



# The Effect of Sales Growth and Total Asset Turnover (TATO) on Stock Return at PT Kimia Farma Tbk

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## ABSTRACT

This study aims to examine the effect of Sales Growth and Total Asset Turnover (TATO) on Stock Returns at PT Kimia Farma Tbk during the 2014–2023 period. The research is motivated by the inconsistency between the company's financial performance and stock price fluctuations, particularly in the pharmaceutical sector, which is highly sensitive to market sentiment and external shocks. This study employs a quantitative approach with an associative design using secondary data derived from the company's annual financial statements. The analytical method applied is multiple linear regression, supported by classical assumption tests, including normality, multicollinearity, heteroscedasticity, and autocorrelation tests, as well as hypothesis testing through t-tests and F-tests. The results show that Sales Growth and TATO do not have a statistically significant effect on Stock Returns, either partially or simultaneously. The coefficient of determination ( $R^2$ ) indicates that 34.7% of the variation in stock returns can be explained by these variables, while 65.3% is influenced by other factors not included in the model. These findings suggest that stock return dynamics are not solely driven by internal financial performance but are also significantly influenced by external factors such as market sentiment, macroeconomic conditions, and investor behavior. This study contributes to the literature by highlighting the limitations of traditional financial ratios in predicting stock returns and emphasizes the need for a more comprehensive analytical approach. Practically, the findings encourage companies to enhance strategic innovation and investor communication while guiding investors to adopt broader evaluation criteria in investment decision-making.

## 1. Introduction

The development of companies in Indonesia, especially in the pharmaceutical and medicine sector, has created increasingly intense competition. Currently, in the public health business world, pharmaceutical or drug companies are commercial business entities that focus on researching, developing, and distributing medicines, particularly in the health sector. Companies engaged in providing public services greatly influence the quality of life of society, especially in terms of health and the environment. One example is the pharmaceutical company PT Kimia Farma Tbk. Companies are required to maintain their sustainability in order to survive. Survival means that companies must compete with others; therefore, they must improve their financial

performance to grow and attract investors to invest in the company. Good financial performance is the key to a company's success.

Financial performance is an important part of corporate decision-making and provides information about the company's financial condition. In addition, financial performance is essential for companies to measure their achievements in reaching corporate goals. The primary objective of establishing a company is to generate profit; when a company earns profit, it has successfully achieved its goal. Profit is a very important objective for both owners and management.

Management that can generate high profits is able to attract investors, who usually focus on profitability analysis before investing in a company.

Therefore, companies are required to maintain stable profitability conditions so that investors are interested in investing. Profitability focuses on a company's ability to generate income using its assets in operations. Profitability is the company's ability to generate profit efficiently and effectively. One ratio commonly used to measure this ability is Return on Assets (ROA).

PT Kimia Farma Tbk is one of the pharmaceutical companies currently striving to improve its performance. Improving a company is not as easy as expected; it can begin with increasing firm value through capital structure and Total Asset Turnover (TATO). However, companies often face various challenges. One of them is that firm value tends to fluctuate due to capital structure instability, which can negatively affect financial conditions. In addition to capital structure, Total Asset Turnover (TATO) is also a variable influencing firm value. The instability of TATO at PT Kimia Farma Tbk indicates inefficiency and results in slower or lower cash returns compared to previous years.

PT Kimia Farma is the first pharmaceutical industry company in Indonesia, established by the Dutch East Indies Government in 1817. Initially,

the company was named NV Chemicalien Handle Rathkamp & Co. Following the nationalization policy of former Dutch companies in the early independence period, in 1958 the Government of the Republic of Indonesia merged several pharmaceutical companies into PNF (State Pharmaceutical Company) Bhinneka Kimia Farma. On August 16, 1971, the legal status of PNF was changed into a Limited Liability Company, and the name became PT Kimia Farma (Persero). On July 4, 2001, PT Kimia Farma (Persero) changed its status into a public company, PT Kimia Farma (Persero) Tbk. Furthermore, the company name was officially changed to PT Kimia Farma Tbk effective February 28, 2020, as stated in the Extraordinary General Meeting of Shareholders Deed No. 18 dated September 18, 2019, along with the formation of the State-Owned Pharmaceutical Holding in which Kimia Farma became a member. PT Kimia Farma has been listed through an IPO since 2001.

