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The Effect of Current Ratio and Debt-to-Equity Ratio to Net Profit Margin in Food and Beverage Companies Listed in the Indonesia Sharia Stock Index for the Period 2014 - 2020

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ABSTRACT

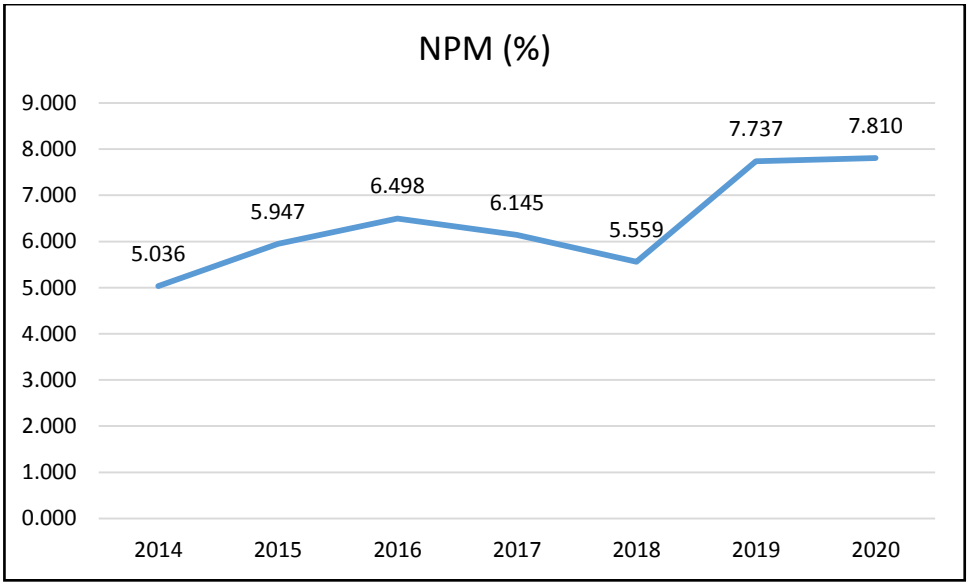
This study was conducted to find out how the Current Ratio and Debt to Equity Ratio affect the Net Profit Margin of food and beverage companies listed on the Indonesian sharia stock index for the period 2014 - 2020. The associative method is used in this study, with the population in the form of all food and beverage companies that contained in the Indonesian sharia stock index for the period 2014 - 2020. Through the purposive sampling method, a total sample of 10 food and beverage companies was obtained. Data analysis through panel data regression method. The test results show that the Current Ratio has no significant effect on the net profit margin of food and beverage companies listed on the Indonesian sharia stock index for the period 2014 – 2020. The Debt to Equity Ratio has no significant effect on the net profit margin of food and beverage companies listed on the index. Indonesian sharia stocks for the period 2014 – 2020. The current ratio and the Debt to Equity Ratio simultaneously have no significant effect on the net profit margin for food and beverage companies listed on the Indonesian sharia stock index for the period 2014 – 2020.

A. INTRODUCTION

Accompanied by the era of technological globalization, the rapid development of the business world has an impact on the current development of the world economy which leads to world economic integration. As a result, a country's economy is not only influenced by policies implemented by other countries, but also the indonesian national economic situation which is strongly influenced by the world situation, resulting in fierce competition between the business world. The performance of a company is the result of a series of processes that must be achieved at the expense of all the resources that the company has, (Anggraini and Hasanah, 2017).

One of the major manufacturing industries that contribute significantly to the growth of the national economy is the food and beverage industry. Its performance so far has been positive, starting from its role in encouraging productivity, investment, and absorption of export labor. However, in fact, not all manufacturing companies in the food and beverage subsector have good financial performance, this shows that although manufacturing companies in the food and beverage subsector have experienced development, it does not necessarily increase the company's profits. Despite this phenomenon, researchers are interested in researching whether financial ratios affect the growth of annual profits, which helps to ensure the survival of the enterprise, allowing it to last for a long time, (Solihat, 2021).

A company will definitely not be separated from its main purpose, which is to seek the profit or profit that can be obtained. Therefore, this Net Profit Margin is used as an indication of profit. Net Profit Margin of a company can generate a profit which the company then declares as retained earnings. Companies that have a net profit margin of timggi certainly use debt as outside funding to make it low. Cashmere (2015), states that Net Profit Margin (NPM) is a measure of profit that compares profit after interest and tax compared to sales. This ratio is carried out by showing the company's net profit on sales.



