

Determinants of Profitability of Islamic Stocks: The Case of Jakarta Islamic Index (JII)

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Abstract. *This study aims to analyze the determinants of profitability of Islamic stocks using the case of Jakarta Islamic Index member companies in 2019-2023. The profitability as reflected in the Rate of Return on Assets (ROA) of Jakarta Islamic Index (JII) member companies constantly fluctuates but, on average, decreases in 2023. It analyzes the influence of Total Asset Turnover (TATO), Net Profit Margin (NPM), Current Ratio (CR), and Debt Ratio (DR) on ROA. Secondary data obtained from the Indonesian Stock Exchange were analyzed using the multiple linear regression method. It found that simultaneously, the independent variables of TATO, NPM, CR, and DR significantly affected the. Meanwhile, the TATO and NPM variables partially have a significant effect on ROA, while the CR and DR variables have no effect. To increase profitability, companies should maximize TATO and NPM while achieving asset efficiency, controlling costs, and managing debt wisely.*

Keywords: *Jakarta Islamic Index (JII); Return on Assets (ROA); Multiple Linear Regression*

Abstrak. *Penelitian ini bertujuan untuk menganalisis determinan profitabilitas saham syariah menggunakan studi kasus perusahaan anggota Jakarta Islamic Index tahun 2019-2023. Profitabilitas yang tercermin pada Rate of Return on Assets (ROA) perusahaan anggota Jakarta Islamic Index (JII) selalu berfluktuasi namun rata-rata mengalami penurunan pada 2023. Studi ini menganalisis pengaruh Total Asset Turnover (TATO), Net Profit Margin (NPM), Current Ratio (CR), dan Debt Ratio (DR) terhadap ROA. Data sekunder yang diperoleh dari Bursa Efek Indonesia dianalisis dengan menggunakan metode regresi linier berganda. Temuan menunjukkan bahwa secara simultan variabel independen TATO, NPM, CR, dan DR berpengaruh secara signifikan. Sedangkan variabel TATO dan NPM secara parsial berpengaruh signifikan terhadap ROA, sedangkan variabel CR dan DR tidak berpengaruh. Untuk meningkatkan profitabilitas, perusahaan sebaiknya memaksimalkan TATO dan NPM dengan tetap melakukan efisiensi aset, mengendalikan biaya, dan mengelola utang dengan bijak.*

Kata kunci: *Jakarta Islamic Index (JII); Return on Asset (ROA); Regresi Linier Berganda*

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Introduction

The business world is currently developing rapidly. The number of companies competing to create their market share, ranging from small companies to large companies in various industrial sectors, compete by showing the superiority of their respective companies by improving the quality of the products, services, and prices offered. This phenomenon changes business dynamics (Damanik et al., 2022).

In the current business world development, many companies hope to develop rapidly, compete in the long term, and maintain business continuity. Businesses face many dynamics when implementing strategies that support them in facing increasing market competition. One of these dynamics is the need for funding (Pratama et al., 2020). The company's required funding requirements can take the form of additional equity contributions, allowing for a strong capital structure (Lusy et al., 2018).

A public offering made by a company on the capital market, better known as an initial public offering (IPO), has several advantages to support the company's development, namely access to capital from the stock market, additional credit to obtain loans, increased company professionalism, improved company image, liquidity and the possibility of profitable divestment by founding shareholders, increased employee loyalty, increased company value, and the possibility of maintaining the company (www.idx.co.id).

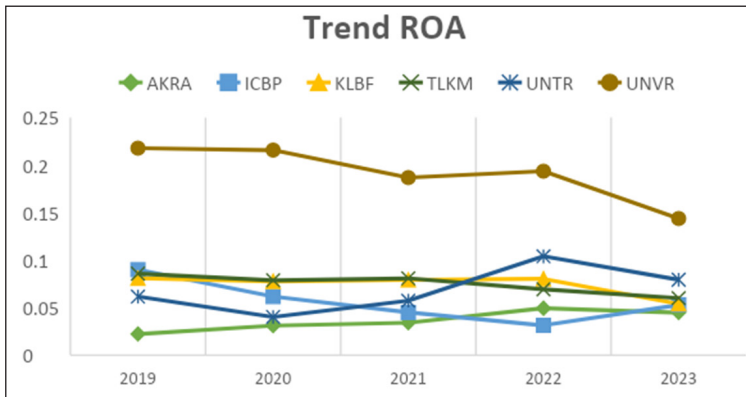
Jakarta Islamic Index (JII) is a Sharia stock index launched on the Indonesian capital market on July 3, 2000. The constituents listed on JII only consist of the 30 most liquid Sharia stocks listed on the IDX. BEI will select 30 Sharia shares that will become JII members. The Sharia capital market is attractive because the majority of Indonesia's population is Muslim. So, this situation will create a problem for investors who embrace Islam in choosing Sharia issuers as the best investment choice to apply the principles of Islam. Previous research indicates that Sharia stocks have performed relatively better than conventional ones, especially during crises (Hidayah & Swastika, 2022).

