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Operating Expenses Ratio (OER) and Total Asset Turnover (TATO) to Return on Assets (ROA)

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Abstract–This quantitative study investigates the "profitless growth" phenomenon to empirically examine the financial determinants of profitability within the food and beverage manufacturing subsector. Specifically, the research analyzes the extent to which the Operating Expense Ratio (OER) and Total Asset Turnover (TATO) impact Return on Assets (ROA). The study relies on secondary data derived from 13 companies listed on the Indonesia Stock Exchange (IDX), covering an observation period from 2014 to 2024. Data processing was executed using IBM SPSS Statistics software through a multiple linear regression model. The empirical results reveal that OER exerts a significant positive influence on ROA (Sig < 0.001), indicating that operational expenditures in this sector function as productive investments rather than mere costs. Similarly, TATO demonstrates a significant positive impact (Sig = 0.049), confirming that efficient asset utilization is crucial for maximizing earnings. Furthermore, the simultaneous analysis confirms that these independent variables collectively affect profitability, accounting for 62.5% of the variance in ROA (R^2 = 0.625). These findings highlight the critical importance of synergizing strategic operational spending with aggressive asset rotation to sustain corporate profitability amidst economic volatility.

Keywords: Return on Assets (ROA); Operating Expenses Ratio (OER); Total Asset Turnover (TATO); Food and Beverage Industry; Profitability.

1. INTRODUCTION

The manufacturing sector stands as a crucial pillar supporting Indonesia's national economy, contributing significantly to the Gross Domestic Product (GDP) and absorbing a substantial workforce. Within this landscape, the Food and Beverage subsector holds a strategic position due to its nature as a provider of basic needs, which typically renders it resilient to economic fluctuations. However, the decade spanning from 2014 to 2024 has presented a starkly different reality. While this industry was historically viewed as a stable investment haven, it has recently faced a period of profound turbulence that severely tested fundamental corporate resilience. The shift from a phase of consolidation (2014–2020) to a phase of volatility (2020–2024) has exposed deep structural vulnerabilities, particularly in the management's ability to maintain profitability amidst external shocks.

The primary indicator of this deteriorating performance is the long-term downward trend in Return on Assets (ROA), which serves as the ultimate benchmark for a company's ability to generate profit from its resources. Data reveals a concerning trajectory where the average ROA for the subsector plummeted from a peak of 29% in 2014 to a mere 14% in 2024. This decline signifies a critical structural imbalance: while companies expanded their asset bases, their capability to extract value from these assets diminished significantly. This phenomenon suggests that sales recovery in the post-pandemic era has not automatically translated into profitability, indicating that the core issues lie within internal efficiency and asset management rather than solely on market demand.

This disconnect between revenue growth and profitability is starkly illustrated by the anomalies in operational cost efficiency, measured by the Operating Expense Ratio (OER). The industry witnessed a drastic spike in OER to 34% during the pandemic (2020-2021), reflecting severe inefficiency. Although there was a brief recovery in 2022, the ratio climbed back to 29% in 2024, signaling a recurrence of swelling operational burdens. A salient example of this "profitless growth" occurred in early 2022 with PT Indofood CBP Sukses Makmur Tbk (ICBP). Despite achieving a robust 16% growth in sales, the company's net profit contracted sharply by 40%. This paradox was driven by a surge in raw material costs due to global supply chain disruptions and geopolitical conflicts, which inflated the OER and eroded the bottom line (Nadeak et al., 2022). Furthermore, PT Unilever Indonesia Tbk (UNVR) faced similar pressures in 2024, reporting a 28.15% drop in net profit due to "downtrading" phenomena where consumers switched to cheaper alternatives forcing the company to aggressively adjust pricing and cost structures (Ramadhan et al., 2025).

Beyond cost pressures, the sector is also grappling with a crisis in asset utilization, quantified by Total Asset Turnover (TATO). The data depicts a structural shift where TATO dropped precipitously from 4.01 times in 2014 to 1.27 times in 2024. This trend indicates that the business model has become increasingly capital-intensive, yet slower in generating revenue turnover. The severity of this inefficiency is exemplified by PT Tri Banyan Tirta Tbk (ALTO). In 2024, the company's inability to generate sufficient sales from its factory assets forced the cessation of operations at its subsidiary, PT Tirtamas Lestari. This drastic measure was taken to curb swelling net losses amounting to Rp10.77 billion, highlighting that asset idleness or underutilization can be fatal to corporate sustainability (Marwanto, et al., 2023). These empirical cases underscore that without rigorous control over OER and aggressive asset utilization, corporate profitability remains highly vulnerable to economic uncertainty.