Source: Data processed by the author (2022)

Figure 1. Npm Average Chart Listed Food And Beverage Companies - Indonesian
In Indonesia Sharia Stock Index for the Period 2014 – 2020

Based on Figure, NPM shows a fluctuating value, In 2014 the magnitude of NPM was 5.03% and increased in 2015 to 5.94%. Furthermore, in 2016 the NPM increased to 6.49%.

Then in 2017 npm fell to 6.14%, in 2018 NPM again fell to 5.55%. In 2019 NPM increased to 7.73%, then in 2020 NPM again increased to 7.81%. The company's Net Profit Margin experiences fluctuating conditions from year to year, so it is necessary to improve its management again to increase the company's financial profitability.

Angriani and Hasanah (2017) who stated that the more optimal the company's liquidity position will further encourage the company's ability to generate profit as measured by net profit margin. Liquidity can be measured using several methods including using the current ratio to assess the level of company liquidity related to the company's ability to meet its short-term financial obligations that must be met immediately (Sawir, 2009). Ritonga (2018) stated that with the company's low current ratio, it can show a high liquidity ratio, while a high current ratio will indicate an excess of current assets, which will adversely affect the company's profitability. Kadir and Phang (2012) stated that the current ratio has no effect on Net Profit Margin. According to Fercanza.et.al (2016) which shows that the current ratio has a significant effect on net profit margin. The results obtained at the testing stage show that the more optimal the company's liquidity position, the more it can encourage the increasing ability of the company to be able to generate profits as measured by net profit margin.

Debt to Equity Ratio is a type of leverage ratio that measures how much a company is able to pay off debt with its capital. Kadir and Phang (2012) stated that the variable debt to equity ratio has a significant effect on Net Profit Margin. Sari and Pramirza (2015), which shows that the debt to equity ratio has an effect and is significant on net profit margin. From this study, it can be seen that the two variables have a negative influence direction, which means that the relationship between DER and NPM is opposite or inversely proportional. NPM will increase if DER decreases, and vice versa if DER increases, NPM will decrease. Meanwhile, according to research by Destian (2019) and Koto (2017) Debt To Equity Ratio to Net Profit Margin does not have a negative and significant effect. That is, a decrease in the debt-to-equity ratio does not affect the decrease or increase in Net Profit Margin. This is because the amount of average value shown means that an increase in the debt-to-equity ratio will have an impact on the emergence of interest expenses that must be borne by the company so that it will affect the company to generate maximum net profit because the cost burden borne is higher.

This study was conducted to find out how the Current Ratio and Debt to Equity Ratio affect the Net Profit Margin of food and beverage companies listed in the Indonesian sharia stock index for the 2014 - 2020 period.

B. LITERATURE REVIEW

Current Ratio

According to Cashmere (2015:134) The current ratio is a ratio to measure a company's ability to repay short-term obligations or debts that are immediately due at the time of being collected as a whole. According to Sawir (2017:8) the current ratio is the most commonly used measure to determine the ability to meet short-term obligations because this ratio shows how far the demands of short-term creditors are met by assets that are estimated to be cash in the same period as the maturity of the debt. According to Cashmere (2015: 132), the Current ratio generates several objectives, namely to measure the company's ability to repay short-term liabilities with current assets as a whole and to look at the weaknesses that the company has, namely in current assets and current debt. With the following formula:

$$\text{Current ratio} = \frac{\text{Current Assets}}{\text{Current DEbt}} \text{x}100\%$$

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Debt to Equity Ratio

Debt to Equity Ratio (DER) is a ratio ratio used to assess debt to equity. This ratio is sought by comparing all debts, including current debt with all equities. This ratio is useful for knowing the amount of funds that the borrower (creditor) gives to the owner of the company. In other words, this ratio serves to find out every rupiah of own capital used for debt guarantees. (Cashmere, 2015:157). According to Lestiningsih, et al (2021) Debt to Equity Ratio (DER) is a ratio used to determine the comparison between total debt and own capital. This ratio is useful to know how much the company's assets are financed from debt. The higher the DER ratio, the greater the company's dependence on outside parties which will cause the higher the risk experienced by the company. Debt to Equity Ratio is one of the solvency ratios. Below is the debt-to-equity ratio formula:

$$\text{DER} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

Net Profit Margin

According to Puspitasari and Adi (2022) Net Profit Margin (NPM) is a comparison between net profit and sales. The greater the NPM, the more productive the company's performance will be, so it will increase investor confidence to invest in the company Net Profit Margin calculates the extent of the company's ability to generate profit (profitability) at a certain level of sales, assets and share capital. The greater the NPM, the more productive the company's performance will be, so it will increase investor confidence to invest in the company. Net Profit Margin (NPM) is a ratio used to show a company's ability to generate net profit (Suhardjono, 2016).

