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The Effect of Current Ratio on Return on Assets in Manufacturing Companies Listed on the Indonesia Stock Exchange (BEI)

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ABSTRACT

In the current era of globalization, competition in the business world is increasingly fierce, and only companies that have good performance or performance can survive. The large number of competitors in the same business sector gives consumers a variety of choices, so they become more selective in choosing the products they want. This situation encourages company management to continue to increase promotions and develop effective marketing strategies to achieve profits in line with company targets. One of the main goals of establishing every business entity or company is to make a profit. This research uses quantitative methods. The population consists of 178 manufacturing companies listed on the Indonesia Stock Exchange and indexed on IDX. Based on the criteria, researchers took samples from three production companies listed on the Indonesia Stock Exchange (BEI) between 2011 and 2022. These companies are PT. Indofood CBP Sukses Makmur Tbk, PT. Indofood Sukses Makmur Tbk, and PT. Sekar Bumi Tbk. The results of the Hypothesis Test showed that the t-count value of the Current Ratio (CR) variable had an effect on Return On Assets (ROA) where the t-count value was 4.885 > from t table of 2.03224 so that the research results received Ha. The results of the Determination Coefficient state that the Current Ratio (CR) variable can contribute/is able to explain the Return On Assets (ROA) variable of 41.2% (0.412x100%=41.2%) while the remaining 58.8% (100%-41, 2%=58.8%) is explained by variables outside the research model.

Keywords: Current Ratio to Return On Assets

INTRODUCTION

In the current era of globalization, competition in the business world is increasingly fierce, and only companies that have good performance or performance can survive. The large number of competitors in the same business sector gives consumers a variety of choices, so they become more selective in choosing the products they want. This situation encourages company management to continue to increase promotions and develop effective marketing strategies to achieve profits in line with company targets. One of the main goals of establishing every business entity or company is to make a profit.

According to Swastha (in Muh.Alam's research, 2009: 27), profits enable companies to grow and develop. There are various ways to increase profits, one of which is by paying attention to the company's Current Ratio and Quick Ratio to achieve optimal profits. Profit is very important for the survival of the company. Profit is an increase in economic benefits during an accounting period in the form of income that increases equity, excluding contributions from capital investment. Profit is usually used as a measure of the achievements achieved by a company, so that

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it can be used as a basis for making investment decisions and predicting changes in profits in the future. Because the company's profit in the coming year cannot be guaranteed, predictions of changes in profit are needed.

Significant changes in profits indicate that the company's profits are high, so the level of dividend distribution is also high. Therefore, changes in profits will influence the investment decisions of investors who want to invest their capital in the company. Current Ratio (CR) is a ratio used to measure a company's ability to meet its short-term debt or obligations, known as liquidity. The higher the company's liquidity, the greater its ability to meet financial obligations, which shows that the company has used its current assets effectively. This means that when the company is in a liquid condition, its production activities will run smoothly, resulting in profits according to target. The greater the company's overall cash position and liquidity, the greater the company's ability to pay dividends.

Profits can be used to meet current obligations, and with relatively high profits, the company will also be able to fulfill its short-term obligations to investors in the form of dividends. The greater the company's overall cash position and liquidity, the greater the company's ability to pay dividends. In this research, profit is measured using the profitability ratio, namely Return on Assets (ROA). Return on Assets (ROA) is one of the profitability ratios used to measure a company's ability to use all funds invested in assets to generate profits (Munawir, in Luh Sumertini's research, 2014: 89). The higher the ROA value, the better the company is at utilizing its assets to generate profits. With increasing profits, the ROA value and profitability of the company will also increase (in research by Arista & Astohar, 2012). PT. Indofood CBP Sukses Makmur, Tbk. is a producer of various types of food and drinks based in Jakarta. This company was founded on August 14 1990 by Sudono Salim, initially under the name PT. Panganjaya Intikusuma, and then changed its name to PT. Indofood Sukses Makmur, Tbk. On February 5, 1994. This company is known for producing various food and beverage products which are exported to Australia, Asia and Europe. Meanwhile PT. Sekar Bumi Tbk, which is also based in Jakarta, Indonesia, is famous for its value-added frozen seafood products, shrimp feed, fish feed and frozen processed foods. This company was founded on April 12, 1973 and began operating commercially in 1974. Over the past few decades, Indofood has transformed into a total food solutions company that involves the entire food production process, from the production and processing of raw materials to the final product available on the market. retail.

