

Return On Asset : Current Ratio And Debt To Asset Ratio Companies In Indonesia Stock Exchange

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ABSTRACT

The goal to be achieved in this study is to analyze and determine the effect of the Current Ratio variable on the Return On Asset variable in food and beverage companies on the Indonesia Stock Exchange for the 2014-2018 period. To analyze and determine the effect of the Total Debt to Total Assets Ratio variable on the Return On Assets variable in food and beverage companies on the Indonesia Stock Exchange for the 2014-2018 period. To analyze and determine the effect of Current Ratio and Debt to Assets Ratio on Return On Assets in food and beverage companies on the Indonesia Stock Exchange for the period 2014-2018. In this study, quantitative descriptive data is used which aims to carry out an associative approach. The results of the study show Current ratiosignificant positive effect on Return on Assets in food and beverage companies listed on the Indonesia Stock Exchange (IDX) for the 2014-2018 period. Debt to Asset Ratio has a significant positive effect on Return on Assets in food and beverage companies listed on the Indonesia Stock Exchange (IDX) for the 2014-2018 period. Current Ratio and Debt to Asset Ratio jointly have a significant positive effect on Return on Assets in food and beverage companies listed on the Indonesia Stock Exchange (IDX) for the 2014-2018 period.

Keywords : Current Ratio, Debt to Asset Ratio and Return On Asset

INTRODUCTION

The growth of the food and beverage industry can illustrate that competitive business competition requires business people to manage companies effectively and efficiently. In order to win the competition, the company can maintain its business continuity by improving and maintaining its performance. The performance of a company is the result that must be achieved from a series of processes at the expense of all the resources of the company. A company can be said to be healthy if it can survive in any kind of economic situation, which can be seen from its ability to fulfill financial obligations, be able to utilize its assets to earn profits from sales, and can continue to carry out operational activities and develop its business.

ROA is one of the profitability ratios used to measure the effectiveness of the company in generating profits by utilizing its total assets. ROA is the ratio between profit after tax to Total Assets. The greater the ROA, the better the company's performance, because the greater the return. The importance of ROA for investors is as one of the benchmarks in providing an assessment of an investment that is taken.

(Fahmi, 2014)matter. 83) ROA, this ratio looks at the extent to which the invested investment is able to provide a return of profit as expected. And the investment is actually the same as the company's assets that are invested or used.

LITERATURE REVIEW

Return On Assets

According to (Rambe, Gunawan, Julita, Parlindungan, & Gultom, 2017) page 71) "Return On Assets, the comparison between net income and total assets measures the rate of return on total investment, or Return On Investment (ROI). According to (Hani, 2015) matter. 119) "Return On Investment is the ability of the capital invested in all assets to generate a net profit. Capital can be interpreted as total assets or total investment.

Based on the above understanding, it can be concluded that Return on Assets is a ratio that shows the level of efficiency of asset management carried out by the company concerned. The higher the return on assets means the higher the amount of net profit generated from each rupiah of funds embedded in total assets. Conversely, the lower the return on assets means the lower the amount of net profit generated from each rupiah of funds embedded in total assets.

Current Ratio

according to (Sudana, 2011) matter. 24) "Current Ratio measures the company's ability to pay current debts using its current assets. The larger this ratio means the more liquid the company is. However, this ratio has a weakness because not all components of current assets have the same level of liquidity. According to (Fahmi, 2014) p.69) "Current Ratio is a commonly used measure of short-term solvency, the ability of a company to meet debt needs when it matures. It must be understood that the use of the Current Ratio in analyzing financial statements is only able to provide a rough analysis, therefore it is necessary to support a more comprehensive qualitative analysis."

Based on the above understanding, it can be concluded that the current ratio is the ability of a company to meet short-term debt obligations when a company that has a small current ratio indicates that the company has little working capital (current assets) to pay its short-term obligations.

