Determinants of Profitability of Indonesian Palm Oil Industry

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ABSTRACT

Palm oil is one of Indonesia's leading sectors. Palm oil companies on the IDX experi-enced a decline in profitability from 2016-2019. Some even had negative profits. One indicator to assess the company's performance is to look at the level of profitability. This study aims to analyze the effect of leverage, activity, liquidity, and sales growth on the profitability of palm oil companies for the 2016-2020 period. The sampling method used is non-probability sampling with a purposive sampling technique. This study uses panel data regression analysis. The results showed that Debt to Asset Ratio, Total Asset Turnover, and Current Ratio had a negative effect on ROA, while Working Capital Turnover had no effect on ROA, and sales growth had a positive effect on ROA.

Keywords: activities, leverage; liquidity; profitability; sales growth;

ABSTRAK

Kelapa sawit merupakan salah satu sektor unggulan Indonesia. Perusahaan kelapa sawit di BEI mengalami penurunan profitabilitas dari tahun 2016-2019. Beberapa bahkan memiliki keuntungan negatif. Salah satu indikator untuk menilai kinerja perusahaan adalah dengan melihat tingkat profitabilitas. Penelitian ini bertujuan untuk menganalisis pengaruh leverage, aktivitas, likuiditas, dan pertumbuhan penjualan terhadap profitabilitas perusahaan kelapa sawit periode 2016-2020. Metode pengambilan sampel yang digunakan adalah non-probability sampling dengan teknik purposive sampling. Penelitian ini menggunakan analisis regresi data panel. Hasil penelitian menunjukkan bahwa Debt to Asset Ratio, Total Asset Turnover, dan Current Ratio berpengaruh negatif terhadap ROA, sedangkan Working Capital Turnover tidak berpengaruh terhadap ROA, dan sales growth berpengaruh positif terhadap ROA.

Kata Kunci: aktivitas, daya ungkit; likuiditas; profitabilitas; pertumbuhan penjualan;

INTRODUCTION

Competition between companies continues to increase and the economy is becoming more difficult to predict. Competition in the agricultural sector is no exception, which has a fairly important role in the economy, with a fairly large contribution to GDP of 12.72% in 2019, ranking third after the Car and Motorcycle Repair industry at 13.01% and the Wholesale and Retail Trade Processing sector at 19 ,70%.

One of the essential sub-sectors is the plantations sector that has quite huge potential. In 2019 it contributed 3.27% to GDP and 25.71% to the agricultural sector. In the fourth quarter of 2020, the GDP of the agricultural sector rose up to 2.59% and plantation commodities such as palm oil also grew as much as 1.13%. Palm oil is a commodity from plantation products that produces vegetable oil which is much needed by the community and other industrial sectors (Perkebunan 2020).

Table 1 shows the width of the area of palm oil plantations that continued to increase throughout 2016 t0 2020 with an average growth of 5.9%. The area of land that continues to increase makes oil palm production also increase every year with an average growth of

10.89%. Most of this palm oil production is allocated for export and the rest to meet domestic needs.

Table 1 Development of area and production of oil palm plantations in Indonesia 2016-2020

Year	Area (Million Ha)	Development (%)	Production (Million Tons of CPO)	Development (%)
2016	11,20	-0,53	31,49	1,35
2017	12,38	10,53	34,94	10,95
2018	14,33	15,75	42,88	22,72
2019	14,60	1,88	48,42	12,91
2020	14,86	1,78	51,58	6,53

Source: Indonesian Oil Palm Statistics (data processed 2021)