Current Ratio (CR) is a ratio used to assess a company's ability to pay short-term obligations or debt that will mature in the near future. The higher the Current Ratio, the greater the company's ability to overcome its financial obligations. However, if this ratio is too high (more than 1), it could indicate that the company may be less efficient in managing its current assets. According to Kasmir (in Muh.Alam's research, 2009), the higher the Current Ratio a company has,

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the possibility that the resulting net profit will be lower. This can happen because most of the company's assets are invested in current assets which do not produce maximum profits.

According to Fahmi, (in Ronniasra's research 2012: 121) stated the definition of Current Ratio that: "Current Ratio is a commonly used measure of short-term solvency, the ability of a company to meet its debt needs when they fall due." According to Munawir, quoted in Meutia Dewi's research (2010:72), the Current Ratio or current ratio is the comparison between total current assets and total current debt. This ratio indicates that the value of current assets (which can be immediately converted into money) is able to cover short-term debt several times.

According to Kasmir, quoted in Ronniasra's research (2012: 134), the Current Ratio or Current Ratio is a ratio used to measure a company's ability to pay short-term obligations or debts that are immediately due when they are collected in full." According to Kasmir, quoted in Muh's research. Alam (2009: 96), Current Ratio is a ratio used to measure a company's ability to pay off short-term obligations or debt that is due soon as a whole. The higher the Current Ratio a company has, the lower the net profit it produces.

Companies usually use Return On Assets (ROA) to assess their ability to generate profits through the assets they own. Return on Assets is a profitability ratio that shows the percentage of profit (net profit) obtained by the company compared to total resources or the average number of assets. In other words, ROA measures how efficiently a company manages its assets to generate profits during a period. ROA is expressed in percentage (%).

According to Kasmir, quoted in Rosyda's research (2014), ROA is a financial ratio that shows the returns from using company assets. According to Tendelilin, quoted in Rosyda's research (2010), ROA is a ratio that describes the extent of a company's ability to utilize all the assets it owns to obtain net profit after tax. Fahmi, quoted in Rosyda's research (2014), ROA is a tool used to assess the extent to which invested investment capital is able to produce profits in line with investment expectations. According to Harahap, (in Muh. Alam's research 2009:105) the definition of financial ratios is that: "Financial ratios are numbers obtained from comparison results from one other item that has a relevant and significant relationship."

Likewise, according to Fahmi, (in research by R Budianti 2017: 106) stated the meaning of financial ratios that: "Financial ratios are the resultsobtained from comparing the amount of one amount with another amount." More precisely, according to Kasmir, (as quoted in AL Polapa's research 2019: 104), financial ratios are the activity of comparing the numbers in financial reports by dividing one number by another number. Financial ratios are used to evaluate the financial condition and performance of a company. From these financial ratios you can see the health condition of the company concerned.

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RESEARCH METHODS

According to Bidjaksana, et al (2024:123) Quantitative research is research intended to reveal symptoms holistically-contextually through collecting data from natural settings using the researcher himself as a key instrument.

This research uses quantitative methods. Quantitative research involves data in the form of numbers such as profits and financial ratios. Quantitative data also includes the results of observations, observations, photography, written excerpts from documents, and field notes. This research was conducted at the research location and the results were not presented in statistical form or figures.

This research is classified as a typeExplanatory Research. According to Sugiyono (2019), Explanatory Research is a research method that aims to explain the relationship and influence between the variables studied. The researcher chose this method to test the hypothesis that has been proposed, with the hope of explaining the relationship and influence between the independent and dependent variables. In this research, there are two variables that will be studied: the independent variable is Current Ratio (x) and the dependent variable is Return On Assets (y).