Ratio analysis describes the company's condition (Heikal et al., 2014). Investors will choose a company with a good management level as a place to invest. The benchmark for assessing the company's good operational level is by reviewing the company's level of profitability. Profitability ratios measure a company's ability to profit in a certain period (Kashmere, 2018). This is in line with Darmawan (2020), who states that the profitability ratio is designed to determine the company's ability to generate profits over a certain period and provide an overview of the

effectiveness of company management in running the business. One profitability ratio that can be used to evaluate profitability is return on assets (ROA).

ROA is part of the profitability ratio, which measures the level of effectiveness of a company in generating profit or profit by maximizing the assets owned by the company (Sunaryo, 2020). Hantono (2017) states that ROA is a ratio that measures a company's ability to make business returns from the total capital investment.

Figure 1. Development of ROA of JII member companies



Source: Research data processed

The graph above shows the development trend in the rate of return on assets or ROA in JII member companies, which constantly fluctuates yearly. In the period 2019-2023 PT. Unilever, PT. Telkom, and PT. Indofood continues to experience a decline. The company that experienced an increase in asset value in 2019-2023 was PT. United Tractor and PT. AKR Corporindo. PT. Kalbe Farma's rate of return on assets in 2019-2023 is relatively constant, while on average, JII member companies experience a decline in their rate of return on assets in 2023.

Factors influencing the rate of return on assets (ROA) include total asset turnover and sales (Kashmere, 2018). (Jackson & Laksmiwati, 2021 Widodo, 2019) states the factors influencing company profitability: Current Ratio, Total Asset Turnover, Debt to Equity Ratio, debt ratio, sales growth, and company size.

Indriyani et al. (2017), in their research using the Current Ratio and Total Asset Turnover as variables that influence ROA using multiple linear regression as an analytical tool, found that the Current Ratio and Total Asset Turnover partially have a significant influence on ROA. Then, Khassanah (2021) undertook research

that used the Current Ratio and Total Asset Turnover as variables that influence the ROA variable using multiple linear regression analysis and found that the Current Ratio and Total Asset Turnover did not influence ROA.

Further research was carried out by Widodo (2019), who examined the influence of the Current Ratio, Total Asset Turnover, and Debt Ratio on profitability as seen from ROA using the panel data analysis method found that the Total Asset Turnover and Debt Ratio variables influenced ROA, while the Current Ratio variable did not affect ROA.

Based on these studies, Indriyani et al. (2017) and Khassanah (2021) do not involve the Net Profit Margin and Debt Ratio variables as variables influencing ROA. Meanwhile, Widodo (2019) does not involve the Net Profit Margin variable as a variable that influences ROA. Even though he obeyed (Yanto et al., 2021; Sausan et al., 2020), These two variables are essential in determining ROA. Therefore, this research intends to accommodate these variables as ROA, TATO, and CR determinants. So, this research aims to analyze the influence of TATO, NPM, CR, and DR on ROA.

ROA is used in this research as a measuring tool to see the level of profitability of JII member companies. Although in practice, ROA is a profitability ratio that is widely used in calculating the profitability of conventional companies, adopting ROA as a tool for measuring profitability in companies or sharia institutions is still appropriate, as stated by (Apriyanti et al., 2021; Arsita Afiyanti, 2020). This is, of course, because ROA is used to measure the efficiency of the financial performance of each conventional and sharia company. So, it is still appropriate if the ROA profitability ratio is used in companies that issue Sharia shares because Sharia companies listed on the JII index have undergone a rigorous selection process. Only the companies that are the most liquid and have complied with Sharia-compliant principles can list their shares on the JII.