Indonesia is one of the largest oil palm exporters in the world with the main destination countries being Chinaa, the United States, India, Pakistan, Africa and Europe. The products exported range from CPO, oleochemicals, biodiesel and other derivative products. Palm oil is also the largest foreign exchange earner, reaching $25.6 billion in 2020 or equivalent to Rp365 trillion (GAPKI 2020). Furthermore, in 2020 it was recorded that more than 16 million workers were involved in oil palm plantations, so it can be said that oil palm has an important role in improving people's welfare (Amalia, Nurkhoiry, and Oktarina 2020).
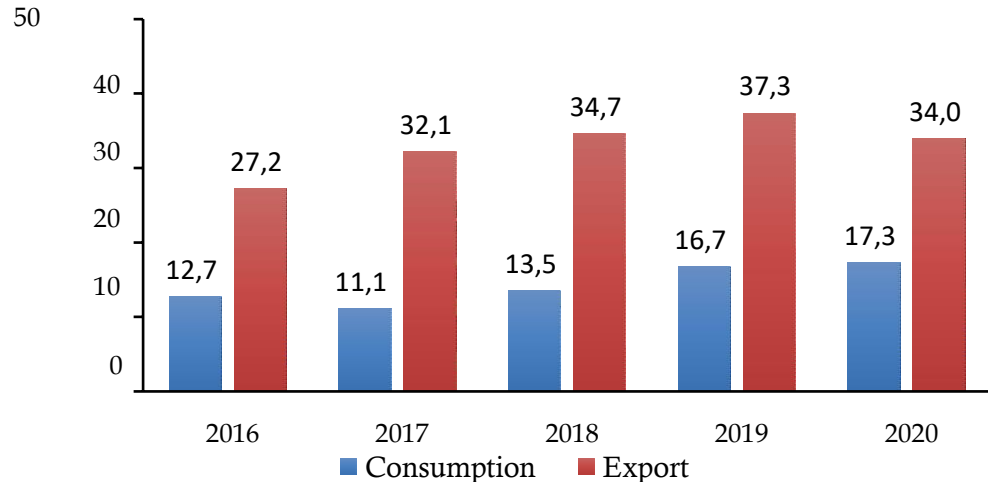

Figure 1 Total consumption and export of Indonesian palm oil (Million Tons) 2016-2020. Source GAPKI (data processed 2021)

Figure 1 shows that Indonesian people's palm oil consumption tends to increase throughout 2016 to 2020, although in 2017 it decreased by 1.65 million tons. Exports in 2016 to 2019 increased, but in 2020 exports of palm oil decreased by 3.39 million tons compared to 2019. One of the reason of the decline was caused by the covid-19 pandemic which had a major impact on world markets due to the obstacles to exports the commodites to the main destination countries. Moreover. there is also a policy from the main export destination, namely the European Union which applies the Renewable Energy Directive II (RED II) to ensure the raw materials used are sustainable. Some of these obstacles require palm oil companies in Indonesia to develop strategies to maintain the stability of the company's performance. This is indicated by the increasing profitability of several palm oil companies on the IDX in 2020 due to the rising prices of CPO in the world. In 2019 the fourth quarter, CPO average price was $651 per tonne, while in 2020 the average price increased to $752 per tonne. In 2021 it will increase again, with the average CPO price reaching $1000 per tonne and even reaching the highest price of $1390 per tonne. The soaring price of world CPO is due to the declining amount of palm oil production but market demand continues to increase.

Good financial performance is one of the company's main goals. One way to measure the company's ability to maximize financial performance is to measure the profitability of

a company. The company is said to maximize the use of capital compared to other companies if the company can record higher profitability (Saprudin, Hazrah, and Tiur Nurlini Wenang 2019).

High profitability shows that the company can operate its business effectively and efficiently (Gunde *et al.* 2017). To measure profitability, this study used Return on Assets (ROA), which is a ratio that shows the size of the company's assets to contribute to profit (Hery 2016). ROA has the advantage of being able to measure overall effectiveness on everything that affects the company's financial position. Moreover, it can be used as control and planning of the company (Munawir 2014). The ROA development of palm oil companies is presented on the table below.