According to Sugiyono, quoted in research by J Pardede (2019: 126), population is a generalized area consisting of objects or subjects with certain qualities and characteristics determined by the researcher to be studied and then drawn conclusions. In this research, the population consists of 178 manufacturing companies listed on the Indonesia Stock Exchange and indexed on IDX.According to Sugiyono in J Pardede's research (2019: 127), the sample is part of the whole and the characteristics possessed by the population. The sample in this research used the Purposive Sampling method.

Purposive Samplingis a sampling method where samples are selected based on certain criteria that are relevant to the research objectives. In the context of this research, the criteria used to select the sample will be adapted to the specific objectives and scope of the research.

a) The financial reports presented from year to year are presented in full
b) CompanyThe food and beverage manufacturers studied were listed on the Indonesian Stock Exchange from 2011 to 2022.
c) The number of manufacturing companies registered on the Indonesian Stock Exchange and already listed on the IDX (stock index) is 178 companies.
d) The number of studies conducted by researchers consisted of 3 companies from 2011 to 2022

Based on the criteria mentioned, researchers took samples from three production companies listed on the Indonesia Stock Exchange (BEI) between 2011 and 2022. These companies are PT. Indofood CBP Sukses Makmur Tbk, PT. Indofood Sukses Makmur Tbk, and PT. Sekar Bumi Tbk.

RESULTS AND DISCUSSION

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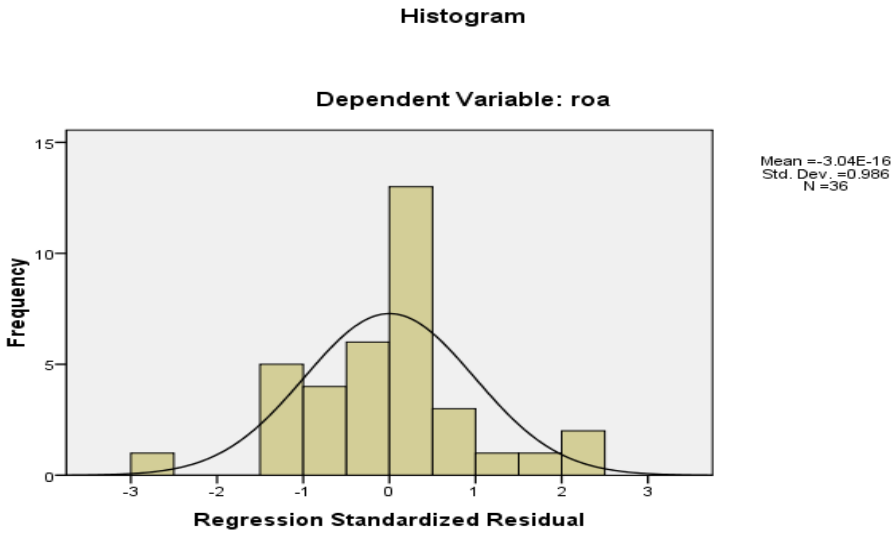
Normality test

The normality test aims to test whether in the regression model, the dependent variable and the independent variable both have a normal distribution or not. A good regression model has a normal or close to normal data distribution. To find out normality, you need to use a graphic analysis method, either by looking at the histogram graph or by looking at the Normal Probability Plot. Normality can be detected by looking at the distribution of data (points) on the diagonal axis of the graph or by looking at the histogram of the residuals:

a) If the data spreads around the diagonal line and follows the direction of the diagonal line, then the regression model meets the normality assumption.
b) If the data spreads far from the diagonal line or does not follow the direction of the diagonal line, then the regression model does not meet the assumption of normality.



Source: Data processed by SPSS Version 20

Picture1.Histogram Graph

In the image of the histogram graph, it can be seen that the residuals are normally distributed and symmetrical in shape and do not deviate to the right or left.