Literature Review

Financial statements

Financial reports are accountability reports by managers or company leaders to stakeholders outside the company, such as shareholders, government (tax authorities), creditors (banks or other financial institutions), and other parties with an interest in the company regarding company management (Raharjo, 2005).

According to the Indonesian Accounting Association in PSAK No.1 of 2009 research, Widodo (2019) states that financial reports have the aim of presenting

essential information related to the company's financial position, performance, and changes in the company's financial position, which will be helpful for interested parties in making decisions. Apart from that, financial reports also show the responsibility of company management towards the company it manages. In analyzing a company's financial condition, assistance from financial ratios is needed (Kasmir, 2018).

Dede and Mulyono (2019) stated that financial ratios analyze financial reports by comparing two accounting indices from the balance sheet and the company's profit and loss report. Financial ratio calculations are generally used to see the company's past, current, and future performance. The results of financial ratio calculations can be used to see how the company's management has performed in a certain period, whether it has achieved the goals that have been set or not, and also used to see how management's ability to utilize existing resources in the company effectively. Thus, the value of this financial Ratio can be used to evaluate management performance to achieve better targets in the future.

Return on Assets

Hantono (2017) states that ROA is a ratio that measures a company's ability to make business returns from the total capital investment that has been made. ROA is a critical ratio for a company. This is because the company has maximized the use of its assets to generate maximum profits through activities carried out effectively and efficiently to sustain its development (Hafiz et al., 2019).

In measuring the ROA value, according to Hantono (2017), The ROA value can be obtained by looking at the Ratio between the company's profit after tax and total assets. If written as follows:

$$\text{Return on Assets} = \frac{\text{Profit After Tax}}{\text{Total Assets}}$$

On the other hand, measuring company development is not done using ROA alone but can also use the Return on Equity (ROE) ratio (Mudzakar & Wardanny, 2021). This is because ROE is one part of the profitability ratio, which can calculate the profitability or profit a company can obtain compared to its equity (Yanto et al., 2021). ROE measures how much dividend each shareholder's equity can obtain compared to the same industry. However, although ROA and ROE both measure profitability, ROA is an essential matrix for evaluating the health of a company's financial performance (Zaman et al., 2021). It can be used to compare profitability across quarters and years and compare it with several similar

companies. Investors also use ROA to look for stock opportunities for investment that can generate profits because ROA shows how efficiently a company utilizes its assets to gain profits (Irsan & Rambe, 2021).

Total Asset Turnover

Total Asset Turnover is part of the activity ratio. Total Asset Turnover is a ratio used to see the company management's ability to manage investment (asset) turnover to produce total net sales (Jackson & Laksmiwati, 2021). According to Kasmir (2018), Total Asset Turnover is a ratio that compares net sales with the company's total assets to show its ability to utilize its assets efficiently to support sales activities.

The more efficient total asset turnover will create high sales to increase company profits and vice versa. If asset turnover is inefficient, it will reduce sales value and cause a decrease in company profits (Jenni et al., 2019). According to Fraser & Ormiston (2018), Measuring Total Asset Turnover is done by dividing net sales by total assets. Total asset turnover does not always affect the level of profit that the company will obtain. The company's activities to generate profits by selling its products have yet to be carried out effectively, so the profits are not optimal (Khassanah, 2021).

Net Profit Margin

According to Kasmir (2016), Net Profit Margin is a ratio that shows the relationship between net profit after tax and sales. This is reflected in management's ability to manage the company to successfully recover or control production costs in the form of goods or services, operating costs, depreciation costs, loan interest, and taxes. A company that can obtain a high Net Profit Margin ratio shows the company management's ability to manage the costs that must be incurred by the company so that it can recover its financial condition and obtain a level of profit from operational activities carried out through sales or other sources of company income generated every month or year (Fitriyani, 2019). Companies with a low NPM ratio show that the profit value obtained from selling the company's products is still relatively low and not following standards, so in this case, the company cannot obtain maximum profits because the costs incurred are more significant (Margarita & Kholis, 2021).

