V. CONCLUSIONS AND IMPLICATIONS

5.1 Conclusions

With leverage acting as a mediator, the purpose of this study is to investigate how profitability is affected by capital intensity and sales growth for manufacturing companies that are listed on the Indonesian stock exchange. The following can be drawn as a result of the analysis that was performed earlier.

1. Sales Growth has no significant on Profitability.

   The probability value obtained is 0,078 which greater than alpha 0,05. Then it can be concluded that sales growth does not have a significant effect on profitability.

2. Capital intensity has a negative effect on Profitability

   The probability value obtained is 0.013 and less than 0.05. Then the calculated t value showed as negative value. Then, it can be concluded that Capital intensity has a negative and significant effect on Profitability.

3. Leverage has a negative effect on Profitability

   The probability value obtained is 0.000 and less than 0.05. Then the calculated t value showed as negative value. Then, it can be concluded that leverage has a negative and significant effect on Profitability

4. Sales Growth has a positive effect on Leverage.

The probability value obtained is 0.000 and less than 0.05. Then the calculated t value showed as positive value. Therefore, it can be concluded that sales growth has a positive and significant effect on leverage.

5. Leverage can mediate the influence of Sales Growth on Profitability.

   The t value from indirect effect obtained is 2,358 which is greater then t table 1,991. Therefore, it can be concluded that leverage is able to mediate the effect of sales growth on profitability.

5.2 Implications

This study discovered the following things based on the discussion that was conducted earlier:

1. Sales Growth has no significant on Profitability.

   Although not significant, the research results show that sales growth can reduce company profitability. This was due to the company's operating expenses which also increased along with the increase in sales growth. Therefore, to increase the company's profitability, it cannot increase profits with sales growth if it is unable to reduce its operational costs. Operational costs that can be reduced or reduced can be in the form of labor costs, production costs, and advertising costs. Companies can do this by utilizing machine technology or AI. In addition, the company can also set a budget in advance so that the specified operating expenses do not reduce profits.

2. Sales Growth has a positive effect on Leverage

Sales growth causes operating expenses to increase so that the company needs more funds to finance operational activities. The funds are obtained through third parties or debt. However, an increase in debt can cause the company's risk to increase. Therefore, it is recommended that companies finance their operational expenses using internal funds first through the implementation of the budget

3. Capital intensity have a negative effect on profitability

   The increase in capital intensity shows that the fixed assets owned by the company also increase. Financing of fixed assets causes an increase in the company's burden so that the profits obtained decrease. Therefore, the company must determine the budget before deciding to purchase fixed assets so that the profits obtained do not decrease.

4. Leverage has a negative effect on Profitability

   Debt is an external fund that is easily obtained by the company. However, using debt can increase the company's financial burden and increase risk. A high increase in financial expenses can cause a decrease in profitability. Therefore, companies are advised to obtain additional funds through other sources with low financial costs such as factoring, share capital, commercial paper, and others.

5. Leverage is able to mediate the influence of Sales Growth on Profitability

The results show that leverage is able to mediate the effect of sales growth on profitability. The relationship between sales growth and profitability is a negative relationship, while sales growth has a positive relationship with leverage. On the other hand, leverage has a negative relationship to profitability. This indicates that an increase in sales growth will increase the use of debt or leverage and result in a decrease in profitability.

The company's dependence on using debt as a source of funds in financing operational activities can be a threat because it can reduce the profit earned. Without financial planning or budgeting, companies need additional funds, namely through debt. As a result, even though there was an increase in sales, the company was unable to increase the profits it earned because it had to pay the financial costs of using debt. Therefore, companies need to budget and use alternatives other than debt to obtain additional funds.

5.3 Research Limitations

1. In this study, there were 82 panel data but it contains 11 outliers' data that need to be removed. Outliers data has extreme value that too greater than the average. The outliers can cause the result into bias. Before removing the outliers the result showed that leverage unable to mediate the influence of sales growth on profitability but after removing it showed that leverage able to mediate the influence of sales growth on

profitability. In order to obtain a larger sample, suggestions for future research may call for an extension of the observation period.

2. The R-Squared value on profitability were only 0,268 or 26,8%. It means that sales growth, capital intensity, and leverage only influence the profitability 26,8%. Thus it showed that profitability influenced by 73,2% other variables that didn’t observed on this study. Suggestions for further research can use other variables.