Debt to Asset Ratio

according to (Sudana, 2011) matter. 23) "This Debt Ratio measures the proportion of funds sourced from debt to finance company assets. The greater this ratio indicates the portion of the use of debt in financing investments in assets, which means that the company's financial risk also increases and vice versa. According to (Margaretha, 2011) matter. 26) "Debt Ratio calculates the percentage of total funds provided by creditors. The higher the ratio, the higher the risk."

Based on the above understanding, it can be concluded that the Debt Ratio is a ratio that looks at the company's debt comparison, which is obtained from the comparison of total debt divided by total assets.

METHODS

In this study, quantitative descriptive data is used which aims to carry out an associative approach. Which aims to determine the influence and relationship between two or more

variables. With this research, the writer wants to know the effect of Current Ratio and Debt to Asset Ratio on Return On Assets. This type of research uses quantitative data types which are based on theories compiled using statistical procedures.

RESULTS AND DISCUSSION

Classic assumption test

Normality test

This test aims to test whether in the regression model, the dependent variable (bound) and the independent variable (free) both have a normal distribution or not.

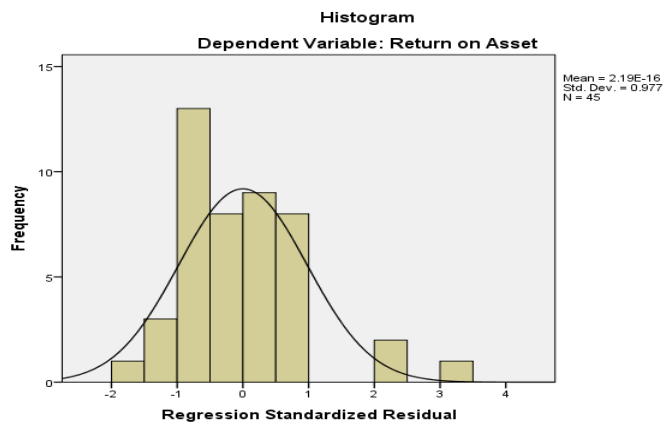


Figure 1. Histogram Graph

The histogram graph in the image above shows a normal distribution pattern because the graph is neither skewed to the left nor skewed to the right. Similarly, the results of the normality test using the p-plot graph in Figure 2 below.

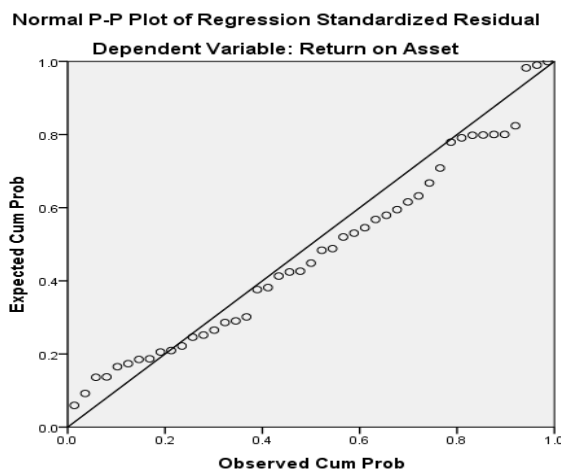


Figure 2. P-Plot Normal Graph

In the normal p-plot graph, it can be seen in the picture above that the data spreads around the diagonal line and follows the direction of the diagonal line, it can be concluded that the regression model has met the assumption of normality.

Multicollinearity Test

The multicollinearity test aims to test whether there is a correlation between the independent variables in the regression model. If multicollinearity occurs in the regression model, then the regression coefficient cannot be estimated and the standard error value becomes infinity.