To measure the value of the Net Profit Margin in Fahmi (2017) are as follows:

$$\text{Net Profit Margin} = \frac{\text{Net Profit After Tax}}{\text{Sale}}$$

Current Ratio

The *current Ratio* is part of the liquidity ratio. This Ratio measures a company's ability to meet short-term obligations or obligations within one year. A high Current Ratio value indicates a more robust company's ability or position to meet its short-term obligations (Herliana, 2021). However, on the other hand, if the Current Ratio value is small, the risk of the company failing to *fulfill* its obligations is greater (Ang, 1997). The formula for calculating the Current Ratio value in (Kasmir, 2018) is as follows:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current liabilities}}$$

The Current Ratio value does not always influence the company. This is because companies with a high current asset value have a solid ability to meet their short-term debt, and a small short-term debt composition will maintain the company's condition in generating profitability (Alfiani, 2022).

Debt Ratio

Debt Ratio is a ratio that measures the level of debt utilization against the total assets owned by the company. The higher the percentage of the Debt Ratio, the greater the financial risk that creditors and shareholders will face (Widodo, 2019). Debt to Equity Ratio describes the comparison of debt and equity in financing a company and shows the ability of the company's capital to *fulfill* all its obligations (Jurlinda et al., 2022). If this Ratio is low, it will indicate higher financing carried out by investors. To calculate the Debt Ratio, we use the following formula:

$$\text{Debt Ratio} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

Jurlinda et al. (2022) found that the debt ratio has a significant favorable influence on return on assets (ROA) and confirmed that DR and ROA have a unidirectional relationship where if there is an increase in DR, ROA will also increase. This shows that the higher the company uses debt as funding support, the more it is accompanied by increased interest expenses and the risk of failure to *fulfill* obligations, which can disrupt its condition. Indriyani & Mudjijah (2022) found that DR harms the company's ROA; this is because companies whose capital composition or financial position is mainly financed by debt will experience a decrease in profits, where the profits obtained will be used to pay obligations, and in the end if The Ratio of debt owned is greater than the company's assets,

which can threaten the survival of the company which is characterized by the risk of failure to *fulfill* its obligations.

Different from the discovery of Jurlinda et al (2022) and research of Indriyani & Mudjijah (2022), research from Herliana (2021) In fact, we did not find any influence of DR on ROA, the factor that could cause there to be no influence of DR on ROA was caused by the condition of the company which had a DR value or total liabilities (debts) that were much smaller than the total assets owned by the company, so that the company had more using its capital to meet its debt obligations.

Methods

When viewed from the nature of the data collected, this research is a type of quantitative research. According to Sugiyono (2017), quantitative research is research that uses numbers as research data and uses statistical analysis. This research data was obtained from the financial reports of Jakarta Islamic Index (JII) member companies obtained by researchers through www.idx.co and completed from the official website of the company concerned.

The population in this research is all companies that issue sharia shares and are members of the Jakarta Islamic Index (JII). Meanwhile, the samples for this research are JII member companies that have consistently been included in JII for the last ten years and publish financial reports every quarter with the rupiah as the reporting currency in 2019-2023. After screening, six companies were found to meet the research sample requirements. The list of companies in the sample is as follows.

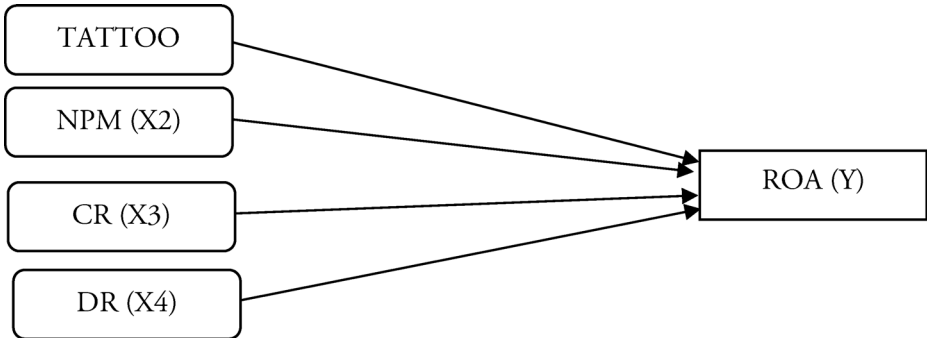
Table 1. List of Research Sample Companies