$$\text{NPM} = \frac{\text{Net Profit}}{\text{Sales}} \text{ X } 100\%$$

C. RESEARCH METHTODOLOGY

This research is a type of quantitative descriptive research, which is research consisting of a collection of numerical data, such as balance sheets and profit and loss. Meanwhile, the data source used in this study is secondary data, where the data is obtained indirectly because it is through intermediary media, (Fauzi, Dencik &Asiati, 2019). The population in this study was all manufacturing companies in the food and beverage subsector recorded in the Indonesia Sharia Stock Index during the research period, namely 2014-2020, which amounted to 26 companies.

The sample technique used in this study is to use the purposive sampling method, which is sampling that has been determined and considered with certain criteria. The samples in this study are those that meet the criteria, namely:

Manufacturing companies of the food and beverage subsector listed on the IDX for the 2014-2020 period.

Manufacturing companies in the food and beverage subsector that own sharia shares for the 2014-2020 period.

Manufacturing companies in the food and beverage subsector that are members of the Indonesia Sharia Stock Index and are recorded consistently during the 2014-2020 period.

Using purposive sampling, a sample of 10 companies consisting of PT Wilmar Cahaya Indonesia Tbk. PT Indoofod CBP Sukses Makmur Tbk. PT Indofood Sukses Makmur Tbk. PT. Mayora Indah Tbk. PT. Prashida Aneka Niaga Tbk. PT. Nippon Indosari Corporindo Tbk. PT. Sekar Laut Tbk. PT. Sekar Bumi Tbk. PT. Siantar Top Tbk. PT. Pt. Ultrajaya Milk Industry and Trading Company Tbk. This study used panel data regression analysis techniques using the Eviews 9.0 testing tool. Panel data is a combination of time series data and individual (cross-sectional) data.

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D. RESULTS AND DISCUSSION

Research Results

Descriptive Statistics

Table 1. Descriptive Statistics

	NPM	CR	DER
Mean	0.063886	2188.743	0.920057
Median	0.067000	1776.500	0.873500
Maximum	0.186000	5113.000	5.370000
Minimum	-0.058000	1028.000	0.163000
Std. Dev.	0.053051	1092.242	0.733635
Skewness	-0.025358	1.147555	3.692510
Kurtosis	2.794308	3.320101	21.87180
Jarque-Bera	0.130904	15.66250	1197.826
Probability	0.936644	0.000397	0.000000
Sum	4.472000	153212.0	64.40400
Sum Sq. Dev.	0.194195	82316545	37.13717
Observations	70	70	70

Source: Data processed eviews 9 (2022)

Based on the table, it can be seen that the NPM variable has a minimum value of -0.058000, a maximum value of 0.186000, an average value of 0.063886, and a Std. Deviation of 0.053051. The CR variable has a minimum value of 1028,000, a maximum value of 5113,000, an average value of 2188,743, and a Std. Deviation of 1092,242. The DER variable has a minimum value of 0.163000, a maximum value of 5.370000, an average value of 0.920057, and a Std. Deviation of 0.733635.

Panel Data Regression Model

This study used the regression model estimation method using panel data. This can be done through three approaches, including: (1) Common Effect Model (CEM), (2) Fixed Effect Model (FEM), and (3) Random Effect Model (REM). The following are the applications of the three regression models applied in this study:

General Effects Model (CEM)

Table 2 Data Regression Results of the Common Effect Model Panel

Dependent Variable: NPM
Method: Panel Least Squares
Date: 07/02/22 Time: 21:12
Sample: 2014 2020
Periods included: 7
Cross-sections included: 10
Total panel (balanced) observations: 70

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.048860	0.017864	2.735156	0.0080
CR	1.68E-05	5.52E-06	3.049418	0.0033
DER	-0.023714	0.008218	-2.885486	0.0053

