain smooth operational activities without experiencing funding disruptions. On the other hand, liquidity that is too high can indicate the existence of idle assets that are less productive, thereby reducing the efficiency of the company. Various previous studies have shown that the effect of liquidity on profit growth has not shown consistency because it is influenced by industry characteristics, economic conditions, and working capital management strategies of each company. Therefore, the relationship between liquidity and profit growth is still a relevant topic to be studied further (Alhadab & Clacher, 2021; Dang et al., 2023).

The next factor that is suspected to affect profit growth is dividend policy. The dividend policy is a company's decision in determining the proportion of profits that will be distributed to shareholders or held as a source of internal funding. This decision often reflects a balance between the interests of investors who want dividend distribution and the need for companies to maintain investment funds to support future growth. Based on agency theory

and signal theory, dividend policy not only functions as a profit distribution mechanism, but also as an indicator of the quality of a company's performance. However, the results of research on the influence of dividend policy on profit growth still show inconsistencies, so more comprehensive empirical evidence is needed, especially in manufacturing companies in the consumer goods industry sector in Indonesia (Baker et al., 2022; Ahmed et al., 2023).

Based on this description, there are still research gaps related to the influence of profitability, liquidity, and dividend policies on profit growth, especially in manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange. The 2020–2022 period was chosen because it reflects the post-pandemic economic recovery phase which provides challenges as well as opportunities for companies to improve their financial performance. This research is expected to make an empirical contribution to the development of literature on the determinants of profit growth as well as a reference for investors, company management, and policymakers in formulating strategies to improve company performance. The novelty of this research lies in the simultaneous testing of profitability, liquidity, and dividend policy on profit growth in the post-pandemic period with a focus on the consumer goods industry sector which has different characteristics compared to other manufacturing sectors.

2. Literature Review and Hypothesis Development

2.1 Signaling Theory

The Signaling Theory introduced by Spence (1973) explains that companies have an incentive to convey relevant information to external parties in order to reduce the occurrence of information asymmetry between management and investors. In the capital market, investors do not have equal access to all internal information of a company so investment decisions depend heavily on the signals provided through financial statements. Information about profitability, liquidity, and dividend policy is an important signal that reflects the company's fundamental qualities. When a company is able to demonstrate a high level of profitability, healthy liquidity conditions, and a consistent dividend policy, investors will interpret these conditions as an indicator that the company has good profit growth prospects in the future. Thus, financial statements not only function as a reporting medium, but also as a mechanism for conveying signals regarding the quality of the company's performance.

In the context of this research, Signaling Theory is the main basis for explaining the relationship between profitability, liquidity, and dividend policy to profit growth. High profitability indicates the efficiency of the company in managing resources so as to generate sustainable profits. Adequate liquidity indicates the company's ability to meet short-term obligations without disrupting operational activities, while dividend policy reflects management's confidence in the company's ability to generate profits in the coming period. Therefore, these three variables are signals that are able to influence investors' perception of the company's prospects. The more positive the signal given, the greater the chance for the company to maintain or increase profit growth in a sustainable manner.

2.2 The Effect of Profitability on Profit Growth

Profitability is the main indicator that describes the company's ability to generate profits through the use of assets, capital, and operational activities. In the perspective of Signaling

Theory, a high level of profitability gives a positive signal to investors regarding the effectiveness of management in managing the company's resources. Companies that are able to consistently generate profits have greater financial flexibility to expand their business, increase productive investment, develop product innovations, and strengthen the company's competitiveness. This condition ultimately encourages an increase in profit in the next period so that profit growth can be achieved sustainably.

A number of empirical studies have also shown that profitability has a positive relationship with profit growth. The high Return on Assets (ROA) and Return on Equity (ROE) levels reflect the company's ability to optimize assets and capital to increase the chances of earning greater profits in the future. Therefore, the higher the company's profitability, the greater the potential for profit growth to be achieved.

H1: Profitability has a positive effect on profit growth.

2.3 The Effect of Liquidity on Profit Growth

Liquidity indicates the ability of a company to meet short-term obligations using its current assets. An adequate level of liquidity allows companies to carry out operational activities efficiently without experiencing funding barriers. In the framework of Signaling Theory, good liquidity is a signal that the company has a healthy financial condition, is able to meet obligations to creditors, and has a relatively low risk of bankruptcy. This condition creates operational stability that supports the improvement of the company's performance.