Table 2 The development of Return on Assets (%) of palm oil companies on the IDX in 2016-2020

No	Emiten	2016	2017	2018	2019	2020	Average
1	AALI	8,65	8,24	5,66	0,90	3,22	5,33
2	BWPT	-2,37	-1,45	-2,86	-7,39	-7,36	-4,29
3	DSNG	3,03	6,84	3,64	1,53	3,38	3,68
4	JAWA	-6,78	-6,26	-8,72	-8,10	-8,81	-7,73
5	LSIP	6,18	7,44	3,28	2,47	6,37	5,15
6	PALM	5,64	2,29	-5,60	-3,04	49,30	9,72
7	SGRO	5,43	2,99	0,71	0,42	-1,97	1,52
8	SIMP	1,84	1,91	-0,51	-1,84	0,96	0,47
9	SMART	9,86	4,33	2,04	3,23	4,40	4,77
10	SSMS	8,10	8,30	0,77	0,10	4,55	4,36
11	TBLA	4,82	6,82	4,68	3,81	3,50	4,73
	Average	3,25	3,02	-0,23	-0,80	4,94	2,03

Sources: IDX, 2021

Based on Table 2, it can be seen that the ROA development of palm oil companies decreased from 2016 to 2019, but in 2020 they began to show an increase. Companies that recorded negative ROA for five consecutive years were BWPT, JAVA, and several companies posted negative profits such as PALM, SGRO, and SIMP. Palm oil companies experienced a decline in profitability, one of which was caused by a decrease in product selling prices and an increase in production costs, while companies with negative net working capital caused the company's total debt was greater than the total assets owned.

The company's profit or profitability can be influenced by several factors, one of which is leverage. This ratio is used to measure how much the company's assets are financed with debt, or how much debt is borne by the company compared to its assets (Kasmir 2015). Leverage also describes the company's position on short-term obligations and long-term liabilities. In this study, leverage is measured by the Debt to Asset Ratio.

The next factor is activity ratio, which according to Kasmir (2015) is used ti measure the efficiency and effectivity of the company's resources in their daily operation. This activity ratio was measured using WCTO and TATO. Working Capital Turnover is a ratio that shows the level of effectiveness of the company's working capital, by comparing sales with working capital. The next activity ratio is TATO (Total Asset Turnover) which measures the total turnover of the company's assets so that it can assess how much sales are obtained.

Another factor that affects profitability is liquidity. It analyzes a company's ability to meet its short-term debt in a timely manner. This liquidity ratio is often referred to as short term liquidity (Fahmi 2017). In this study, liquidity is measured by CR (Current Ratio), which compares current assets with current liabilities, so that it is known the ability to pay obligations at maturity. The next is sales growth, which is a major part of the company's activities. Sales growth from year to year shows an increase, making the company earn higher profits (Wikardi dan Wiyani 2017). Sales growth also illustrates the demand for products and the competitiveness of similar companies. Sales growth can affect the company's ability to maintain profits to fund the company in the future (Miswanto, Abdullah, and Suparti 2017).

In addition, several previous studies have shown mixed results. Gunde *et al.* (2017) stated that leverage as proxied by DAR has a negative effect on profitability (ROA), and companies with higher DAR values tend to have low ROA. Meanwhile according to Adria dan Susanto (2020), leverage has a positive effect on profitability, because the company uses leverage as additional capital so that the profits obtained are greater.

Miswanto *et al.* (2017) stated that WCTO has a positive effect on profitability, hence a company that has a faster capital turnover means that they have a high level of sales, and if the number of sales increases, inventories and receivables will increase. Meanwhile the study of Anggarsari dan Aji (2018) concluded that WCTO has no effect on ROA, indicating that the small level of working capital turnover does not result in changes in profitability. The measurement was performed with TATO. The study result of Bahari *et al.* (2018) partially shows that TATO has a significant positive effect on the ROA variable. This is different from the research results of Fisena and Widjaja (2020) which state that TATO has a negative effect on profitability.

Ristiani *et al*. (2020) stated that the results of liquidity research as measured by CR have a positive effect on profitability, while the study result of Wahyuni *et al.* (2018) CR statd thata it has negative effect on profitability (ROA). A study (Wikardi dan Wiyani 2017) shows sales growth has no effect on profitability. On the contrary, Farhana *et al.* (2016) concluded that sales growth has a positive effect on profitability. Consuderting this background, further research is needed to see the effect of leverage, activity, liquidity, and sales growth on the profitability of palm oil companies for the 2016-2020 period.

Some studies on profitability and the factors that influence it have been conducted with mixed results. Based on the previous literature, we can develop the following hypotheses.