Table 1. Multicollinearity Test Results
Coefficients^a

| Model | 95.0% Confidence Interval for B | | Correlations | | | Collinearity Statistics | |
|---------------------|---------------------------------|-------------|--------------|---------|------|-------------------------|-------|
| | Lower Bound | Upper Bound | Zero-order | Partial | Part | Tolerance | VIF |
| (Constant) | -49.116 | -9.171 | | | | | |
| 1 Current ratio | .023 | .077 | .034 | .496 | .472 | .359 | 2,786 |
| Debt to Asset Ratio | .376 | 1.008 | .310 | .564 | .563 | .359 | 2,786 |

a. Dependent Variable: Return on Asset

From the data in the table above, it can be seen that the Variance Inflation Factor (VIF) value for the Current Ratio (X1) variable is 2.786 and the variable *debt to assets ratio* (X2) of 2.786 from each variable, namely the independent variable does not have a value greater than 10. Likewise, the Tolerance value of the Current Ratio (X1) variable is 0.359, the variable *debt to assets ratio* (X2) of 0.358, from each variable the tolerance value is greater than 0.1 so that it can be concluded that there is no symptom of multicollinearity between the independent variables indicated by the tolerance value of each independent variable greater than 0.1 and the VIF value less than 10.

Heteroscedasticity Test

The heteroscedasticity test aims to test whether in the regression model there is an inequality of variance from the residual of one observation to another observation. A good regression model is that there is no heteroscedasticity. The way to detect the presence or absence of heteroscedasticity is to look at the graph plot between the predicted values of the dependent variable. The basis of the analysis to determine the presence or absence of heteroscedasticity are:

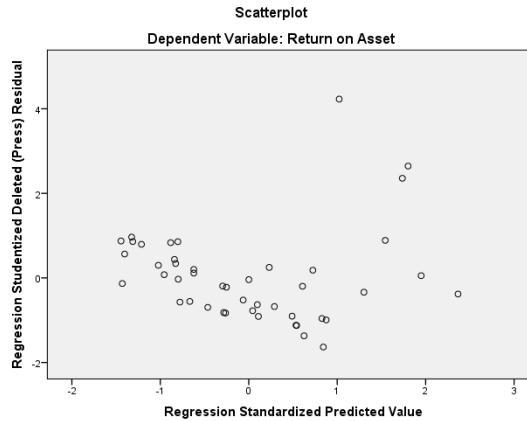


Figure 3. Heteroscedasticity Test Results

From the scatterplot graph, it can be seen that if there is no clear pattern, and the points spread above and below the number 0 on the Y axis, it indicates that there is no heteroscedasticity. It can be concluded that there is no heteroscedasticity in the regression model so that the regression model is feasible to use to see the Return on Assets of food and beverage companies listed on the BEI based on the input of the independent variables Current Ratio and Debt to Asset Ratio.

Multiple Linear Regression Method

In analyzing the data used multiple linear regression analysis. Where multiple analysis is useful to determine the effect of each independent variable on the dependent variable. The following are the results of data processing using SPSS version 16.00.

Table 2. Multiple Linear Regression Test Results

| Model | Coefficients ^a | | |
|---------------------|-----------------------------|------------|---------------------------|
| | Unstandardized Coefficients | | Standardized Coefficients |
| | B | Std. Error | Beta |
| (Constant) | 29,144 | 9,897 | |
| 1 Current Ratio | .050 | .013 | .787 |
| Debt to Asset Ratio | .692 | .157 | .940 |

a. Dependent Variable: Return on Asset

From the table above, the following values are known:

constant = 29,144

Current Ratio = 0.050

Debt to Asset ratio = 0.692

These results are entered into multiple linear regression equations so that the following equations are known:

$$Y = 29.144 + 0.050X_1 + 0.692X_2 + e$$

Information:

- a. The constant of 29.144 with a positive direction indicates that if the independent variable is considered constant, the Return on Assets has increased by 29.144.
- b. β_1 of 0.050 with a positive relationship direction indicates that every increase in the current ratio will be followed by a Return on Assets of 0.050 or 5.0% assuming other independent variables are considered constant.
- c. β_2 amounting to 0.692 with a positive direction indicating that any increase in the debt to asset ratio will be followed by a Return on Assets of 0.692 or 69.2% with the assumption that other independent variables are held constant.