To examine Sales, Total Asset Turnover (TATO), and Stock Returns of PT Kimia Farma (KAEF) over the last five years (2019–2023), the data are presented in the table below.

**Table 1. Sales, Assets, and Stock Prices of PT Kimia Farma (KAEF) 2019–2023**

(In thousand rupiah unless otherwise stated)

Year	Sales	Assets	Stock Price (IDR)
2019	9,400,535,476	11,008,090,009	1,625
2020	10,006,173,023	17,562,816,674	4,250
2021	12,857,626,593	17,229,101,040	1,745
2022	9,606,145,359	19,797,322,545	1,060
2023	9,965,033,049	17,585,297,583	730

Source: Processed data, 2025

Based on the table, KAEF's net sales show fluctuations over the last five years. Initial Increase (2019–2020): Net sales grew from IDR 9.40 trillion in 2019 to IDR 10.006 trillion in 2020. This increase may have been driven by high demand for health products during the early COVID-19 pandemic. Fluctuation Period (2021–2022): Sales increased in 2021 to IDR 12.857 trillion but then declined significantly in 2022 to IDR 9.606 trillion. This fluctuation may reflect changing market demand or company strategy effectiveness. End-of-Period Decline (2023): Sales decreased again in 2023 to IDR 9.965 trillion, indicating challenges in maintaining growth momentum.

Meanwhile, KAEF's total assets generally showed an upward trend from 2019 to 2022. Asset Growth (2019–2022): Total assets increased from IDR 11.008 trillion in 2019 to IDR 17.562 trillion in 2022, indicating investments such as business expansion, new factory development, or asset acquisition. Asset Decline (2023): In 2023, total assets decreased to IDR 17.585 trillion, possibly due to asset divestment or depreciation.

On the other hand, KAEF's stock price movements show extreme volatility and are not aligned with sales or asset performance. Surge (2020): Stock prices jumped from IDR 1,625 to IDR 4,250, driven by market euphoria related to the

company's role during the pandemic rather than proportional fundamental improvements. Sharp Decline (2021–2023): After the peak, stock prices dropped significantly for three consecutive years—from IDR 4,250 to IDR 1,745 (2021), then to IDR 1,060 (2022), and further to IDR 730 (2023).

Referring to the financial data analysis above, there is an imbalance between operational performance and stock performance. Although the company managed to increase assets and sales in certain years, it failed to sustain this momentum. Stock price movements—especially the sharp increases and declines—are more influenced by speculative factors and market sentiment rather than strong company fundamentals. This indicates that KAEF investors face high risk due to highly unstable stock performance.

## 2. Literature Review

### a. Sales Growth

Sales growth represents an overview of the magnitude of a company's performance, as one of the company's main sources of revenue comes from sales. The greater the stability of sales generated by a company, the more positive the impact on its sustainability. According to Darmanto et al. (2018), sales growth is the increase in sales volume from year to year, both in terms of the number of units sold and their monetary value. Similarly, Rudianto (2015) states that sales growth is the percentage increase or change over time, which can also be classified as a ratio in each accounting period. Meanwhile, Kasmir (2018) explains that sales growth is the rate of change in a company's sales from year to year by comparing current period sales with previous period sales.