Effect of Debt to Asset Ratio on Return on Assets. Increased debt caan leaad to the higher probaability of bankruptcy and it will reduce the company's profitability measured by ROA (Marusya and Magantar 2016). The higher the debt level, the higher the interest expense. The high DAR indicates the greater the burden the company has on external parties, so that it will reduce the company's performance (Widodo 2019).

H_1 : DAR has a negative effect on ROA

Effect of Working Capital Turnover on Return on Assets. Working capital turnover is the ratio used to measure the efficiency of the company's working capital during a certain period (Miswanto, Abdullah, and Suparti 2017). Working capital turnover is considered good depending on how short the period if, which means the turnover rate will be higher. Higher turnover will create company profitability (Refina, Pande, and Isnuwardhana 2021).

H_2 : WCTO has positive effect on ROA

Effect of Total Asset Turnover on Return on Assets. Total Assets Turnover is a ratio that calculates asset turnover as measured by total sales. The more efficient the use of overall assets in generating sales then the greater this ratio. The greater ratio describes the faster the assets rotate in earning a profit (Handayani and Hadi 2019). Companies that have fast asset turnover can increase the value of ROA, and the company's performance is getting better (Utami and Prasetiono 2016).

H_3 : TATO has positive effects on ROA

Effect of Current Ratio on Return on Assets. Companies that have a high current ratio will reduce funding through debt. This is because the company has high internal capital from liquid assets. Thus, if the current ratio level get higher, it will reduce the use of the company's external funds (Mudjijah dan Hikmanto 2018). The higher the CR of the company, the smaller the risk of failure to meet its short-term debt. However, a CR value that is too high will create uncertainty for investors, which indicates there are idle funds or capital that can reduce company profits (Widodo 2019).

H_4 : Current Ratio has negative effects on ROA

Effect of Sales Growth on Return on Assets. In maintaining the company's sustainability, the resources that can be utilized optimally will increase the company's profit. If the products marketed are higher, the production costs will be smaller so the

profitability will increase (Miswanto, Abdullah, and Suparti 2017). The company can calculate the level of sales demand in the future from the previous company's sales, and the company will get maximum profit if it can allocate the company's capital to the debt burden and production process optimally (Arifin, Sarita, and Madi 2018).

H_5 : Sales Growth has a positive effect on ROA

RESEARCH METHOD

Methods of processing and analyzing data are carried out using panel data regression analysis, which according to Basuki (2016) is a compilation of time series data and cross section data. Panel data has several advantages such as the implication of the data being more informative, more varied, can reduce collinearity between variables, as well as higher degrees of freedom. Thus, the results obtained are more efficient. Data analysis was performed using Eviews10 software.

The sampling technique used is non-probability sampling. Therefore, not all elements or members of the population can be selected as research samples. Meanwhile, the method used is purposive sampling, so there are certain assessments or criteria used in the choice (Sugiyono 2012). The research sample was obtained by 11 companies with a period of five years of 2016-2020 . Hence, 55 samples were obtained.

The following is the formula for the panel data regression equation in this study:

$$ROA = \alpha + \beta_1 DAR_{it} + \beta_2 WCTO_{it} + \beta_3 TATO_{it} + \beta_4 CR_{it} + \beta_5 PP_{it} + e$$

Description:

ROA : *Return On Asset* (Y) DAR : *Deb to Asset Ratio* (X_1)
WCTO: *Working Capital Turnover* (X_2) TATO : *Total Asset Turnover* (X_3)
CR : *Current Ratio* (X_4) PP : Sales Growth (X_5)
α : Constant β : Regression coefficient of independent variable
i : Company t : Time
e : *Error term*

The palm oil industry is part of the agricultural sector in the plantation sub-sector. There are 18 companies engaged in the palm oil sector which are listed on the Indonesia Stock Exchange.