Company name	Stock code
PT. AKR Corporindo Tbk.	AKRA
PT. Indofood CBP Sukses Makmur Tbk	ICBP
PT. Kalbe Farma Tbk.	KLBF
PT. Telkom Indonesia (Persero) Tbk	TLKM
PT. United Tractors Tbk	UNTR
PT. Unilever Indonesia Tbk	UNVR

Source: IDX.co.id processed

The data taken by researchers were financial reports in the form of quarterly reports from 2019 to the 3rd quarter of 2023, so the data collected amounted to 114 samples. The data analysis technique carried out in this research is descriptive analysis, which aims to describe or describe the research object and is presented systematically and factually. Next, a panel data regression analysis was carried out, which aims to see the level of significance or influence of the independent variables used, namely the variables Total Asset Turnover, Net Profit Margin, Current Ratio, and Debt Ratio on the dependent variable Return on Assets of JII member companies. The regression model used can be described as follows:

Figure 2. Research Design



$$Y_{it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + e_{it}$$

Information:

- | | | |
|--------------|----------------------|-----------------------|
| Y = ROA, | α = Constant, | β = Coefficient |
| X1 = TATTOO, | X2 = NPM, | X3 = CR, |
| X4 = DR, | e = Error. | |

Results and Discussion

This section will explain the results of the statistical tests, starting from descriptive analysis, selecting the best model in panel data, and classical assumptions to interpreting research results.

Table 2. Descriptive Statistics

	ROA	TATO	NPM	CR	DR
Mean	0.084248	0.646206	0.138487	1.834363	0.454008
Median	0.065398	0.526495	0.132196	1.457271	0.477023
Maximum	0.358018	2.250171	0.247076	4.445188	0.802723
Minimum	0.010080	0.125990	0.032396	0.597745	0.000451
Std. Dev.	0.069365	0.458504	0.057948	1.157500	0.171433
Skewness	1.955492	1.522465	0.043413	0.928811	-0.075910
Kurtosis	7.081472	5.228259	2.357992	2.655559	2.775797
Jarque-Bera Probability	151.7825 0.000000	67.62453 0.000000	1.993635 0.369052	16.95466 0.000208	0.348253 0.840190
Sum	9.604302	73.66752	15.78748	209.1173	51.75688
Sum Sq. Dev.	0.543694	23.75552	0.379457	151.3981	3.320985
Observations	114	114	114	114	114

Source: Research data processed

Table 2 above shows the results of the descriptive statistical tests carried out. The test results show that the average ROA value of JII member companies from 2019 to 2023 is 0.084, with a minimum value of 0.010, a maximum value of 0.35, and an average value of 0.065 with a standard deviation of 0.069. while for the TATO variable, the average value is 0.646, the maximum value is 2.25, the minimum value is 0.125, the mean value is 0.526, and the standard deviation is 0.458. The NPM variable has an average value of 0.138, a maximum value of 0.247, a minimum value of 0.032, an average value of 0.132, and a standard deviation of 0.057. The CR variable has an average value of 1.834, a maximum value of 4.445, a minimum value of 0.597, a middle value of 1.457, and a standard deviation of 1.157. The DR variable has an average value of 0.454, a maximum value of 0.802, a minimum value of 0.00045, a median value of 0.477, and a standard deviation of 0.171.

Selection of Panel Data Regression Models

In the panel data model, three testing techniques must be carried out to select the best model in the regression model that will be used. The three models are the Fixed Effect Model (FEM), Common Effect Model (CEM), and Random Effect Model (REM). The testing stages that have been carried out to find the best model to use are as follows:

Table 2. Selection of the Best Model

Test Chow	FEM or CEM	$P < \alpha =$ FEM $P > \alpha =$ CEM	Prob. Cross-Section F 0.4553	CEM
Hausman test	FEM or REM	$P < \alpha =$ FEM $P > \alpha =$ REM	Prob. Cross-Section Random 0.4663	REM
LM Test	CEM or REM	$P < \alpha =$ REM $P > \alpha =$ CEM	Breusch-Pagan Cross- Section 0.0015	REM

Source: Processed Research Data

Table 2 above shows that after testing the best model for panel data, the Random Effects Model was found to be the best research model.