Partial Significance Test (t Test)

For simplification of the t-test statistic above, the writer uses SPSS for windows version 16.00 data processing, so the t-test results can be obtained as follows:

Table 3. Partial Test Results (t Test)

| Model | Coefficients ^a | | | t | Sig. |
|---------------------|-----------------------------|------------|---------------------------|--------|------|
| | Unstandardized Coefficients | | Standardized Coefficients | | |
| | B | Std. Error | Beta | | |
| (Constant) | 29,144 | 9,897 | | -2,945 | .005 |
| 1 Current ratio | .050 | .013 | .787 | 3,702 | .001 |
| Debt to Asset Ratio | .692 | .157 | .940 | 4.422 | .000 |

a. Dependent Variable: Return on Asset

The tcount value for the Current ratio variable is 3.702 and the ttable with $\alpha = 5\%$ is known to be 1.681. Therefore tcount is smaller than ttable and -tcount is greater than -ttable ($3.702 > 1.681$) and a significance value of 0.001 (greater than 0.05) means H_0 rejected. Based on these results, it can be concluded that H_0 is rejected, this shows that partially Current Ratio has a significant positive effect on Return on Assets. Next The tcount value for the Debt to Asset Ratio variable is 4.422 and the ttable with $\alpha = 5\%$ is known to be 1.681. Thus -tcount is smaller than -ttable ($4.422 > -1.681$) and a significance value of 0.000 (smaller than 0.05) meaning that H_0 is rejected. Based on these results, it can be concluded that H_0 is rejected which indicates that partially Debt to Asset Ratio has a significant positive effect on Return on Assets.

Simultaneous Test (F Test)

Based on the results of data processing with the SPSS Version 16.00 program, the following results were obtained:

Table 4. Simultaneous Test Results (Test F)

| ANOVA ^a | | | | | | |
|--------------------|------------|----------------|----|-------------|-------|-------|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 2593,187 | 2 | 1296.593 | 9,812 | .000b |

| ANOVA ^a | | | |
|--------------------|----------|----|---------|
| Residual | 5550.013 | 42 | 132.143 |
| Total | 8143,200 | 44 | |

a. Dependent Variable: Return on Asset

b. Predictors: (Constant), Debt to Asset Ratio, Current ratio

Aiming to test the statistical hypothesis above, the F test was carried out at the level of = 5%. The value of Fcount for n=35 is as follows:

$$F_{table} = nk - 1 = 45 - 2 - 1 = 42,$$

$$F_{count} = 9.812 \text{ and } F_{table} = 2.83$$

So it can be concluded that the variables Current Ratio and Debt to Asset Ratio together have an effect on Return on Assets.

Determination Test

The coefficient of determination serves to determine the percentage of the influence of the independent variable and the dependent variable by squaring the coefficients found.

Table 5. Determination Test Results

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | Durbin-Watson | |
|-------|-------|----------|-------------------|----------------------------|-------------------|----------|-----|-----|---------------|---------------|
| | | | | | R Square Change | F Change | df1 | df2 | | Sig. F Change |
| 1 | .564a | .318 | .286 | 11.49535 | .318 | 9,812 | 2 | 42 | .000 | 1,759 |

a. Predictors: (Constant), Debt to Asset Ratio, Current ratio

b. Dependent Variable: Return on Asset

In the table above, it can be seen that the overall regression analysis results show an R Square value of 0.318 indicating that the correlation or relationship between the Current Ratio and Debt to Asset Ratio with Return on Assets has a very strong relationship level, namely:

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

$$D = 0,564 \times 100\%$$

$$D = 31.8\%$$

DISCUSSION

Effect of Current Ratio on Return On Assets

Research result (Muslih, 2019) stated that "Current" The results obtained regarding the effect of the Current ratio on Return on Assets in food companies listed on the Indonesia Stock Exchange. The results of the partial hypothesis test show that the tcount value for the Current ratio variable is 3.702 and the ttable with = 5% is known to be 1.681. Thus, tcount is greater than ttable (3.702 > 1.681) and a significance value of 0.001 (smaller than 0.05), meaning that H0 is rejected. Based on these results, it can be concluded that H0 is rejected, this shows that partially there is a significant positive effect of Current ratio on Return on Assets in food and beverage companies listed on the Indonesia Stock Exchange for the 2014-2018 period. In theory, the financial ratio that most influences ROA is CR. because CR shows the company's

overall ability to generate profits with the total amount of assets available in the company, the company is more efficient and ROA will increase.