Table 3 Palm Oil Companies listed on the IDX

No	Companies	Stock Code
1	Astra Agro Lestari Tbk	AALI
2	Austindo Nusantara Jaya Tbk	BWPT
3	Multi Agro Gemilang Tbk	MAGP
4	Dharma Satya Nusantara Tbk	DSNG
5	Gozco Plantations Tbk	GZCO
6	Jaya Agra Wattie Tbk	JAWA
7	Eagle High Plantations Tbk	BWPT
8	Provident Agro Tbk	PALM
9	Sampoerna Agro Tbk	SGRO
10	Salim Ivomas Pratama Tbk	SIMP
11	Smart Tbk	SMAR
12	Sawit Sumbermas Sarana Tbk	SSMS
13	Bakrie Sumatera Plantations Tbk	UNSP
14	Golden Plantation Tbk	GOLL
15	PP London Sumatra Tbk	LSIP
16	Tunas Baru Lampung Tbk	TBLA
17	Mahkota Group Tbk	MGRO
18	Andira Agro Tbk	ANDI

Of the 18 companies in Table 3, only 11 companies that meet the criteria of this study. PT GOLL does not meet the criteria because it has not published financial statements for 2019 and 2020. Meanwhile, there are two new companies joined the IDX in 2018 namely MGRO and ANDI. Three companies are considered outliers, namely GZCO, MAGP, and UNSP. Meanwhile, ANJT does not meet the criteria because it publishes its financial statements without using rupiah.

RESULT AND DISCUSSION

The following is a table of the financial performance of palm oil companies.

Table 4 The development of leverage, activity, liquidity, and sales growth of the palm oil companies on the IDX 2016-2020

Year	DAR	WCTO	TATO	CR	PP (%)
2016	0,51	4,19	0,44	1,43	0,49
2017	0,51	12,84	0,50	1,71	15,09
2018	0,52	4,70	0,45	1,83	-2,22
2019	0,53	-0,81	0,43	1,52	-8,36
2020	0,52	-10,5	0,41	1,66	6,56

Source: processed data 2021

Based on Table 4, leverage proxied by DAR shows an increase in 2016 to 2019, and a decrease in 2020. According to Hery (2016) A good leverage (DAR) should be less than 0.5 , since if the number is above that, it means that the company uses more debt as a constituent of assets for its operating activities. The working capital turnover (WCTO) variable fluctuates, and there is a negative working capital turnover because the company has higher current liabilities than its current assets. Total asset turnover (TATO) has decreased in 2018 to 2020, which shows that the company has not been good enough to use its assets when compared to the sales obtained. The current asset ratio (CR) is above 1, indicating that the company can meet its short-term obligations with its assets. Sales growth in palm oil companies has increased and decreased and there is even a negative company sales growth. Hence, it can be concluded that the company has not been able to increase sales properly. The following table shows the results of the influence of the independent variable on the dependent variable.

Tabel 5 Result of Descriptive Statistic

	DAR	WCTO	TATO	CR	PP	ROA
Mean	0.521533	2.085024	0.451274	1.635497	0.023135	0.025194
Median	0.578444	2.094528	0.400491	1.101891	0.019003	0.029857
Maximum	0.930154	61.92848	1.302674	5.522597	0.377761	0.493031
Minimum	0.047649	-130.2177	0.059029	0.169147	-0.576493	-0.088056
Std. Dev.	0.209479	25.15929	0.295446	1.350908	0.192805	0.080352
Observations	55	55	55	55	55	55

Source: Processed Data 2021

Based on Table 5 the the highest value of Debt to Asset Ratio of palm oil companies in 2016–2020 with a value of 0.9302 was obtained by PT JAWA Tbk in 2020 and the lowest value of 0.0476 was obtained by PT PALM Tbk in 2020. From these data, it can be seen that the average (mean) value of Debt to Asset Ratio (DAR) for palm oil companies in 2016–2020 is 0.5215 and the standard deviation is 0.2095. In the 2016–2020 Working Capital Turnover, the highest value of 61.9285 was obtained by PT DSNG Tbk in 2018 and the lowest value of -130.2177 was obtained by PT PALM Tbk in 2020. The average value of Working Capital Turnover (WCTO) in palm oil companies in 2016–2020 was 2.0850 and the standard deviation was 25.1593. For Total Asset Turnover (TATO), the highest value of 1.3027 was obtained by PT SMART Tbk in 2019 and the lowest value of 0.0590 was obtained by PT PALM Tbk in 2020. The mean value of Total Asset Turnover (TATO) was 0.4513, and the standard deviation was 0. ,2954.