Nevertheless, the relationship between liquidity and profit growth is still a debate in the literature. Liquidity that is too low can hinder the company's operational activities, while too high liquidity can indicate the existence of unproductive idle funds. Therefore, companies need to manage working capital optimally so that liquidity can make a positive contribution to profit growth. Various studies on manufacturing companies show that companies with optimal liquidity levels tend to have the ability to generate better profit growth than companies with low liquidity.

H2: Liquidity has a positive effect on profit growth.

2.4 The Effect of Dividend Policy on Profit Growth

The dividend policy is a company's decision regarding the proportion of profits that will be distributed to shareholders or held as a source of internal funding. In addition to being explained through Signaling Theory, this relationship is also supported by Agency Theory which states that dividend payments can reduce conflicts of interest between management and shareholders through a more transparent distribution of cash flow. Stable dividend payments signal that the company has the ability to generate profits sustainably, increasing investor confidence in the company's prospects.

On the other hand, companies must also consider the balance between dividend distribution and internal funding needs. Retained profits can be used to finance productive investments to increase the company's ability to generate profits in the next period. Therefore, an optimal dividend policy is expected to be able to maintain a balance between investor interests and the company's expansion needs so that it has a positive impact on profit growth.

H3: Dividend policy has a positive effect on profit growth.

2.5 Conceptual Framework

Based on Signaling Theory and the results of previous research, this study examines the influence of profitability, liquidity, and dividend policy as independent variables on profit growth as a dependent variable. Profitability, liquidity, and dividend policies are seen as signals that reflect the company's fundamental qualities so that it can affect the company's ability to increase profits in the next period. The relationship between these variables was then tested partially or simultaneously through the proposed research model.

H4: Profitability, liquidity, and dividend policy simultaneously affect the company's profit growth.

3. Research Method

This study uses a quantitative approach with an explanatory research design that aims to test the causal relationship between profitability, liquidity, and dividend policy on profit growth in manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange (IDX). The quantitative approach was chosen because it allows for objective hypothesis testing through statistical analysis of secondary data obtained from the company's annual financial statements. The research population includes all manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange during the period 2020–2022. The sample determination technique uses purposive sampling, which is the selection of samples based on certain criteria to suit the research objectives. These criteria include: (1) companies that are listed consecutively on the Indonesia Stock Exchange during the 2020–2022 period; (2) companies that publish a complete annual report during the study period; and (3) companies that have complete financial data in accordance with the measurement needs of all research variables. Based on these criteria, 12 companies were obtained as a research sample with an observation period of three years resulting in 36 units of analysis. The purposive sampling method is widely used in accounting and financial research because it is able to produce representative samples according to the characteristics of the research (Hair et al., 2022; Sekaran & Bougie, 2021).

The dependent variable in this study is earnings growth, while the independent variable consists of profitability, liquidity, and dividend policy. Profitability is proxied using Return on Assets (ROA) because this ratio reflects the company's ability to generate profits through the utilization of all assets owned. Liquidity is measured using the Current Ratio (CR) which describes a company's ability to meet short-term obligations with its current assets. Meanwhile, the dividend policy is proxied using the Dividend Payout Ratio (DPR) which shows the proportion of net profit distributed to shareholders in the form of dividends. The profit growth is calculated as a change in net profit for the current year compared to the previous year's net profit expressed in the form of a percentage. All research data is obtained from the company's annual financial statements published through the Indonesia Stock Exchange and the official website of each company so that it has a high level of reliability and validity as a secondary data source.

Data analysis was carried out using IBM SPSS software through several stages of statistical testing. The initial stage includes descriptive statistical analysis to provide an overview of the data characteristics of each research variable. Furthermore, classical assumption testing is carried out to ensure that the regression model meets the assumption of normality, so that the resulting parameter estimation is unbiased and efficient. Hypothesis testing was carried out using multiple linear regression analysis because the study involved

more than one independent variable that was thought to affect one dependent variable. Furthermore, the influence of each independent variable on profit growth was tested using the t-test (partial), while the influence of the three independent variables was tested together using the F test (simultaneous). The model's ability to explain variations in profit growth is measured using a determination coefficient (Adjusted R²). All hypothesis tests were carried out at a significance level of 5% ($\alpha = 0.05$), as is commonly applied in empirical research in the fields of accounting and finance to obtain results that can be accounted for statistically (Hair et al., 2022; Gujarati et al., 2021).