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The urgency to investigate these determinants is amplified by a compelling research gap arising from inconsistencies in empirical studies over the last five years. The academic literature is currently divided regarding the true impact of operational efficiency and asset turnover on profitability. On one spectrum, research by (Stefan et al., 2025) and (Rahmawati et al., 2025) confirms that operational efficiency (OER) significantly influences financial performance, asserting that strict cost control is vital for profit maximization. Similarly, (Hakim, 2020), (Stevani & Santoso, 2022), and (Sulistriani & Pranjoto, 2024) found that TATO is a critical driver of ROA, supporting the logic that faster asset rotation boosts earnings.

However, contrasting evidence challenges these established views. (Asriany et al., 2024) and (Lianty et al., 2026) concluded that operational cost ratios do not tangibly affect financial performance or firm value, suggesting that other external factors might be more dominant. A similar debate surrounds asset turnover, where studies by (Azizah & Wijaya, 2024), (Afriani et al., 2022), and (Zega et al., 2020) provide evidence that TATO does not significantly contribute to ROA fluctuations . The sharp contrast between studies claiming a 'significant influence' and those finding 'no influence' creates a gap in our understanding. This inconsistency calls for a fresh examination of these variables to determine their true relevance under today's shifting market conditions.

This study offers a distinct contribution to the literature by bridging these empirical inconsistencies through a more comprehensive approach. The novelty of this research lies in its specific focus on the Food and Beverage subsector listed on the Indonesia Stock Exchange, a sector uniquely sensitive to both cost volatility and consumer purchasing power. Furthermore, unlike previous studies with shorter timeframes, this research employs an extensive decadal observation period (2014–2024). By covering a full decade, this study captures various economic phases from pre-pandemic stability to the COVID-19 crisis and subsequent recovery. This comprehensive timeline offers a clearer, up-to-date perspective on how OER and TATO interact to drive profitability, even during periods of extreme uncertainty.

Therefore, motivated by the need to resolve the outlined research gaps and provide clarity for financial governance, this study aims to empirically examine the influence of Operating Expense Ratio (OER) and Total Asset Turnover (TATO) on Return on Assets (ROA). Through a detailed analysis of these variables, this research aims to provide stakeholders with a reliable guide for assessing management performance. It offers strategic insights to determine which factor cost efficiency or asset productivity serves as the stronger key to unlocking profitability within Indonesia's manufacturing industry.

2. RESEARCH METHODS

This research employs a quantitative methodology characterized by a descriptive and verification approach. This approach is utilized to examine the relationships or impacts among two or more variables using hypothesis testing through multiple linear regression analysis (Ghozali, 2021). Regarding data collection, this study relies on secondary data derived from annual financial statements. All datasets were accessed via the official Indonesia Stock Exchange (IDX) website and gathered using a documentation study method, which involved downloading and systematically recording specific financial information relevant to the variables under analysis.

2.1 Grand Theory

The management of these entities operates under the dynamics explained by Agency Theory, which focuses on the contractual relationship and the delegation of decision-making authority from shareholders (principals) to management (agents) (Hendrastuti & Harahap, 2023). While agents are delegated the authority to manage the company and optimize profits, this separation of ownership and control inherently creates goal conflicts, as agents often possess personal interests that diverge from maximizing shareholder welfare. This divergence, coupled with information asymmetry, leads to agency problems where managers might act opportunistically or engage in moral hazard behaviors. To mitigate these issues and ensure agents act in alignment with the owners' desires, companies must incur agency costs, such as monitoring costs, to govern managerial behavior. In this context, the failure to execute rigorous operational cost control or optimize asset utilization is viewed as a direct manifestation of these agency problems. Empirical literature suggests that financial metrics, specifically the asset utilization ratio (such as Total Asset Turnover) and operating expense ratios, act as inverse proxies for agency costs because they reflect managerial efficiency and discretion in spending company resources (Huu Nguyen et al., 2020). Consequently, the ability to maintain operational cost efficiency (OER) and generate an optimal Return on Assets (ROA) through aggressive asset utilization (TATO) serves as a critical benchmark, verifying that agents are effectively managing resources and minimizing agency costs to fulfill their fiduciary duty to the principals.