Classic assumption test

The classical assumption tests carried out in this research include the normality test, multicollinearity test, and heteroscedasticity test. The normality test aims to see whether the residual values in the regression model follow a normal distribution (Ghozali, 2016). The basis for making decisions on the normality test is that if the Jarque-Berra probability value is > 0.05 , then the residuals are normally distributed. Meanwhile, this assumption can be ignored in the Central Limit Theorem if the amount of data used is more than 30 observations. This is because the distribution of the sampling error term is close to normal (Gujarati, 2015). This research follows the Central Limit Theorem because the research data used is greater than 30, namely 72 observation samples.

The multicollinearity test aims to see whether, in the regression model, there is a correlation between the independent variables (Ghozali, 2016). The basis for making decisions for the multicollinearity test is to look at the correlation coefficient value between variables. If the correlation coefficient value is above 0.85, it is suspected that there is multicollinearity in the data being analyzed (Widarjono, 2005). The test results are as follows:

Table 3. Multicollinearity Test

Correlation				
	TATO	NPM	CR	DR
TATO	1.000000	-0.199065	-0.152850	0.394820
NPM	-0.199065	1.000000	-0.314711	0.127401
CR	-0.152850	-0.314711	1.000000	-0.784980
DR	0.394820	0.127401	-0.784980	1.000000

Source: Processed Research Data

It is assumed that data is multicollinear if the correlation coefficient between variables has a high number, namely 0.85, and if the correlation is lower than 0.85, then there is no multicollinearity. From Table 3 above, the correlation between dependent variables is below 0.85, so the research is free from multicollinearity.

Meanwhile, exceptions were made for the heteroscedasticity test in this study. Since the best model is the REM model, heteroscedasticity testing was not done. This is based on information from Ekananda (2019), who said that the Lagrange Multiplier Test (LM) is used to choose whether to use a heteroscedastic or homoscedastic structure or between CEM or REM. Meanwhile, according to Widarjono (2007), one way to cure the symptoms of heteroscedasticity is with the Generalized Least Square (GLS) method. Based on the stages of selection, the best model in research is REM. Meanwhile, the REM model uses GLS in the analysis method. Based on this, because the GLS method is a way to cure heteroscedasticity, the model is assumed to pass the heteroscedasticity test.

Hypothesis testing

Hypothesis testing in this research was carried out using panel data regression analysis using the GLS panel method because the REM model is the best. Hypothesis testing aims to determine the effect of TATO, NPM, CR, and DR on Return on Assets (ROA). The hypothesis testing is carried out using the simultaneous test (F), coefficient of determination (R^2), and partial test (t).

Table 4. Determination coefficient test (R-Square)

R-squared	0.593519
Adjusted R-squared	0.578602
S.E. of regression	0.646313
F-statistic	39.78873
Prob(F-statistic)	0.000000

Source: processed research data

Based on Table 4 above, it is known that the F-statistic probability value is $0.000000 < \alpha 0.05$, so it can be concluded that the model in this research has met goodness of fit and is considered worthy of further research. The coefficient of determination (R^2) value shows the extent to which the ability of the independent variable used in research explains the dependent variable or Y. The R-Square value shows 0.5935, which means that the ability of the independent variable used can

explain the dependent variable ROA by 59.35%. In contrast, the rest is explained by variables other than research.

The partial test (t-test), which was carried out to determine the effect of individual independent variables on the dependent variable, found the following results:

Table 5. T Test (Partial)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.266401	0.302886	0.879543	0.3810
LOG(TATO)	0.968885	0.098033	9.883278	0.0000
LOG(NPM)	1.092189	0.130051	8.398154	0.0000
LOG(CR)	-0.108877	0.115215	-0.944994	0.3468
LOG(DR)	-0.012547	0.089929	-0.139517	0.8893

Source: Research data processed

Based on the table of data processing results above, Total Asset Turnover (TATO) positively and significantly affects ROA. This is indicated by the t-statistic probability value being smaller than the error tolerance significance level of 5% (t-stat probability $0.0000 < \alpha 0.05$) so that Ha1 is accepted and H0 is rejected.

Net Profit Margin (NPM) partially has a positive and significant effect on ROA. This is indicated by the t-statistic probability value being smaller than the error tolerance significance level of 5% (t-stat probability $0.0000 < \alpha 0.05$) so that Ha2 is accepted and H0 is rejected.

The current Ratio partially does not affect ROA. This is indicated by the t-statistic probability value being more significant than the error tolerance significance level of 5% (t-stat probability $0.3468 < \alpha 0.05$) so that Ha3 is rejected and H0 is accepted.