For the Current Ratio (CR), the highest value of 5.5226 was obtained by PT LSIP Tbk in 2017 and the lowest value of 0.1691 was obtained by PT JAWA Tbk in 2017. The average value of the Current Ratio (CR) in palm oil companies is 1.6355 with a standard the deviation is 1.3509. The highest value of sales growth in palm oil companies was 0.3778, obtained by PT TBLA Tbk in 2017 and the lowest value was -0.576493 obtained by PT PALM Tbk in 2019. The average sales growth in oil palm companies 2016–2020 was 0.0231 by standard deviation 0.1928. We have carried out the classic assumption test as well as panel data regression, the results of which are presented in the appendix.

Effect of Leverage on Profitability

Based on the research's result, the DAR variable on the ROA variable has a regression coefficient value of -0.237611 and a significance value of 0.0063 (<0.05). It means that H0 is rejected and H1 is accepted. This shows that partially DAR has a negative effect on ROA at a significance level of 5%, which means that if the DAR variable increases by 1%, ROA will decrease by 23.76%. This study is in line with Sari and Purwohandoko (2019), who stated that the increase in leverage will reduce the profitability of the company. To reduce this, the company can reduce the amount of debt and further optimize the funds owned by the company. In 2016 to 2019 the amount of debt of palm oil companies has increased, so the interest costs borne are also getting bigger.

It is also in line with Gunde *et al.* (2017), who stated that the increase in the DAR value causes the company's Return on Assets to be low, because the costs or loan payments reduce the company's profits. The bigger the portion of the company's debt, the more the company's profitability decreases. The greater the debt ratio, the greater the risk of default. It is because the company not only has to pay off the principal debt, but also has to pay interest costs which can reduce the company's profitability.

Therefore, companies that have huge debts have a higher risk, so it is better for companies to rely on internal funds that are obtained from company equity that can operate conservatively (Alarussi and Alhaderi 2018). However, the results of this study differ from the result of Puspita and Hartono (2018), and Jufrizen et al. (2019) which showed that DAR has no effect on ROA.

Effect of Activity on Profitability

The estimation results on the Working Capital Turnover (WCTO) variable show a regression value of -0.000210 and a significance of 0.4369 (>0.05). This means that partially the WCTO variable has no effect on ROA at a significance level of 5% so accept H0 and H2 are rejected. According to Anggarsari dan Aji (2018), the slower the company's working capital turnover, the greater the number of sales that are not successful. And it also results in lower profits. Therefor, the profitability decreases, making the working capital turnover of this palm oil company ineffective.

This result is in line with Hidayati *et al.* (2021), who concluded that there is no effect of working capital turnover on profitability. It is because, out of the 11 oil palm companies there are 7 companies experiencing working capital turnover which is lower than the average value of oil palm companies with a value of 2.085024. Therefore, it can be concluded that the working capital turnover in most companies is not optimal. There are also 6 companies that have a minus working capital value, which means the company's working capital is financed with current debt, which shows that the company's current debt is higher than the company's total current assets. However, this study differ from Juanda and Setyabudi (2020), Handayani and Hadi (2019) who found that the working capital turnover has an effect on ROA.

The estimation results on the Total Asset Turnover (TATO) variable show a regression coefficient value of -0.228272 and a significance of 0.0023 (< 0.05). This means that partially the TATO variable has a negative effect on ROA at a significance level of 5%, so H3 is rejected because the hypothesis says it has a positive effect. The negative regression coefficient indicates that if the TATO variable increases by 1%, the ROA will decrease by 22.82%. This is in line with Damayanti and Sitohang (2019), who concluded that Total Asset Turnover has a negative effect on ROA. A negative regression value indicates the opposite effects. If the TATO increases, then ROA decreases. This shows that oil palm companies have not been able to reduce costs such as bloated operational costs, so that even though the company operates all of its assets and makes sales higher, but if it cannot reduce costs, the ROA or profit earned is not high.