2.2 Research Framework and Hypothesis

2.2.1 The Partial Influence of Operating Expense Ratio (OER) on Return On Assets (ROA)

The Operating Expense Ratio (OER) exerts a significant partial influence on Return on Assets (ROA) within the food and beverage manufacturing subsector. This relationship indicates that management's capability to strictly control and suppress operational costs relative to sales is a primary determinant of the firm's net earnings. Consequently, a lower OER reflects superior operational efficiency, which directly enhances the company's profitability and attractiveness to investors seeking stable returns.

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H1: OER exerts a partially significant influence on ROA within manufacturing firms in the food and beverage

2.2.2 The Partial Influence of Total Asset Turnover (TATO) on Return On Assets (ROA)

Total Asset Turnover (TATO) significantly influences Return on Assets (ROA), acting as a critical metric of how effectively a company deploys its resources. This influence demonstrates that the intensity of asset utilization in generating revenue is a fundamental driver for maximizing the return on investment. Therefore, a higher turnover rate signals productive resource management, which substantially contributes to the elevation of the company's overall financial performance and competitive advantage.

H2: TATO exerts a partially significant influence on ROA within manufacturing firms in the food and beverage

2.2.3 The Simultaneous Influence of Operating Expense Ratio (OER) and Total Asset Turnover (TATO) on Return on Assets (ROA)

Simultaneously, the Operating Expense Ratio (OER) and Total Asset Turnover (TATO) significantly influence Return on Assets (ROA) across the observed companies. This combined effect underscores that the synergy between rigorous cost efficiency and aggressive asset rotation is indispensable for sustaining corporate profitability in a volatile market. Ultimately, the integration of these two financial dimensions provides a comprehensive framework for achieving targeted profit levels and ensuring long-term business sustainability.

H3: OER and TATO simultaneously influence ROA within manufacturing firms in the food and beverage

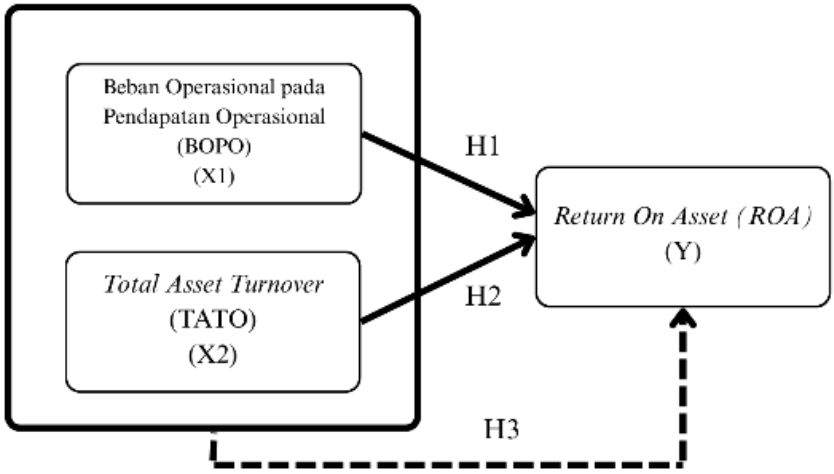

Figure 1. Research Conceptual Framework

2.3 Population and Sample

The population is characterized as a generalization domain comprising objects or subjects with specific qualities and characteristics determined by the researcher for investigation and conclusion drawing (Sugiyono, 2022). Drawing on this definition, the population in this study encompasses all manufacturing firms within the food and beverage subsector listed on the Indonesia Stock Exchange (IDX) that furnished complete financial statements throughout the 2014–2024 period, totaling 53 companies.

Table 1. Sampling Determination Table

Criteria	Total
Population: Food and Beverage manufacturing companies listed on the IDX	53
Sample selection based on criteria (purposive sampling):	
1. Companies not listed on the IDX continuously during the 2014–2024 period	(26)
2. Companies that did not publish complete financial statements for the 2014–2024 period	(8)
3. Companies that did not generate profit during the observation period	(6)
Research Sample	13
Total Observations (n x research period) (13 x 11 years)	143

Acknowledging the constraints of examining the entire aggregate, this research utilizes a sample, defined as a subset representing the quantity and characteristics of that population (Sugiyono, 2019). The sample determination was carried out using a purposive sampling technique by considering several criteria, namely: (1) companies that were not continuously listed on the IDX during the observation period 2014–2024; (2) companies that did not present complete financial reports for the period 2014–2024; and (3) companies that did not generate profits during the research period. By employing a purposive sampling technique to select entities based on specific criteria, a final sample of 13 companies was yielded, which is deemed representative for the subsequent analysis.