From the definitions above, it can be concluded that sales growth refers to changes or increases in sales over time. According to Kasmir (2016), sales growth can be measured as follows:

$$\text{Sales Growth} = \frac{\text{Current Sales} - \text{Previous Sales}}{\text{Previous Sales}}$$

*Source: Kasmir (2016)*

### b. Total Asset Turnover (TATO)

According to Sujarweni (2017), Total Asset Turnover is the ability of funds invested in total assets to rotate within a certain period or the ability

of invested capital to generate revenue. Rosyamsi (2019) states that Total Asset Turnover describes asset turnover measured by sales volume. The higher the total asset turnover ratio, the more efficient the use of all assets in generating sales.

According to Kasmir (2017:116), the formula for Total Asset Turnover (TATO) is as follows:

$$\text{TATO} = \frac{\text{Sales}}{\text{Total Assets}}$$

*Source: Kasmir (2017)*

### c. Stock Return

According to Herlambang & Kurniawati (2022), stock return is the rate of return obtained by investors from an investment over a certain period. Jogyanto (2017) defines stock return as the reward gained from making an investment. Return represents compensation for investors' willingness to bear the risks associated with their investments. Return is also one of the key factors that encourage investors to invest. Investments with higher returns are generally associated with higher risks. Therefore, investors must carefully consider both risk and expected return, as investment decisions involve balancing these two aspects (Herlianto, 2013).

Stock returns consist of two components: capital gain and dividends. Capital gain is the profit received by investors without going through the General Meeting of Shareholders (Purba, 2019). It occurs when investors sell their shares at a price higher than the purchase price. Conversely, if the selling price is lower than the purchase price, investors incur a loss, known as a capital loss. The difference between the purchase and selling price represents the investor's gain (Purba, 2019).

According to Ayem & Astuti (2019), the formula for calculating stock return is:

$$\text{Stock Return} = \frac{P_t - P_{t-1}}{P_{t-1}}$$

### d. The Effect of Sales Growth on Stock Return

In general, positive sales growth reflects healthy company performance and increasing demand for its products or services. When a company consistently increases its sales, investors often interpret this as an indication of future profit potential. Higher profit projections can increase demand for the company's shares, ultimately raising

stock prices and generating positive returns for shareholders.

Previous studies by Lenny et al. (2022), Sagala et al. (2022), and Yasa et al. (2022) found that sales growth has an effect on stock returns. However, studies by Maulana et al. and Siregar et al. (2023) found that sales growth has no effect on stock returns.

**Hypothesis:**

**H1:** Sales growth has an effect on stock returns.

**e. The Effect of Total Asset Turnover (TATO) on Stock Return**

Total Asset Turnover (TATO) is a ratio that measures how efficiently a company uses its assets to generate sales. In other words, TATO shows how much sales are generated from each unit of assets owned. Theoretically, a higher TATO indicates greater efficiency in asset management. This operational efficiency is viewed positively by investors, as it reflects the company's ability to optimize its resources for growth. Therefore, companies with higher TATO tend to attract investor interest, which can increase stock demand and ultimately raise stock prices, resulting in positive stock returns. Previous research by Stevanny (2022) found that TATO affects stock returns, while Saifurrahman (2021) found no effect.

**Hypothesis:**

**H2:** Total Asset Turnover (TATO) has an effect on stock returns.

**f. The Effect of Sales Growth and TATO on Stock Return**

Overall, the combined effect of sales growth and TATO on stock returns is synergistic. High sales growth will be more convincing to investors if accompanied by high TATO. This combination indicates that the company is not only expanding its business scale but also doing so efficiently and profitably. Conversely, high sales growth with low TATO may indicate inefficiency, where the company requires more assets to generate revenue, potentially reducing profitability. Therefore, informed investors consider both indicators simultaneously to gain a comprehensive understanding of a company's financial health and growth potential.

Previous research by Puspita (2019) found that sales growth and TATO affect stock returns.

However, studies by Andani et al. (2020), Yusup et al. (2020), Sobana et al. (2020), and Bisri et al. (2020) found no effect.