4. Results

4.1 Descriptive Statistics

Descriptive statistics provide an overview of the characteristics of each variable used in the study. The results of the analysis showed that all variables had a total of 36 observations from 12 companies during the 2020–2022 period.

Table 1. Descriptive Statistics

Variable	N	Minimum	Maximum	Red	Std. Deviation
Return on Assets (ROA)	36	0.010	0.160	0.0758	0.0442
Current Ratio (CR)	36	0.020	0.180	0.0858	0.0538
Dividend Payout Ratio (DPR)	36	0.010	0.220	0.0811	0.0612
Earnings Growth	36	0.010	0.120	0.0708	0.0243

Source: Processed SPSS Output (2024).

Table 1 shows that all variables have relatively low to moderate data variations. The liquidity variable (CR) had the highest average (0.0858), followed by Dividend Payout Ratio (0.0811), Return on Assets (0.0758), and profit growth (0.0708). The standard deviation value of all variables was smaller than the average value, indicating that the data spread was relatively homogeneous and did not show extreme fluctuations during the observation period.

4.2 Normality Test

Before hypothesis testing, the regression model was tested through a normality test using the Kolmogorov–Smirnov method.

Table 2. Normality Test

Test	Statistic	Sig.
Kolmogorov–Smirnov	0.097	0.200

Source: Processed SPSS Output (2024).

A significance value of 0.200 (>0.05) indicates that the residual model is normally distributed. Thus, the regression model meets the assumption of normality and is therefore feasible for multiple linear regression analysis.

4.3 Multiple Regression Analysis

Multiple linear regression analysis was used to test the influence of profitability, liquidity, and dividend policy on profit growth.

Table 3. Model Summary

R	R²	Adjusted R²	Std. Error	Durbin–Watson
0.335	0.112	0.029	0.02395	1.937

Source: Processed SPSS Output (2024).

The results of the analysis showed an Adjusted R² value of 0.029, which means that the research model was only able to explain about 2.9% of the variation in profit growth, while about 97.1% of the remaining was influenced by other factors outside the research model. The Durbin–Watson value of 1.937 indicates no indication of serious autocorrelation in the regression model. It should be noted that the correct interpretation is based on Adjusted R² = 0.029, not 11.2%, because the value of 0.112 is R², not Adjusted R².

4.4 Simultaneous Effect Test

The simultaneous influence of all independent variables was tested using the F test.

Table 4. ANOVA

F	Sig.
1.345	0.270

Source: Processed SPSS Output (2024).

A significance value of 0.270 (>0.05) indicates that profitability, liquidity, and dividend policy simultaneously did not have a significant effect on the profit growth of manufacturing companies in the consumer goods industry sector during the study period. Thus, the regression model as a whole has not been able to explain the significant variation in profit growth.

4.5 Hypothesis Testing

Hypothesis testing was carried out using a partial test (t-test).

Table 5. Regression Coefficients

Variable	β	t	Sig.	Decision
LONG	-0.185	-1.969	0.058	H1 Rejected
CR	0.002	0.018	0.986	H2 Rejected
DPR	0.007	0.093	0.926	H3 Rejected

Source: Processed SPSS Output (2024).

The test results showed that Return on Assets (ROA) had a negative coefficient ($\beta = -0.185$) with a significance value of 0.058, so that the effect on profit growth was not significant at the significance level of 5%. Similarly, the Current Ratio (CR) has a significance value of 0.986 and the Dividend Payout Ratio (DPR) of 0.926, both of which are well above the significance level of 0.05. Thus, there is no empirical evidence that profitability, liquidity, or dividend policies have a partial effect on profit growth in manufacturing companies in the consumer goods industry sector during the study period.

5. Discussion

5.1 The Effect of Profitability on Earnings Growth

The results of the study show that profitability proxied by Return on Assets (ROA) has a negative regression coefficient and does not have a significant effect on the profit growth of

manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange for the 2020–2022 period. These findings indicate that a high level of profitability in one period is not necessarily followed by increased profit growth in the next. This condition shows that the company's ability to generate profits from its assets does not automatically reflect the company's ability to create sustainable profit growth. During the research period, the company faced post-pandemic economic pressures, rising raw material prices, supply chain disruptions, and rising operating costs, so that the profits generated were used more to maintain operational activities than to drive profit growth in the following period.