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2.3 Operationalization of Variables

The operationalization of variables outlines the specific measurement criteria required to facilitate objective and quantifiable analysis. In this study, the dependent variable is profitability, proxied by ROA, which serves as a metric to evaluate a company's capability to generate earnings relative to its total asset base. Regarding the independent variables, the first is operational cost efficiency, measured using the BOPO ratio to gauge the firm's precision in controlling operational expenses. Meanwhile, the second independent variable is TATO, which demonstrates the effectiveness of the company in leveraging its aggregate assets to drive sales revenue.

Table 2. Operationalization of Variables Table

Variabel	Indicator	Scale
OER (X1)	$\mathbf{OER} = \frac{\textbf{Operational cost}}{\textbf{Net sales}}$	Ratio
TATO (X2)	$\mathbf{TATO} = \frac{\textbf{Net sales}}{\textbf{Total assets}}$	Ratio
ROA (Y)	$\text{ROA} = \frac{\text{Net profit after tax}}{\text{Total assets}}$	Ratio

3. RESULTS AND DISCUSSION

3.1 Research Results

3.1.1 Descriptive Analysis Results

Descriptive statistics are utilized to provide a clear overview of the research object based on the actual sample or population data, without attempting to draw generalized conclusions. This analysis aims to present fundamental data summaries, including the total sample size, minimum and maximum values, mean, and standard deviation for each variable in this study.

Table 3. Descriptive Analysis Results

	OER	TATO	ROA
Mean	0,2002	3,1178	0,2511
Maximum	2,00	100,59	0,42
Minimum	0,01	0,45	0,10
Std. Dev.	0,26916	9,57479	0.9441

Based on the descriptive statistical results presented in Table 3, the variable representing operational efficiency, Operating Expense Ratio (OER), demonstrates a mean value of 0.2002 with a standard deviation of 0.26916. The data distribution for OER ranges from a minimum value of 0.01 to a maximum value of 2.00. Regarding the asset management metric, Total Asset Turnover (TATO) reveals an average of 3.1178 accompanied by a standard deviation of 9.57479. This variable exhibits a wide range of performance, spanning from a minimum turnover of 0.45 to a peak maximum of 100.59. Finally, the profitability indicator measured by Return on Assets (ROA) records a mean of 0.2511 and a standard deviation of 0.9441. The variation in profitability across the sample is captured between a minimum value of 0.10 and a maximum value of 0.42.

3.1.2 Classical Assumption Testing

3.1.2.1 Normality Testing

Normality testing is conducted to determine whether the independent and dependent variables intended for hypothesis testing follow a normal distribution. In this study the Kolmogorov-Smirnov test was employed as the primary method to assess data normality. A dataset is considered to be normally distributed if the significance level exceeds the 0,05 (Sig > 0,50) threshold. As shown in Table 4 the test yielded a significance value of 0,200 indicating that the data used in this research is normally distributed.

Table 4. One-sample Kolmogrov-Smirnov

	Unstandardize Residual
N	33
Asymp. Sig 2-tailed	0,200

In addition to the Kolmogorov-Smirnov test normality can also be assessed using the P-Plot Regression method. The Normal P-Plot compares the cumulative empirical distribution of residuals against the theoretical normal cumulative distribution. On this plot the horizontal axis represents the theoretical quantiles of the normal distribution while the vertical axis displays the quantiles of the sample residuals. As illustrated in Figure 2 the data points are distributed along the diagonal line indicating that the data follows a normal distribution pattern.

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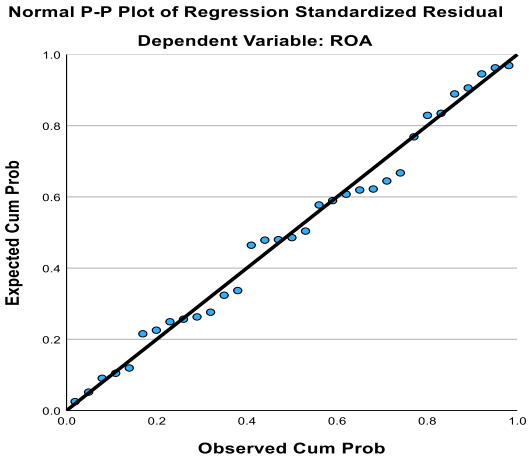