**Hypothesis:**

**H3:** Sales growth and Total Asset Turnover (TATO) have an effect on stock returns.

**3. Research Methods**

**3.1. Research Type**

Based on the level of explanation, this study is classified as causal research, which identifies cause-and-effect relationships among variables forming the model using a quantitative approach. Based on the type of data, this research is categorized as quantitative research, which examines the direction of relationships between independent and dependent variables while also measuring the strength of these relationships. This study analyzes the effect of Sales Growth and Total Asset Turnover (TATO) on Stock Returns at PT Kimia Farma Tbk.

**3.2. Research Instrument**

The instrument used in this study is a set of tabulated data derived from financial statements, particularly income statements, consisting of sales and net income of PT Kimia Farma over a 10-year period from 2014 to 2023.

**3.3. Population and Sample**

According to Sugiyono (2019), population refers to a group consisting of objects or subjects with certain qualities and characteristics determined by the researcher to draw conclusions. The population in this study includes all financial statements and stock prices of PT Kimia Farma Tbk since it was listed on the Indonesia Stock Exchange (IDX) from 2001 to 2023 (23 years). A sample, according to Sugiyono (2019), is a portion of the population representing its characteristics and size. Based on the population above, the sample in this study consists of complete financial statement data of PT Kimia Farma Tbk for 10 years, from 2014 to 2023. The sampling technique used is purposive sampling, which selects samples based on specific considerations, such as data availability and the requirement that financial reports must be audited and up-to-date.

### 3.4. Research Location

This research was conducted at PT Kimia Farma, located in Central Jakarta, Indonesia. Data were obtained from the company's official website:

### 3.5. Data Collection Techniques

The data collection techniques used in this study are as follows:

#### 1. Documentation

According to Sugiyono (2019), documentation is a data collection method used to obtain information in the form of books, archives, documents, numerical records, and images, including reports that support the research. The data obtained through this method include financial statements of PT Kimia Farma Tbk in the form of balance sheets and income statements from 2019 to 2023.

#### 2. Literature Study

A literature study involves reviewing reference books and previous related research. The data obtained include journals and relevant academic literature.

### 3.6. Data Analysis Techniques

#### 1. Classical Assumption Tests

Classical assumption tests are used to ensure that the data are normally distributed. Data processing is conducted using SPSS Version 26 (2024).

##### a. Normality Test

The normality test is used to determine whether data distribution is normal. This study uses the One-Sample Kolmogorov-Smirnov test. Data are considered normally distributed if the significance value is greater than 0.05; otherwise, they are not normal.

##### b. Multicollinearity Test

This test aims to determine whether there is a correlation among independent variables in the regression model. According to Yaldi et al. (2022), multicollinearity can be detected using tolerance values and the Variance Inflation Factor (VIF). If VIF is less than 10, multicollinearity is not considered a problem.

##### c. Heteroscedasticity Test

This test examines whether there is inequality in the variance of residuals across observations (Ghozali, 2018, in Aprilita et al., 2024). A good regression model should not exhibit

heteroscedasticity. This can be tested using a scatterplot.

##### d. Autocorrelation Test

The autocorrelation test determines whether there is a correlation between residuals across time in a regression model (Ghozali, 2011). It is tested using the Durbin-Watson (DW) test with the following criteria:

1. If  $0 < d < d_l$ : positive autocorrelation exists (rejected).
2. If  $d_l \leq d \leq d_u$ : no decision.
3. If  $4 - d_l < d < 4$ : negative autocorrelation exists (rejected).
4. If  $4 - d_u \leq d \leq 4 - d_l$ : no decision.
5. If  $d_u < d < 4 - d_u$ : no autocorrelation.