Ratiopositive and significant effect on Return On Assets." Research result(Alpi & Gunawan, 2018)stated that "Current Ratio has a significant effect on Return On Assets." Research result(Sanjaya, Sudirman, & Dewi, 2015)stated that "there is a positive and significant effect of Current Ratio on Return On Assets." So it can be concluded that the Current Ratio has a positive and significant effect on Return On Assets.

The Effect of Debt to Asset Ratio on Return On Assets

The results obtained regarding the effect of Debt to Asset Ratio on Return on Assets in Food and Beverage companies listed on the Indonesia Stock Exchange. The results of the partial hypothesis test show that the tcount for the Debt to Asset Ratio variable is 4.422 and the ttable with $\alpha = 5\%$ is known to be 1.681. Thus -tcount is smaller than -ttable ($4.422 > 1.681$) and a significance value of 0.000 (smaller than 0.05) meaning that H_0 is rejected. Based on these results, it can be concluded that H_a is accepted which indicates that partially there is a significant effect of Debt to Asset Ratio on Return on Assets in food companies listed on the Indonesia Stock Exchange for the period 2014–2018. The greater the Debt to Asset Ratio indicates the greater the level of dependence of the company on external parties (creditors) and the greater the burden of debt costs (interest costs) that must be paid by the company.

Research result (Jufrizen, Putri, Sari, Radiman, & Muslih, 2019)states that the Debt Ratio has a significant relationship to Return On Assets. Research result(Kamal, 2016)states that the Debt to Asset Ratio has a positive effect on Return On Assets. Research result(Gunde, Pure, & Rogi, 2017)states that the Debt to Asset Ratio has a significant effect on Return On Assets. So it can be concluded that the Debt to Asset Ratio has a positive and significant effect on Return On Assets.

Effect of Current Ratio and Debt to Asset Ratio on Return On Assets

The results obtained regarding the effect of Current ratio and Debt to Asset Ratio on Return on Assets in food and beverage companies listed on the Indonesia Stock Exchange. From the ANOVA (Analysis Of Variance) test in the table above, Fcount is 9.812 with a significance level of 0.000 while Ftable is known to be 2.83. Based on these results, it can be seen that Fcount $>$ Ftable ($9.812 > 2.83$) so that H_0 is rejected. So it can be concluded that the variables Current ratio and Debt to Asset Ratio together have a significant effect on the Return on Assets of food and beverage companies listed on the Indonesia Stock Exchange.

Based on this research, it is stated that simultaneously the current ratio and debt to asset ratio have a significant effect on return on assets in food and beverage companies listed on the Indonesia Stock Exchange for the 2014-2018 period.

CONCLUSION

Based on the results of research and discussion that have been stated previously, conclusions can be drawn from research on the effect of *Current ratio and Debt to Asset Ratio*

on Return on Assets of food and beverage companies listed on the Indonesia Stock Exchange (IDX) for the period 2014-2018 with a sample of 9 companies are as follows:

1. *Current ratio* significant positive effect on Return on Assets in food and beverage companies listed on the Indonesia Stock Exchange (IDX) for the 2014-2018 period.
2. *Debt to Asset Ratio* significant positive effect on Return on Assets in food and beverage companies listed on the Indonesia Stock Exchange (IDX) for the 2014-2018 period.
3. *Current ratio and Debt to Asset Ratio* jointly have a significant effect on Return on Assets in food and beverage companies listed on the Indonesia Stock Exchange (IDX) for the period 2014-2018.

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