Figure 2. P-Plot Regression

3.1.2.2 Multicollinearity Testing

The multicollinearity test is conducted to determine if there is a high correlation among independent variables within the regression model. Detecting such correlations is crucial because they can distort the relationship between independent and dependent variables effectively compromising the model's validity. To diagnose this issue the Variance Inflation Factor VIF and Tolerance values are examined. A dataset is considered free from multicollinearity if the VIF value is less than 10 and the Tolerance value is greater than 0.1. Referring to Table 5 the VIF values for all independent variables are below 10 and the Tolerance values exceed 0.1 indicating that the data is free from multicollinearity problems

Table 5. Multicolinearity Testing

Variable	Tolerance	VIF	Explanation
OER	0,993	1,007	There are no symptoms of multicollinearity
TATO	0,993	1,007	There are no symptoms of multicollinearity

3.1.2.3 Heteroscedasticity Testing

The heteroscedasticity test is conducted to determine whether the inequality of residual variance exists from one observation to another within the regression model. If the residual variance remains constant the condition is known as homoscedasticity whereas varying residual variance is termed heteroscedasticity. This assessment can be performed by visually inspecting the scatterplot between SRESID and ZPRED to identify any specific patterns. The scatterplot serves as a visual tool to detect heteroscedasticity by examining the distribution of residuals against predicted variables. As depicted in Figure 3 the data points are randomly scattered without forming a clear pattern indicating that the model is free from heteroscedasticity issues.

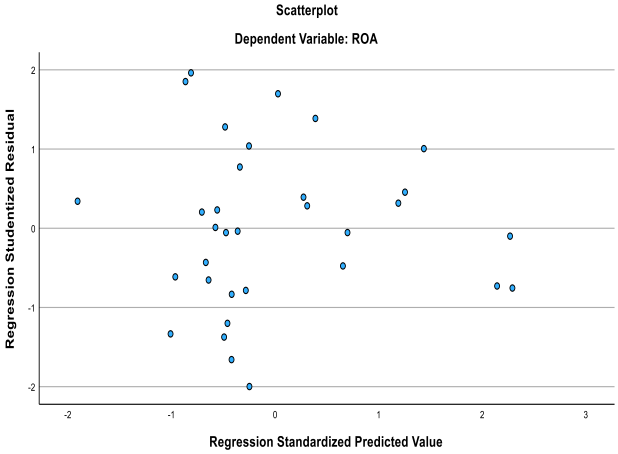

Figure 3. Scatterplot

3.1.2.4 Autocorrelation Testing

The autocorrelation test is employed to determine whether a correlation exists between the error term in period t and the error term in the previous period within a multiple linear regression model. To detect the presence or absence of

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autocorrelation symptoms, the Durbin-Watson test is utilized. If the Durbin-Watson (D-W) value falls between -2 and +2 (-2 < D-W < +2), it indicates that there is no autocorrelation in the data. Based on Table 6, the obtained autocorrelation test result shows a value of 0,768. According to the Durbin-Watson (DW) testing criteria where 0,768 > -2 and 0,768 < 2, it can be concluded that the independent variables meet the requirements and are free from autocorrelation.

Table 6. Autocorrelation Testing

Model	Durbin-Watson
1	0,768

3.1.3 Multiple Linear Analysis Test

The primary objective of linear analysis is to quantify the magnitude of the independent variables' impact on the dependent variable by calculating regression coefficients that elucidate the directional correlation between them. Within the framework of this study, Multiple Linear Regression Analysis is employed to identify the specific contributions of both variables. This method facilitates the examination of how multiple independent variables simultaneously influence the outcome.

Table 7. Multiple Linear Analysis Test

Model	Unstandardized B
(Constant)	-0,020
OER	0,755
TATO	0,100

$$\mathbf{Y = -0,020 + 0,755\ (OER) + 0,100\ (TATO) + e}$$

Based on the Table 7, to provide a deeper understanding, here is an explanation of the regression equation model:

a. Constant Value (**α**) The regression model indicates a constant value of -0.020. This signifies that if the independent variables specifically Operational Efficiency (OER) and Total Asset Turnover (TATO) are held constant at zero or experience no change, the dependent variable (Profitability/ROA) is projected to be -0.020.
b. Operating Expense Ratio (OER) Coefficient (**β1**) The Operating Expense Ratio (OER) variable exhibits a regression coefficient of 0.755. This implies that for every one-unit increment in OER, assuming the TATO variable remains constant, there will be a corresponding increase in Profitability (ROA) by a value of 0.755.
c. Total Asset Turnover (TATO) Coefficient (**β2**) The Total Asset Turnover (TATO) variable records a regression coefficient of 0.100. This suggests that every one-unit increase in TATO, provided that the OER variable remains constant, will result in an increase in Profitability (ROA) by a value of 0.100.