#### 2. Multiple Regression Analysis

This analysis is used to test the effect of independent variables on the dependent variable (Ghozali, 2016). This study uses two independent variables and one dependent variable, expressed in the regression equation as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e$$

Where:

- $Y$  = Stock Return
- $\alpha$  = Constant
- $\beta$  = Regression coefficients
- $X_1$  = Sales Growth
- $X_2$  = Total Asset Turnover
- $e$  = Error term

#### 3. Coefficient of Determination ( $R^2$ Test)

The coefficient of determination measures how much influence independent variables (X) have on the dependent variable (Y):

$$KD = R^2 \times 100\%$$

Where:

- $KD$  = Coefficient of Determination
- $R^2$  = Correlation coefficient squared

This analysis determines the extent to which sales growth and TATO influence stock returns.

#### 4. T-Test (Partial Test)

The T-test is used to determine the effect of each independent variable on the dependent variable (Sa'adah, 2016). The criteria are:

- If significance  $< 0.05$  and  $t_{count} > t_{table}$ , the hypothesis is accepted.
- If significance  $> 0.05$  and  $t_{count} < t_{table}$ , the hypothesis is rejected.

#### 5. Model Feasibility Test (F-Test)

The F-test evaluates whether independent variables simultaneously affect the dependent variable. The decision rule is:

- The hypothesis is accepted if the F-test significance (p-value) is less than 0.05.

### 4. Results and Discussion

#### 4.1 Research Results

##### a. Normality Test

Tabel 2. Hasil Uji Kolmogorov-Smirnov

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		10
Normal Parameters <sup>a</sup>	Mean	.0000000
	Std. Deviation	77.18835760
Most Extreme Differences	Absolute	.175
	Positive	.175
	Negative	-.118
Test Statistic		.553
Asymp. Sig. (2-tailed)		.919 <sup>c</sup>
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

The normality test was conducted using the One-Sample Kolmogorov-Smirnov method to evaluate whether the residual data follow a normal distribution, which is a key assumption in regression analysis. The results indicate that the Asymp. Sig. (2-tailed) value is 0.919, which is significantly higher than the threshold of 0.05. This finding confirms that the residuals are normally distributed, suggesting that the regression model satisfies the normality assumption. A normal distribution of residuals implies that the estimation of parameters is unbiased and reliable. In the context of financial research, particularly when examining variables such as sales growth and Total Asset Turnover (TATO), ensuring normality is crucial because it validates

subsequent statistical tests, including hypothesis testing and confidence interval estimation. The relatively small sample size ( $N = 10$ ) also highlights the importance of passing this assumption, as deviations from normality could significantly distort the results.

Furthermore, the absence of skewness or extreme deviation, as reflected by the small differences in the Kolmogorov-Smirnov statistics, indicates that the dataset is well-behaved. Therefore, it can be concluded that the regression model used in this study is statistically appropriate and can be further analyzed using parametric techniques to examine the relationship between the independent and dependent variables.

##### b. Multicollinearity Test

Tabel 4. Hasil Uji Multikolinieritas

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Pertumbuhan penjualan	.684	1.463
	TATO	.684	1.463

Sumber Data : Output SPSS Versi 26 (2025)

The multicollinearity test aims to determine whether there is a high correlation among independent variables, which may distort the regression results. Based on the findings, both Sales Growth and Total Asset Turnover (TATO) have tolerance values of 0.684, which are above the minimum threshold of 0.10. Additionally, the Variance Inflation Factor (VIF) values for both variables are 1.463, well below the critical value of 10. These results indicate that there is no significant multicollinearity issue in the model.

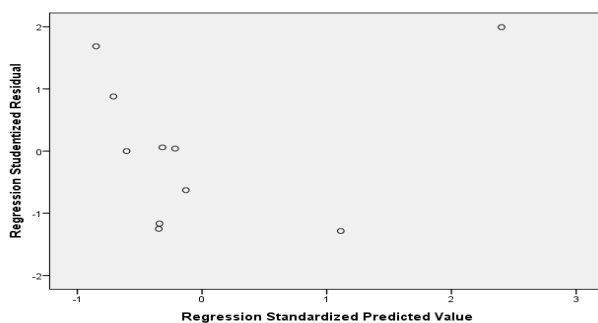
The absence of multicollinearity suggests that each independent variable contributes unique information in explaining variations in stock returns. This is particularly important in financial modeling, where overlapping explanatory power between variables can lead to unstable coefficient estimates and misleading interpretations. In this study, the relatively low VIF values confirm that Sales Growth and TATO are not strongly correlated and can be analyzed simultaneously without bias.