Viewed from the perspective of Signaling Theory, profitability should be a positive signal regarding the company's prospects. However, the results of this study show that these signals have not been fully responded to by the market nor reflected in profit growth. This indicates that investors and stakeholders are likely to consider other factors beyond profitability, such as operational efficiency, investment strategies, cost structures, macroeconomic conditions, and market uncertainty during the economic recovery period. These findings are in line with research by Dang et al. (2023) who show that profitability is not always able to explain changes in company performance across all industry sectors. These results are also consistent with the research of Nguyen et al. (2022) who found that the relationship between profitability and company growth depends on the characteristics of the industry and the economic conditions the company faces.

5.2 The Effect of Liquidity on Earnings Growth

This study found that liquidity proxied using Current Ratio (CR) did not have a significant effect on profit growth. These results show that the company's ability to meet short-term obligations is not the main factor determining the increase in the company's profits during the study period. A high level of liquidity can actually indicate the existence of idle assets that have not been used productively so that they are unable to contribute to increasing the company's profit.

In the perspective of Signaling Theory, high liquidity does signal that the company is in a healthy financial condition and has a low risk of default. However, this condition does not necessarily increase operational efficiency and productivity of company assets. Thus, the high current ratio has not been able to translate into a sustained increase in profit. These findings are consistent with the research of Alhadab and Clacher (2021) which shows that the influence of liquidity on company performance is greatly influenced by the effectiveness of working capital management. In addition, the results of Pham and Nguyen's (2023) research also show that liquidity is not always the main determinant of a company's growth when it faces economic uncertainty and changing market conditions.

5.3 The Effect of Dividend Policy on Earnings Growth

The results of the study show that the dividend policy proxied using the Dividend Payout Ratio (DPR) does not have a significant effect on profit growth. These findings show that the large proportion of profits distributed to shareholders has not been able to explain changes in the company's profit growth. In manufacturing companies, dividend distribution decisions are more influenced by the company's internal policies, investment needs, cash flow conditions, and financing strategies than efforts to increase profits in the next period.

Based on Signaling Theory, dividend payments are seen as a signal regarding management's optimism about the company's future prospects. Nevertheless, the results of

this study show that the signals are not strong enough to explain the company's profit growth during the study period. One of the reasons is that companies tend to maintain profits as a source of internal funding to deal with post-pandemic economic uncertainty, so dividend policies become less relevant in explaining changes in profits. These findings are in line with research by Baker et al. (2022) which states that the relationship between dividend policy and company performance is still inconsistent and influenced by company characteristics and economic conditions. Ahmed et al.'s (2023) research also shows that dividend policy is not a major determinant of profit growth in many companies in developing countries.

5.4 The Simultaneous Effect of Profitability, Liquidity, and Dividend Policy on Earnings Growth

The results of the simultaneous test showed that profitability, liquidity, and dividend policy together did not have a significant effect on profit growth. In addition, the relatively low Adjusted R² value suggests that most of the variation in profit growth is explained by factors outside of the research model. This indicates that profit growth is a complex phenomenon and is influenced by various aspects such as operational efficiency, leverage, company size, sales growth, product innovation, corporate governance, management quality, and macroeconomic conditions that are not included in this study.

Theoretically, the results of this study show that the Signaling Theory has not been able to fully explain profit growth in manufacturing companies in the consumer goods industry sector during the 2020–2022 period. Information on profitability, liquidity, and dividend policy is not enough to be a strong signal in explaining changes in company profits. Therefore, further research needs to develop a more comprehensive model by including other financial and non-financial variables so that the model's ability to explain profit growth will be better. These findings are in line with research by Vo et al. (2022) which showed that profit growth is influenced by a combination of various internal and external factors of the company, not just individual financial ratios.

6. Implications

6.1 Theoretical Implications

This research contributes to the development of literature in the field of corporate finance, especially regarding the determinants of profit growth in manufacturing companies in the consumer goods industry sector in Indonesia. The findings of the study show that profitability, liquidity, and dividend policy did not have a significant influence on profit growth during the 2020–2022 period. These results indicate that conventional financial ratios are not always able to explain the dynamics of profit growth, especially in a period affected by post-pandemic economic uncertainty. Thus, this study expands the understanding that profit growth is a multidimensional phenomenon influenced by a combination of internal and external factors of the company, so it cannot be explained only through indicators of profitability, liquidity, and dividend policy.