3.1.3 Coefficient of Determination Test

The Adjusted R-Squared value serves as a modified metric to represent the model's explanatory power, specifically illustrating the extent to which the combined influence of the independent variables affects the dependent variable.

Table 8. Coefficient of Determination Test Result ($\mathbf{R^2}$)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.790[a]	0.625	0.600	0.5973

The Adjusted R-Square value of 0.625 indicates that 62.5% of the fluctuation in Return on Assets (ROA) can be effectively explained by the combined variations of Operational expense ratio (OER) and Total Asset Turnover (TATO). In practical terms, this means that the company's ability to control operational costs and maximize asset utilization is the primary driver for more than half of its profitability performance. Meanwhile, the remaining 37.5% is influenced by other factors outside the scope of this study, such as capital structure, sales growth, or external macroeconomic conditions

3.1.2 Simultaneous Test (F Test)

The simultaneous test, also known as the F-test, is utilized to determine whether the independent variables (X) jointly affect the dependent variable (Y).

Table 9. Simultaneous Test (F Test) Result

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	0,178	2	0.089	24,973	$< 0.001^{b}$
Residual	0,107	30	0.004		
Total	0,285	32			

Within this regression framework, a result is considered statistically significant if the probability value (Sig.) falls below the standard threshold of 0.05. Referring to the data in the table 9, the analysis yields a Sig. value of 0.001 (<0.05).

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Consequently, it can be concluded that the independent variables simultaneously exert a significant influence on the dependent variable.

3.1.2 Partial Test (T Test)

The t-Test is employed to evaluate whether each independent variable individually exerts a significant influence on the dependent variable. The decision-making process involves comparing the calculated t-value (t-count) against the critical t-value (t-table), or alternatively, by observing the significance level (Sig.). Specifically, a Sig. value lower than 0.05 (<0.05) indicates that the independent variable has a significant partial effect on the dependent variable.

Table 10. Partial Test (T Test) Result

Hypothesis	B	Sig.	Explanation
OER influence to ROA	0,755	<0,001	H1 Accepted
TATO influence to ROA	0,100	0,049	H2 Accepted

Based on the test results presented in the table 10, the Operating Expense Ratio (OER) variable exhibits a significance value of < 0.001, while the Total Asset Turnover (TATO) variable records a significance level of 0.049. Since both values fall below the 0.05 threshold, it can be concluded that Hypotheses 1 (H1) and 2 (H2) are accepted. This finding demonstrates that, partially, both OER and TATO exert a significant positive influence on Return on Assets (ROA).

3.2 Discussion

3.2.1 The Effect of OER on ROA

Referring to the partial hypothesis test results in Table 10 the analysis confirms that the Operating Expense Ratio (OER) exerts a statistically significant positive influence on Return on Assets (ROA). This outcome validates Hypothesis 1 (H1), establishing that operational spending behavior is a critical determinant of profitability within the Food and Beverage manufacturing subsector. Although a positive coefficient presents an empirical anomaly relative to standard accounting theory which typically assumes that higher costs reduce margins—it highlights a unique strategic dynamic in this industry. The data suggests that between 2014 and 2024, operational expenses functioned not as mere losses, but as productive investments, particularly in marketing and distribution channels. Consequently, aggressive operational spending successfully drove revenue growth that outpaced the costs incurred, thereby expanding the net profit margin. Theoretically, this finding refines the Agency Theory perspective, suggesting that management fulfills its fiduciary duty by optimizing resource allocation for growth rather than solely minimizing costs. Empirically, this result corroborates the studies of (Stefan et al., 2025) and (Rahmawati et al., 2025), who argued that strategic operational spending drives financial performance. Conversely, this study diverges from (Asriany et al., 2024) and (Lianty et al., 2026), who found no tangible link between operational costs and profitability. Ultimately, the significance of OER reflects the sector's resilience against 'profitless growth,' where investing in operational capabilities became the primary lever for survival.