From a theoretical perspective, this finding implies that the operational efficiency represented

by TATO and the business expansion reflected in sales growth are distinct constructs. Investors may evaluate these indicators independently when assessing firm performance. Therefore, the regression model is robust in capturing the individual effects of these variables on stock returns, allowing for more accurate and meaningful interpretation of the results.

### c. Heteroscedasticity Test

Gambar 1. Hasil Uji Heterokedastisitas



Sumber Data : Output Spss v26 2025

The heteroscedasticity test was conducted using a scatterplot analysis to examine whether the variance of residuals remains constant across observations. The scatterplot shows that the data points are randomly distributed both above and below the zero line on the Y-axis, without forming any discernible pattern. This indicates that the model does not suffer from heteroscedasticity. The absence of heteroscedasticity is essential for ensuring the efficiency and reliability of regression estimates. When heteroscedasticity is present, standard errors may be biased, leading to incorrect conclusions in hypothesis testing. In this study, the random distribution of residuals suggests that the variance is constant (homoscedastic), meaning that the regression model meets another important classical assumption.

From a practical standpoint, this finding enhances the credibility of the analysis, as it confirms that the relationship between Sales Growth, TATO, and Stock Returns is not influenced by unequal error variance. In financial research, where data volatility is often high, achieving homoscedasticity strengthens the validity of the model. Consequently, the regression results can be interpreted with greater confidence,

supporting the robustness of the empirical findings presented in this study.

### d. Autocorrelation Test

Tabel 5. Hasil Uji Autokorelasi  
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.364 <sup>a</sup>	.747	.494	278.532	2.084
a. Predictors: (Constant), TATO, Penjualan					
b. Dependent Variable: Return Saham					

Sumber Data : Output Spss Versi 26 (2025)

The autocorrelation test was performed using the Durbin–Watson (DW) statistic to determine whether there is a correlation between residuals across observations. The results show a DW value of 2.084. With a sample size of 10 ( $n = 10$ ) and two independent variables ( $k = 2$ ), the upper bound value ( $dU$ ) is 1.641, and the value of  $4 - dU$  is 2.359. Since the DW value lies between these two values ( $1.641 < 2.084 < 2.359$ ), it can be concluded that there is no autocorrelation in the model.

The absence of autocorrelation indicates that the residuals are independent, which is a key requirement for valid regression analysis. In time-series or panel data studies, autocorrelation can lead to inefficient estimates and biased statistical inference. However, in this case, the model satisfies the independence assumption, suggesting that past errors do not influence current errors. This result is particularly relevant for financial data analysis, where temporal relationships often exist. The lack of autocorrelation implies that the variations in stock returns are not systematically related over time within the dataset. Therefore, the regression model provides a reliable framework for analyzing the impact of Sales Growth and TATO on Stock Returns, ensuring that the estimated coefficients are both unbiased and efficient.

## 4.2 Research Discussion

### Interpretation of Key Findings

This study aims to examine the effect of Sales Growth and Total Asset Turnover (TATO) on Stock Returns at PT Kimia Farma Tbk. The

empirical findings reveal that both Sales Growth and TATO do not have a statistically significant effect on Stock Returns, either partially or simultaneously. This is evidenced by the results of the t-test and F-test, where the significance values exceed the 0.05 threshold, leading to the rejection of all proposed hypotheses (H1, H2, and H3).