R-squared	0.337810	Mean dependent var	0.063886
Adjusted R-squared	0.318043	S.D. dependent var	0.053051
S.E. of regression	0.043810	Akaike info criterion	-3.375998
Sum squared resid	0.128594	Schwarz criterion	-3.279634
Log likelihood	121.1599	Hannan-Quinn criter.	-3.337721
F-statistic	17.08967	Durbin-Watson stat	0.429634
Prob(F-statistic)	0.000001		

Source: Data processed eviews 9 (2022)

Based on the table above, there are two variables CR and DER with individual test (t-test probability) looking significant with α = 5% and an R-squared value of 0.337810. The probability value of f-stat worth 0.000001provides the meaning that the model is significant.

Fixed Effect Model (FEM)

Table 3 Results of Fixed Effect Model (FEM) Panel Data Regression

Dependent Variable: NPM
Method: Panel Least Squares
Date: 07/02/22 Time: 21:13
Sample: 2014 2020
Periods included: 7
Cross-sections included: 10
Total panel (balanced) observations: 70

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.075917	0.014471	5.246265	0.0000
CR	-2.56E-06	5.22E-06	-0.490046	0.6262
DER	-0.006987	0.005690	-1.227985	0.2250

Effects Specification

Cross-section fixed (dummy variables)
Period fixed (dummy variables)

R-squared	0.834888	Mean dependent var	0.063886
Adjusted R-squared	0.780909	S.D. dependent var	0.053051
S.E. of regression	0.024832	Akaike info criterion	-4.336357
Sum squared resid	0.032064	Schwarz criterion	-3.758173
Log likelihood	169.7725	Hannan-Quinn criter.	-4.106695
F-statistic	15.46696	Durbin-Watson stat	0.976416
Prob(F-statistic)	0.000000		

Source: Data processed eviews 9 (2022)

Based on the table above, there are two variables CR and DER with individual test (t-test probability) looking insignificant with α = 5% and an R-squared value of 0.834888. The probability value of f-stat worth 0.000000 gives the meaning that the model is significant.

Random Effect Model (REM)

Table 4 Random Effect Model (REM) Panel Data Regression Results

Dependent Variable: NPM
Method: Panel EGLS (Cross-section random effects)
Date: 07/02/22 Time: 21:18
Sample: 2014 2020
Periods included: 7
Cross-sections included: 10
Total panel (balanced) observations: 70

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Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.053281	0.015751	3.382692	0.0012
CR	7.43E-06	4.56E-06	1.629160	0.1080
DER	-0.006154	0.005575	-1.103800	0.2736

Effects Specification	S.D.	Rho
Cross-section random	0.027644	0.5322
Idiosyncratic random	0.025920	0.4678

Weighted Statistics

R-squared	0.069273	Mean dependent var	0.021340
Adjusted R-squared	0.041490	S.D. dependent var	0.028715
S.E. of regression	0.028113	Sum squared resid	0.052953
F-statistic	2.493364	Durbin-Watson stat	0.768837
Prob(F-statistic)	0.090271		

Unweighted Statistics

R-squared	0.195821	Mean dependent var	0.063886
Sum squared resid	0.156168	Durbin-Watson stat	0.260694

Source: Data processed eviews 9 (2022)

Based on the table above, there are two variables CR and DER with individual test (t-test probability) looking insignificant with α = 5% and an R-squared value of 0.069273. The probability value of f-stat worth 0.090271provides the meaning that the model is insignificant.

Model Selection

Chow Test

In order to choose which method is good or feasible among the general effects model or the fixed effect model, a chow test is performed to estimate it"The test results of the following two models:

Table 5.Chow Test

Redundant Fixed Effects Tests

Equation: Untitled

Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	14.823050	(9,58)	0.0000
Cross-section Chi-square	83.577296	9	0.0000

Source: Data processed eviews 9 (2022)

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Based on the test, it shows that the Chi-squared Cross-Section Probability value of 0.0000 whose value < 0.05, then the chosen and feasible in the chow test is the Commont effect model (CEM)."

Hausman Test

Hausman test is a statistical test to choose whether a Fixed Effect or Random Effect model is the most appropriate to use.

Table 6. Hausman Test

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	13.817870	2	0.0010

Source: Data processed eviews 9 (2022)

Based on the results of the Hausman test, it shows that the best and most feasible model to choose is the *fixed effect model* (FEM), because the result of the *Cross-secton random* value has a prob value of 0.0010 < 0.05

Langrange Multiplier Test

The langrange multiplier test as a test to find out which method is more appropriate to use between the general effect model and the random effect model.