3.2.2 The Effect of TATO on ROA

The statistical output for the second hypothesis reveals that Total Asset Turnover (TATO) has a significant influence on ROA, with a significance value of 0.049, which is below the 0.05 threshold. Consequently, Hypothesis 2 (H2) is accepted. This result underscores that the Food and Beverage industry is fundamentally capital-intensive and volume-centric; thus, the velocity at which a company can turnover its assets to generate sales is just as critical as its profit margins. A higher TATO indicates that the company is effectively utilizing its machinery, inventory, and other assets to generate revenue, preventing the accumulation of idle assets which can lead to losses, as exemplified by the case of PT Tri Banyan Tirta Tbk (ALTO). This finding is consistent with previous studies by (Hakim, 2020), (Stevani & Santoso, 2022), and (Sulistriani & Pranjoto, 2024), which identified TATO as a critical driver of ROA, supporting the logic that faster asset rotation boosts earnings capabilities. Conversely, this result refutes the findings of (Azizah & Wijaya, 2024) and (Afriani et al., 2022), who found no significant contribution of asset turnover to profitability fluctuations. The significance of TATO in this decadal study (2014-2024) confirms that amidst economic volatility, maintaining high asset productivity is essential to absorb fixed costs and sustain profitability.

3.2.3 The Simultaneous Effect of BOPO and TATO on ROA

The simultaneous test (F-test) results yield a significance value of <0.001, confirming that OER and TATO collectively exert a significant influence on ROA. This validates Hypothesis 3 (H3) and highlights the indispensable synergy between cost efficiency (OER) and asset productivity (TATO). The coefficient of determination ($\mathbf{R^2}$) of 0.625 indicates that 62.5% of the variations in ROA can be explained by the combination of these two variables.This implies that a holistic financial strategy is required; a company cannot rely solely on austerity measures (low OER) if its assets are stagnant, nor can it rely solely on high sales turnover (high TATO) if its operational costs are bloated. The integration of rigorous cost control and aggressive asset utilization forms the core mechanism for navigating the volatile economic landscape experienced between 2014 and 2024. The remaining 37.5% of the variance is influenced by unobserved factors such as macroeconomic inflation or capital structure adjustments.

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4. CONCLUSION

Based on a comprehensive empirical analysis conducted on Food and Beverage manufacturing firms listed on the Indonesia Stock Exchange spanning a decadal observation period from 2014 to 2024, this study establishes that both the Operating Expense Ratio (OER) and Total Asset Turnover (TATO) function as critical determinants of corporate profitability. Statistically, the results confirm that OER and TATO exert a significant positive influence on Return on Assets (ROA), both partially and simultaneously, collectively accounting for 62.5% of the variance in profitability. The positive impact of OER presents a profound empirical insight that refines conventional accounting perspectives; rather than acting merely as financial burdens that erode margins, operational expenditures in this specific subsector function as strategic, value-creating investments. By allocating resources towards aggressive marketing, brand maintenance, and distribution network expansion, management effectively drives revenue growth that surpasses the incurred costs, thereby supporting the tenets of Agency Theory regarding optimal resource allocation. Concurrently, the significant positive influence of TATO underscores the volume-centric nature of the Food and Beverage industry. The ability to accelerate inventory and asset rotation cycles is indispensable, proving that maintaining high asset productivity to prevent the accumulation of idle resources is just as vital as cost efficiency. These findings strongly imply that successfully navigating economic volatility and overcoming the "profitless growth" phenomenon requires management to adopt a synergistic, holistic financial strategy that seamlessly integrates rigorous operational investments with aggressive asset utilization. However, this research is subject to certain limitations that must be explicitly acknowledged. The scope of the study is restricted to a relatively small final sample within a single industry subsector, relying solely on two internal financial ratios over a specific ten-year timeframe, which ultimately leaves 37.5% of the variations in profitability unexplained by the current model. To address these methodological constraints and build upon the current findings, it is highly recommended that future researchers broaden the analytical framework. Subsequent studies should incorporate critical external macroeconomic variables such as inflation rates, consumer purchasing power indices, and foreign exchange rate fluctuations which are particularly relevant given the sector's historical reliance on imported raw materials. Furthermore, integrating additional internal financial metrics, including liquidity ratios and capital structure dynamics, alongside conducting comparative analyses across different manufacturing subsectors, would provide stakeholders with a substantially more comprehensive and nuanced understanding of the complex financial drivers dictating corporate sustainability.

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