From the perspective of Signaling Theory, this study shows that information about profitability, liquidity, and dividend policy is not necessarily a strong enough signal to explain the growth of a company's profit. These findings provide empirical evidence that the effectiveness of financial signals is highly dependent on the industry context and the economic conditions that companies are facing. Therefore, this study enriches the literature by showing that the ability of Signaling Theory to explain profit growth needs to be combined with other approaches, such as *Resource-Based View*, *Contingency Theory*, and *Corporate Governance*

perspectives, in order to provide a more comprehensive explanation of variations in company performance.

6.2 Practical Implications

For company management, the results of this study show that increasing profitability, liquidity, and individual dividend policies are not necessarily able to produce sustainable profit growth. Therefore, strategic decision-making should not only focus on improving financial ratios, but also on improving operational efficiency, controlling production costs, product innovation, digitizing business processes, strengthening supply chains, and optimizing investments that provide long-term added value. Thus, companies can build a more sustainable source of profit growth and not rely solely on short-term financial indicators.

For investors, the results of this study imply that investment decisions should not be based only on Return on Assets (ROA), Current Ratio (CR), or Dividend Payout Ratio (DPR) indicators. Investors need to conduct a more comprehensive analysis by considering other factors such as operating cash flow, leverage, sales growth, operational efficiency, business strategy, quality of corporate governance, and macroeconomic conditions. Meanwhile, for academics, this research can be the basis for developing a more comprehensive empirical model by including other variables, such as company size, leverage, sales growth, capital structure, quality of corporate governance, and sustainability factors (*Environmental, Social, and Governance / ESG*), so that the model's ability to explain profit growth can be improved.

7. Limitations and Future Research Directions

This study has several limitations that need to be considered in interpreting the research results. First, the study only used manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange during the 2020–2022 period, so the number of samples was relatively limited and the results of the research could not be generalized to all industrial sectors and companies operating under different economic conditions. Second, the study only tested three independent variables, namely profitability, liquidity, and dividend policy, so the model's ability to explain the variation in profit growth was still relatively low. This is reflected in the value of the determination coefficient which shows that most of the variation in profit growth is influenced by other factors outside the research model. In addition, the research period coincided with the post-COVID-19 pandemic economic recovery phase which has the potential to affect the stability of the company's financial performance and the relationship between the variables studied.

Based on these limitations, further research is recommended to expand the scope of research by involving companies from various industry sectors, extend the observation period, and increase the number of samples so that the research results have a better level of generalization. The next research can also develop a research model by including other variables that have the potential to affect profit growth, such as leverage, company size, sales growth, operating cash flow, operational efficiency, capital structure, *corporate governance*, and sustainability factors (*Environmental, Social, and Governance/ESG*). In addition, the use of more comprehensive analysis methods, such as data panel regression, *dynamic panel modeling*, or *structural equation modeling* (SEM), can be considered to gain a deeper understanding of the relationships between variables and improve the model's ability to explain the determinants of profit growth in the company.

8. Conclusion

This study aims to analyze the influence of profitability, liquidity, and dividend policy on profit growth in manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange during the 2020–2022 period. The results of the analysis show that partially profitability, liquidity, and dividend policy do not have a significant influence on profit growth. In addition, simultaneous testing also showed that the three variables together were not able to explain the significant variation in profit growth. These findings indicate that the company's profit growth is not only determined by conventional financial ratios, but is also influenced by various other factors that were not analyzed in this study, such as operational efficiency, investment strategy, sales growth, capital structure, quality of corporate governance, and macroeconomic conditions.

This research contributes to the development of the corporate financial literature by expanding empirical evidence on the limitations of profitability, liquidity, and dividend policy in explaining profit growth in manufacturing companies, especially in the post-pandemic economic recovery period. From the perspective of Signaling Theory, the results of the study show that information regarding profitability, liquidity, and dividend policy is not necessarily a strong enough signal to predict profit growth. Thus, the effectiveness of financial signals is highly dependent on the characteristics of the industry and the economic conditions surrounding the company.

In practical terms, the results of this study imply that company management needs to adopt a more comprehensive strategy to increase profit growth, not only through improving financial ratios, but also through improving operational efficiency, product innovation, digital transformation, strengthening corporate governance, and optimizing resource management. For investors, these findings show that investment decisions should not only be based on profitability, liquidity, and dividend policy indicators, but also consider other fundamental factors that can affect the sustainability of a company's performance. Thus, this research is expected to be a reference for academics, practitioners, and policy makers in understanding the determinants of profit growth and become the basis for the development of further research with a more comprehensive model.

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