Table 7. Langrange Multiplier Test

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	44.24792 (0.0000)	1.016447 (0.3134)	45.26437 (0.0000)
Honda	6.651911 (0.0000)	-1.008190 --	3.990714 (0.0000)
King-Wu	6.651911 (0.0000)	-1.008190 --	3.426098 (0.0003)
Standardized Honda	7.712964 (0.0000)	-0.814498 --	1.514870 (0.0649)
Standardized King-Wu	7.712964 (0.0000)	-0.814498 --	0.904542 (0.1829)
Gourierioux, et al.*	--	--	44.24792 (< 0.01)

*Mixed chi-square asymptotic critical values:
1% 7.289
5% 4.321
10% 2.952

Source: Data processed eviews 9 (2022)

From the test results, it can be seen that the Breusch-pagan cross section obtained ≤ 0.05, which is 0.0000 ≤ 0.05, then the H0 hypothesis is rejected and H1 is accepted which means that the Random Effect Model (REM) is more appropriately used. So that the model chosen and worthy of use as a hypothesis estimation model is the Random Effect Model (REM).

Model Selection Conclusion

Based on the results of the selection of the panel data regression model carried out through the langrange multiplier test, chow test and hausman test. Then it can be concluded that the method of estimating the regression of panel data used is as follows:

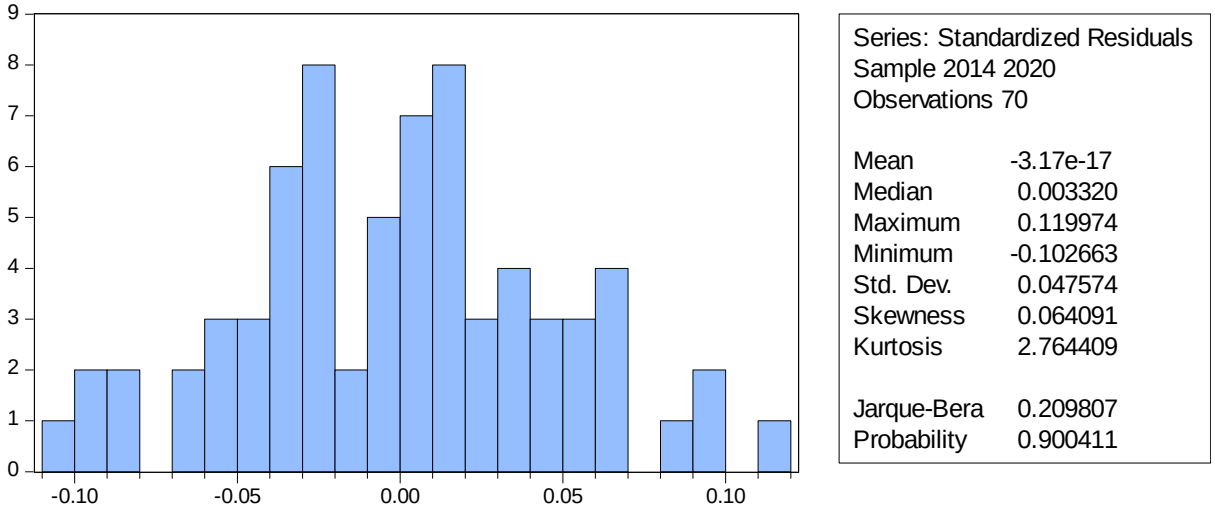
Table 8 Conclusion Results of Model Selection Testing

No	Method	Testing	Result
1	Chow Test	Common Effect vs Fixed Effect	CEM
2	Hausman Test	Fixed Effect vs Random Effect	FEM
3	Lagrange Multiplier (LM) Test	Common Effect vs Random Effect	REM

The results of the panel data regression model selection test for the three panel data models above aim to strengthen the conclusions of the panel data regression estimation method used. Based on the table above, it can be concluded that the panel data regression model used is the Random Effect Model (REM) to analyze the data in this study.

Classical Assumptions

Normality Test



Source: Data processed eviews 9 (2022)

Figure 2. Normality Test Results

Based on Figure 2, it shows that all the variables in this model test are distributed normally or it can be said that the normality requirements can be met, this can be seen from Jarque Bera in this 0.209807 study with a probability of 0.900411 greater than the significance level of 0.05". By assuming data that should not be abnormal has been properly met.