Debt Ratio (DR) partially does not affect ROA. This is indicated by the t-statistic probability value being smaller than the error tolerance significance level of 5% (t-stat probability $0.8893 < \alpha 0.05$) so that Ha4 is rejected and H0 is accepted.

Interpretation

The Effect of Total Asset Turnover (TATO) on ROA of JII Member Companies

The research results found that TATO positively and significantly influences the ROA of companies that are members of the Jakarta Islamic Index (JII). This is proven by the results of panel data regression testing using the EGLS method. The

coefficient value for the TATO variable shows a positive number, namely 0.968, with a probability value smaller than alpha 5% (prob t-stat $0.0000 < \alpha 0.05$), which means that the TATO variable partially has a significant influence on the ROA of companies that issue sharia shares and are indexed by JII.

This research implies that companies that can utilize the assets they own, both tangible assets and other assets, and companies that invest optimally through maximizing sales activities will have a good impact on the company and can increase the level of profit or return on company assets, in this case, measured by ROA maximally. This research also aligns with the results of Indriyani et al. (2017), that TATO has a positive and significant effect with a regression coefficient value of 0.12 and a t-statistical probability of 0.045 with an error tolerance level of 0.05. The bigger the company, TATO, the better it will be. This is because the more efficient the assets used to support the company's sales activities.

This research was also supported by Nadila and Hapsari (2022). In its findings, TATO has a positive and significant influence on ROA. Significant and positive on ROA. If TATO experiences an increase, the company's profit value or ROA will also increase; conversely, if TATO decreases, ROA will also decrease. This relationship shows a *ceteris paribus* relationship.

However, the research results differ from the findings of Aulia et al. (2021), and it was found that TATO did not influence profitability in terms of the ROA value. TATO is absent on ROA because the company, in carrying out its operational activities to generate profits through the turnover of assets owned, still needs to show more ineffectiveness, so the activities carried out cannot provide profits.

The Influence of Net Profit Margin (NPM) on ROA of JII Member Companies

The research found that NPM positively and significantly influences the ROA of companies that are members of the Jakarta Islamic Index (JII). This is proven by the results of panel data regression testing using the GLS method. The coefficient value for the NPM variable shows a positive number, namely 1.092, with a probability value smaller than alpha 5% (prob t-stat $0.0000 < \alpha 0.05$), which means that the NPM variable partially has a significant influence on the ROA of companies that issue sharia shares and are indexed by JII.

The greater the NPM value, the greater the management's ability to manage the company to recover or control the production cost in the form of goods or services, operational costs, depreciation expenses, loan interest, and taxes. This research follows research by Gautama & Hapsari (2016), which states that NPM

has a positive and significant influence on profit growth in infrastructure, utilities, and transportation sector companies with a probability value of $0.0040 < 0.05$ and a coefficient of 4.72.

Research also supports this research (Fitriyani, 2019; Wijayanti et al., 2022). The second finding of this research is that NPM has a positive and significant influence on ROA. This finding confirms that the ability of company management to increase sales will have an impact on increasing profits that the company will obtain. In this case, it also shows that the company management can turn the costs incurred into profits for the company's survival.

This research differs from research (Margarita & Kholis, 2021; Sutanti & Cholilurrohman, 2020) in that NPM does not influence ROA. Companies with a relatively low NPM value indicate that the profit obtained from selling products produced by the company is still relatively low and not under standards. In this case, the company cannot obtain maximum profits because the costs incurred are more significant than the profits obtained.

The Influence of Current Ratio (CR) on ROA of JII Member Companies

The research found that CR does not influence the ROA of companies that are members of the Jakarta Islamic Index (JII). This is proven by the results of panel data regression testing using the GLS method, which shows that the t-statistic probability value is greater than the error tolerance significance level of 5% (t-stat prob $0.3468 < \alpha 0.05$), which means that the CR variable partially does not influence the ROA of companies that issue sharia shares and are indexed by JII.

The implementation of this research shows that the greater the current ratio value, the greater the company's ability to repay its short-term loans using its current assets. Meanwhile, companies with current assets that are much more significant than their short-term debt will certainly not experience difficulties *fulfilling* their obligations. The research results show that JII-indexed companies have a high CR value, which means that the company's current assets are more significant than the value of its current liabilities. Thus, even though the company has current debt because of its high current assets, it can still profit, and its short-term debt does not affect operational activities.