According to Sinaga *et al.* (2020) total asset turnover has a negative effect on ROA, which means that TATO has not been able to contribute to profitability. It is because an increase in assets generated by debt has an impact on companies since they are obliged to pay interest. Hence, the profitability generated by the company becomes lower. However, this is different from Bahari *et al.* (2018) and Jonathan *et al.* (2019) who stated that the total asset turnover has a positive effect on ROA.

Effect of Liquidity on Profitability.

Based on the results of the study, the coefficient value is -0.012079 and a significance of 0.0025 (<0.05), which means that partially the CR variable has a negative effect on ROA at a significance level of 5%. So, the H0 and H4 are accepted. This indicates that if the CR variable increases by 1%, the ROA will decrease by -1.21%. Negative values indicate the opposite effect. Damayanti and Sitohang (2019) stated that current assets have the opposite effect on the company's profitability, so that if the current ratio increases, ROA decreases. A negative relationship indicates that a high current ratio causes current assets to be higher than current liabilities so that it can reduce profitabilit. It is possibly because the company cannot maximize the use of its assets. (Prafitri, Rachmina, and Maulana 2017).

This research is in line with Wahyuni *et al.* (2018), who concluded that Current assets generally generate lower profits than fixed assets. From these results, the company has not been able to maximize the use of capital to reinvest but is used to meet the company's liquidity needs. This research is also in line with Arifin *et al.* (2018), who mentioned that large current assets have less risk in paying short-term obligations, but profitability is also getting smaller, which means that there is idle or idle working capital and a lack of effective cash and inventory management that affects the company's ability in making a profit. But, this is different fro, Ristiani *et al.* (2020), Puspita and Hartono (2018) along with Adria and Susanto (2020) who stated that CR has positive effects on ROA.

Effect of Sales Growth on Profitability

From the analysis results, it shows that the regression value of sales growth panel data is 0.166595 and the significance value is 0.0000, so the H5 stating that sales growth has a positive effect on profitability is acceptable. The sales growth variable has a positive effect on ROA at a significance level of 5%, which means that if sales growth increases by 1%, then ROA also increases by 16.66. Sales growth can increase company profits. If the company can estimate the level of demand for sales products in the future and can allocate the cost of debt, the company will earn high profits (Arifin, Sarita, and Madi 2018). In palm oil companies, sales growth in 2016 to 2020 fluctuated, there was also negative growth, so the company needed to increase the company's sales again because it would have an impact on the amount of profit earned.

Sales growth is one of the main factors that can increase profitability. Palm oil companies have high sales growth opportunities so they get high profits from these (Diaz dan Hindro 2017). This research is in line with Sukadana and Triaryati (2018) who mentioned that when sales increase every year, the profit or profitability received by the company will also increase.

By knowing the size of the sales growth, the company can estimate the amount of profit earned, because the higher the net sales obtained by the company, the higher the gross profit, so it can encourage the company's profitability (Farhana, Susila, and Suwendra 2016). On the contrary, if sales growth declines, the company's profits will also decrease. This needs to be considered by the company's management because sales are a very important indicator for the company's sustainability (Anissa 2019).

CONCLUSIONS, LIMITATIONS, AND SUGGESTIONS

Leverage as proxied by DAR has a negative effect on the profitability of palm oil companies on the IDX. Thus, the greater the costs borne by the company to meet debt obligations, the more it will reduce profitability. Companies need to reduce debt and optimize company assets and equity to increase profitability. WCTO activity ratio or working capital turnover has no effect on profitability, while asset turnover or TATO shows a negative effect on profitability. Liquidity as measured by the Current Ratio has a negative effect on company profitability. The negative effect shows that if the CR value increases, the company's profitability will decrease. Companies must be able to utilize their assets properly, so that there are no idle assets, because large liquidity does not always mean high profitability. This is due to the existence of funds that have not been

managed properly, which can actually be used to fund projects that are able to provide rewards for the company. Sales growth has a positive effect on profitability, which shows that the higher the sales growth, the more the company's profitability will increase.

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