Multicholineritas Test

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Table 9 Multicholine statistics test

	CR	DER
CR	1	-0.4845949796041945
DER	-0.4845949796041945	1

Source: Data processed eviews 9 (2022)

Based on the results of the multicollinearity test, it can be concluded that there is no multicholinearity, because the value of the correlation coefficient between independent variables is smaller than 0.8.

Heteroskedasticity Test

Table 10 Heteroskedasticity Test

Dependent Variable: RESAB
Method: Panel EGLS (Cross-section random effects)
Date: 07/02/22 Time: 21:26
Sample: 2014 2020
Periods included: 7
Cross-sections included: 10
Total panel (balanced) observations: 70
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.028728	0.012471	2.303480	0.0244
CR	2.99E-06	3.86E-06	0.775175	0.4410
DER	0.002872	0.004917	0.584075	0.5611

Source: Data processed eviews 9 (2022)

Good data is data that does not contain heteroskedasticity" to meet the element, the condition that must be met is that the prob value must be greater than 5%. If we look at the test table 10, this assumption has been well met and is worth the next stage because each variable has a prob value > 0.05.

Autocorrelation Test

Table 11 Autocorrelation Tests

Weighted Statistics			
R-squared	0.028372	Mean dependent var	0.004319
Adjusted R-squared	-0.005720	S.D. dependent var	0.023532
S.E. of regression	0.023599	Sum squared resid	0.031744
F-statistic	0.832226	Durbin-Watson stat	**2.313375**
Prob(F-statistic)	0.440297		

Source: Data processed eviews 9 (2022)

To satisfy the presence or absence of autocorrelation, a good condition is that there is no autocorrelation whose value is required between 1.55 – 2.46. If we look at table 11, the DW value of 2.313375 is well satisfied that this data does not contain autocorrelations.

Panel Data Regression Analysis

Tabel 12. Regresi Data Panel

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.053281	0.015751	3.382692	0.0012

CR	7.43E-06	4.56E-06	1.629160	0.1080
DER	-0.006154	0.005575	-1.103800	0.2736

Source: Data processed eviews 9 (2022)

Panel data regression test, the equation model obtained according to the table above, namely: $Y = 0.053281 + 7.43E\text{-}06X_1 - 0.006154X_2$

1. The constant is 0.053281, which means that if CR and DER are absent or 0, then the NPM value is 0.053281.
2. The Regression coefficient of the variable CR (X_1) is 7.43E-06, meaning that if the CR is increased by 1 unit, the NPM increases by 7.43E-06 assuming the DER variable is constant.
3. The Regression Coefficient of the DER variable (X_2) is - 0.006154, meaning that if the DER is increased by 1 unit, then the NPM decreases - 0.006154 assuming a constant CR variable.

Pengujian Hipotesis Parsial

Table 13. Partial Hypoth Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.053281	0.015751	3.382692	0.0012
CR	7.43E-06	4.56E-06	1.629160	**0.1080**
DER	-0.006154	0.005575	-1.103800	**0.2736**

Source: Data processed eviews 9 (2022)

The test results presented in table 13 show that the CR variable has a prob value of 0.1080 > 0.05 which means that the CR variable "has no effect on the NPM variable. The same applies to DER variables that have a prob value of 0.2736 > 0.05 which means the DER variable "has no effect on the NPM variable.

Simultaneous Hypothesis Testing

Table 14. Simultaneous Hypothesis Testing

R-squared	0.069273	Mean dependent var	0.021340
Adjusted R-squared	0.041490	S.D. dependent var	0.028715
S.E. of regression	0.028113	Sum squared resid	0.052953
F-statistic	2.493364	Durbin-Watson stat	0.768837
Prob(F-statistic)	**0.090271**		

Source: Data processed eviews 9 (2022)

The simultaneous test results cr and DER have a prob value of 0.090271 > 5% which means cr and DER have no significant effect on NPM.

Coefficient of Determination (R^2)

Table 15. Coefficient of Determination Test

R-squared	**0.069273**	Mean dependent var	0.021340
Adjusted R-squared	0.041490	S.D. dependent var	0.028715
S.E. of regression	0.028113	Sum squared resid	0.052953

F-statistic	2.493364	Durbin-Watson stat	0.768837
Prob(F-statistic)	0.090271		

Source: Data processed eviews 9 (2022)

Based on table 15 states that the value of R-Squared is 0.069273, which means that the independent variable describes the dependent variable by 6.9%. The remaining 93.1% is affected by other dependent variables.