The results of this study support the research results (Alfiani, 2022; Wijayanti et al., 2022; and Satria, 2022) where the three of them found that there was no influence of the Current Ratio on ROA; this result was caused by the company's

ability as shown by the strength of its current assets, but because the Current Ratio value was high without being followed by maximum utilization of excess assets, it would make these assets not productive, so the company should be able to maximize profits with the assets it owns. However, the company is not using them optimally, so these assets do not provide profits. The results of this study are different from the research of Herliana (2021), who found that the Current Ratio had a positive influence.

The Influence of Debt Ratio (DR) on ROA of JII Member Companies

The research found that DR does not influence the ROA of companies that are members of the Jakarta Islamic Index (JII). This is proven by the results of panel data regression testing using the EGLS method, which shows that the t-statistic probability value is greater than the error tolerance significance level of 5% ($t\text{-stat prob } 0.8893 < \alpha 0.05$), which means that the DR variable partially has no influence on ROA of companies that issue sharia shares and is indexed by JII. Larger companies that are financed by debt as the primary support for their business capital certainly have higher risks, where this will also have an impact on reducing the value of profits that the company will receive because part of the profits obtained are used as payments for obligations, both principal and additional—given to creditors. Thus, the presence of a high proportion of liabilities will create more significant opportunities for the company to go bankrupt if the company management skills do not accompany it.

This research supports the research of Herliana (2021), which did not find any influence of DR on ROA. The factor that could cause there to be no influence of DR on ROA is the condition of the company, which has a DR value or total liabilities (debt) that is much smaller than the total assets owned by the company so that the company uses more own capital to meet its debt obligations.

This research is different from research that has been conducted by Indriyani & Mudjijah (2022), who found that the debt-equity Ratio had a negative and significant influence on profitability listed on the 2016-2020 BEI listing, with a profitability value of $0.0000 < 0.05$ and a coefficient value of -0.062 .

The results of this study are also different from those of Jurlinda et al. (2022) found that the debt ratio has a significant favorable influence on return on assets (ROA) and confirmed that DR and ROA have a unidirectional relationship where if there is an increase in DR, ROA will also increase, this shows that the higher the company uses debt as funding support, the more accompanied by an increase

in interest expenses and increasing the risk of failure to *fulfill* obligations, which can disrupt the company's condition.

Conclusion

The results of this research found that the ability of JII member companies to utilize all their resources to achieve maximum profit or profit was found by utilizing Total Asset Turnover (TATO). This was proven that TATO had a positive and significant effect on ROA. In other words, the more efficiently a company maximizes its asset turnover, the more company profits will increase,

Net Profit Margin (NPM) has a positive and significant effect on ROA, and this shows that when JII member companies can maximize NPM, it identifies the more significant the company management's ability to manage the company so that it can control the cost of production and the company's operational costs.

The current Ratio partially does not affect ROA, and this shows that the CR value of JII member companies is enormous so that the company's ability to pay off its short-term liabilities can be met with more tremendous current assets that even though the company has short-term liabilities, it does not interfere with the company's ability to maximize profit. Debt Ratio does not positively affect the ROA of JII member companies. This means that the company's total assets are much more significant than the total liabilities owned, so this does not interfere with the company's ability to make a profit.

The findings of this study provide significant contributions to decision-makers in companies. ROA is one of the key financial performance indicators that need to be maintained because it can determine the profitability of a company to always be in good condition. Companies need to do asset efficiency, cost control, and moderate debt ratio to improve ROA. Asset efficiency can be done by optimizing the use of assets to generate revenue. Cost control can be done by reducing unnecessary or inefficient costs. A moderate debt ratio can help protect the company from financial risks. In addition, companies can also maximize TATO and NPM to obtain maximum company profits. TATO can be maximized by increasing asset productivity. NPM can be maximized by increasing the selling price of products or services, reducing production costs, or improving operational efficiency.

For further research, it is recommended to increase the scope of the research sample. This is because this research only focuses on companies that issue Sharia shares included in JII, so it will be more representative of the research on Sharia shares if we increase the sample range from J70 and LQ45.

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