These findings indicate that the dynamics of stock returns in PT Kimia Farma are not primarily driven by internal operational indicators such as sales performance or asset efficiency. Instead, stock returns appear to be influenced by external factors, including market sentiment, macroeconomic conditions, and speculative investor behavior. This is consistent with the observed volatility in stock prices, which fluctuated significantly despite relatively stable trends in sales and asset growth. Therefore, the study suggests that financial performance alone is insufficient to explain stock return movements in this context.

### Comparison with Previous Studies

The results of this study are consistent with previous research conducted by Maulana et al. (2023) and Siregar et al. (2023), which found that Sales Growth does not significantly affect Stock Returns. Similarly, the findings align with Saifurrahman (2021), who reported that TATO has no significant impact on Stock Returns. These similarities reinforce the argument that traditional financial ratios may not always serve as strong predictors of stock performance, particularly in emerging markets.

However, this study contradicts the findings of Lenny et al. (2022), Sagala et al. (2022), and Yasa et al. (2022), who found a positive and significant relationship between Sales Growth and Stock Returns. It also differs from Stevanny (2022), who reported that TATO significantly affects Stock Returns. These inconsistencies may arise from differences in research context, sample size, industry characteristics, and time periods analyzed. For instance, the pharmaceutical sector during the COVID-19 pandemic experienced abnormal market behavior, which may weaken the relationship between financial fundamentals and stock performance.

### Theoretical Contributions

From a theoretical perspective, this study contributes to financial management and investment theory by challenging the assumption that internal financial performance indicators, such as Sales Growth and asset efficiency (TATO), directly influence stock returns. Traditional financial theory suggests that improved operational performance should lead to higher profitability, which in turn increases firm value and stock returns. However, the findings of this study indicate that this relationship is not always linear or significant. This suggests that stock return formation may be influenced by behavioral finance factors, such as investor sentiment and market speculation, rather than purely by fundamental performance indicators. Therefore, this study extends existing theories by highlighting the importance of incorporating behavioral and external factors into models of stock return analysis, particularly in volatile and emerging markets.

### Practical and Policy Implications

The findings of this study have important implications for both corporate management and investors. For company management, the results suggest that improving sales growth and asset efficiency alone may not be sufficient to enhance stock returns. Instead, companies should adopt a more comprehensive strategy that includes strengthening market communication, improving transparency, and building investor confidence.

In addition, PT Kimia Farma should focus on innovation, digital transformation, and the optimization of its business network, including retail outlets, clinics, and laboratories. These strategies may enhance long-term profitability and create a more positive perception among investors. For investors, the results imply that relying solely on financial ratios such as Sales Growth and TATO may lead to suboptimal investment decisions. Investors are encouraged to consider broader factors, including market trends, industry conditions, and macroeconomic indicators, when evaluating investment opportunities.

### Integration with the Research Gap

This study successfully addresses the research gap identified in the literature, where previous studies have shown inconsistent results

regarding the relationship between Sales Growth, TATO, and Stock Returns. By focusing on PT Kimia Farma Tbk over a 10-year period, this study provides empirical evidence that contributes to resolving these inconsistencies.

The findings highlight that in certain contexts, particularly in industries affected by external shocks such as the COVID-19 pandemic, stock returns may not be significantly influenced by internal financial performance indicators. This reinforces the importance of context-specific analysis and supports the argument that financial relationships are not universally applicable across all industries and time periods.

### Acknowledgement of Study Limitations

Despite its contributions, this study has several limitations. First, the sample size is relatively small (10 years), which may limit the generalizability of the findings. Second, the study focuses on a single company, which may not fully represent the broader pharmaceutical industry or other sectors. Third, the model only includes two independent variables, namely Sales Growth and TATO, while other important factors such as profitability ratios, leverage, macroeconomic variables, and investor sentiment are not considered.

These limitations suggest that the findings should be interpreted with caution. Future research is encouraged to include a larger sample size, multiple companies, and additional variables to provide a more comprehensive analysis of stock return determinants.