Discussion

Effect of Current Ratio on Net Profit Margin

Based on the results of hypothesis testing, it shows that the Current Ratio has no significant effect on net profit margin. That is, the company has not been able to guarantee its short-term debt with current assets or in other words the company has not been able to fulfill its obligations during the ongoing period, while for the Current Ratio if it is higher, the company is more liquid and it will be easier to get funding from editors and investors to facilitate its operational activities so that it is expected to have an impact on increasing profits. However, Net Profit Margin with a positive relationship direction indicates that any increase in the Current Ratio will be followed by an increase in Net Profit Margin. Because an increase in profitability can be achieved if there is a decrease in current assets due to lower cash levels and an increase in net profit in that amount or an increase in current assets if they can be converted into cash will be able to pay off their short-term debt, then the company can be said to be liquid.

This empirical finding is in line with previous research by Safrani and Alwi (2021), which showed that the Current Ratio had no significant effect on net profit margin. Martha and Sitompul (2019), also stated that the current ratio does not affect net profit margin. Triyono (2021) Current Ratio has no significant effect on net profit margin.

Effect of Debt to Equity Ratio on Net Profit Margin

Based on the results of hypothesis testing, it shows that the Debt to Equity Ratio has no significant effect on net profit margins in the negative direction. That is, the company is more dominated by debt than capital. Debt dominance certainly has an impact on the survival of the company, especially in increasing the profits obtained. This indicates that the increase in the company's debt used for working capital or the company's operational activities is not able to produce optimal profit, so the change in the Debt to Equity Ratio has an insignificant effect on the ability to improve the company's performance or profit in this case, namely the net profit margin. However, Net Profit Margin with a positive relationship direction signals that an increase in debt will be followed by an increase in sales that will generate a profit. Because the increase in debt is used for the company's business capital so that in some time profits will also increase.

The results of this study are in line with the results of research from Kadir and Phang (2012) the variable debt ratio has no significant effect on the level of Net Profit Margin (NPM) of banks on the Indonesia Stock Exchange. Then Destian (2019) and Koto (2017) Debt to Equity Ratio to Net Profit Margin have no significant effect. That is, a decrease in the debt-to-equity ratio does not affect a decrease or increase in Net Profit Margin. This is because the amount of average value shown means that an increase in the debt-to-equity ratio will have an impact on the emergence of interest expenses that must be borne by the company so that it will affect the company to generate maximum net profit because the cost burden borne is higher**.**

Effect of Current Ratio and Debt-to-Equity Ratio to Net Profit Margin

Based on the results of hypothesis testing, it shows that the Current Ratio and debt to equity ratio simultaneously have no significant effect on Net Profit Margin. That is, the

company concentrates more on increasing sales that are not optimal so that it has not been able to generate profits in the form of funds after which it can be converted into inventory to be returned as efficiently and effectively as possible to increase sales by reducing costs and reducing debt in order to generate maximum profits so that existing funds can be used when due for short-term debts of the payment company. So that the company cannot be said to be liquid with maximum profit. Then for large Debt to Equity Ratio companies, it will actually be better, but for creditors, a large Debt to Equity Ratio will be even more unprofitable. Because the greater the risks borne for the failures that may occur in the company. Therefore, a change in the Debt to Equity Ratio in a company will indicate the company's ability to make a profit or profit.

The results of this study are supported by research conducted by Jahja (2002), Martono (2002), Leunupun (2003), Orniati (2009), Machfoedz (1994), Kwandinata (2005), which showed that the current ratio and debt to equity ratio simultaneously had no significant effect on net profit margin**.**

E. CONCLUSION

Based on the results of the study, it can be concluded that the Current Ratio does not have a significant effect on the net profit margin in food and beverage companies listed on the Indonesian Sharia stock index for the 2014 -2020 period. The Debt to Equity Ratio has no significant effect on the net profit margin of food and beverage companies listed in the Indonesian sharia stock index for the 2014–2020 period. The Current Ratio and the Debt-to-Equity Ratio simultaneously did not have a significant effect on the net profit margin of food and beverage companies listed in the Indonesia sharia stock index for the period 2014 - 2020.

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