## 5. Conclusion

### 5.1 Summary of Key Findings

This study aims to analyze the effect of Sales Growth and Total Asset Turnover (TATO) on Stock Returns at PT Kimia Farma Tbk during the 2014–2023 period. The empirical findings indicate that both Sales Growth and TATO do not have a statistically significant effect on Stock Returns, either partially or simultaneously. The coefficient of determination ( $R^2$ ) shows that only 34.7% of the variation in stock returns can be explained by these two variables, while the remaining 65.3% is influenced by other factors outside the model.

These results suggest that stock return movements in PT Kimia Farma are not strongly

determined by internal financial performance indicators such as sales growth and asset efficiency. Instead, stock performance appears to be more sensitive to external influences, including market sentiment, macroeconomic conditions, and speculative investor behavior. Therefore, the study confirms that the relationship between financial performance and stock returns is not always direct or significant, particularly in volatile market conditions.

### 5.2 Theoretical Contributions

This study contributes to the development of financial management and investment theory by providing empirical evidence that challenges the conventional assumption that internal financial indicators directly influence stock returns. While traditional financial theory suggests that improved operational performance leads to increased firm value and higher stock returns, this study finds that such relationships may not always hold in practice.

The findings highlight the importance of integrating behavioral finance perspectives, particularly the role of investor sentiment and market dynamics, in explaining stock return fluctuations. In addition, this study enriches the existing literature by addressing inconsistencies in previous research regarding the relationship between Sales Growth, TATO, and Stock Returns. Thus, it provides a more nuanced understanding that financial performance indicators should not be analyzed in isolation but in conjunction with broader market factors.

### 5.3 Practical and Policy Implications

The results of this study offer important implications for both corporate management and investors. For management, the findings suggest that improving sales growth and asset efficiency alone is not sufficient to enhance stock returns. Companies, particularly PT Kimia Farma, should adopt a more comprehensive strategy that includes strengthening corporate governance, increasing transparency, and enhancing communication with investors.

Furthermore, strategic initiatives such as digital transformation, product innovation, and optimization of business networks—including pharmacies, clinics, and laboratories—should be

prioritized to improve long-term performance and investor confidence.

For investors, this study emphasizes the importance of adopting a holistic approach in investment decision-making. Investors should not rely solely on financial ratios such as Sales Growth and TATO but should also consider external factors such as industry trends, economic conditions, and market sentiment to better assess investment risks and opportunities.

#### 5.4 Limitations of the Study

This study has several limitations that should be acknowledged. First, the sample size is relatively limited, covering only a 10-year period, which may affect the generalizability of the findings. Second, the research focuses on a single company, PT Kimia Farma Tbk, which may not fully represent the broader pharmaceutical industry or other sectors.

Third, the study only examines two independent variables—Sales Growth and TATO—while other potentially influential variables, such as profitability ratios, leverage, liquidity, macroeconomic indicators, and investor sentiment, are not included in the analysis. These limitations may restrict the comprehensiveness of the model in explaining stock return variations. Therefore, the results of this study should be interpreted with caution, and the conclusions may not be directly applicable to different contexts or industries.

#### 5.5 Directions for Future Research

Future research is recommended to expand the scope and depth of analysis by including a larger sample size and multiple companies across different industries. This would improve the generalizability and robustness of the findings. In addition, future studies should incorporate additional variables, such as profitability (ROA, ROE), leverage, liquidity ratios, macroeconomic factors (inflation, interest rates), and behavioral variables (investor sentiment, market volatility), to provide a more comprehensive explanation of stock return determinants.

Researchers are also encouraged to apply alternative methodologies, such as panel data analysis, time-series models, or machine learning approaches, to capture more complex relationships between variables. By addressing these aspects, future research can provide deeper insights into the

factors influencing stock returns and contribute more significantly to both academic literature and practical investment strategies.

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