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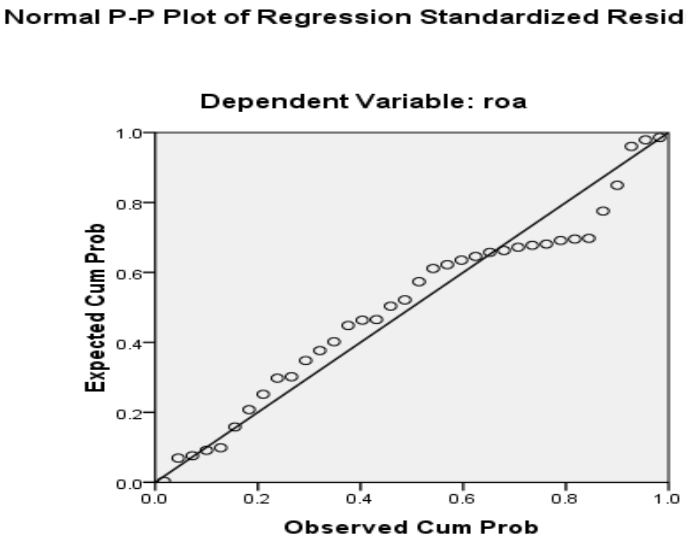

Source: Data processed by SPSS Version 20

Picture 2. Normal P-Plot Image

Based on the histogram graph image, the research data is normally distributed because the data is spread around the diagonal line and follows the direction of the diagonal line or the histogram graph shows a normal distribution pattern (resembling a bell) while in the P-Plot of Regression standardized residual image shows that this research data is normally distributed because the data spread does not move away from the diagonal line in the P-Plot image of standardized residual regression.

Simple Linear Regression Analysis

Simple Linear Regression Analysis is used to examine the relationship between a dependent variable and several independent variables. The purpose of this analysis is to use known values of the independent variable to predict the value of the dependent variable.

Table 1. Multiple Linear Regression Coefficientsa

Model	Unstandardized Coefficients		Standardized Coefficients
	B	Std. Error	Beta
(Constant)	1,847	1,957	
cr	5,142	1,053	,642

a.Dependent Variabl:roa

Source: Data processed by SPSS Version 20

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The results of the research show that the regression equation is as follows:

$$Y = a + bX + e$$

$$Y= 1.847 + 5.142 + e$$

From the regression equation above, several things can be interpreted, including:

a) The constant value of 1.847 shows that if the independent variable isCurrent Ratio(CR)has a fixed value or does not experience increases or decreases, then the valueReturn On Assets(ROA)does not experience change or is constant, namelyReturn On Assets(ROA)amounting to 1,847.

b) VariableCurrent Ratio(CR) (X) has a regression coefficient value of 5.142. The coefficient value shows that if there is an increaseCurrent Ratio(CR) by one time, Return On Assets (ROA) will increase by 5,142.

Hypothesis testing

In this research, the t test is only used to test the hypothesis because there is only one independent variable. The t test is used to determine the significance of the influence of individual independent variables on the dependent variable. The t test basically shows how much influence an explanatory variable individually has in explaining the dependent variables.

The criteria for testing the partial test (t test) are as follows:

a) If the t-count is > than the t-table and is significant < 0.05 then there is a significant influence.

b) If the t-count is < t-table and is significant > 0.05 then there is no significant effect.

c) The t-table values are obtained using the formula df=nk. Where n=36, k=2, and the degrees of freedom of the test are 2-way.

Table 2. Hypothesis testing

Q	Sig.
,944	,352
4,885	,000

Source: Data processed by SPSS Version 20

The table above explains that variableCurrent Ratio(CR)significant positive effect on Return On Assets (ROA) because the t-calculated value is still greater than the t-table value and the significant value is <0.05. Where to get the t-table value using the nk formula where n= sample in the study is 36, k= all research variables is 2, with 2-way test degrees of freedom so that the t-table value is 36-2= 34, with test degrees of freedom 2 directions are2.03224 .

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Current Ratio(CR)significant positive effect on Return On Assets (ROA). Based on the t test, the calculated t value is obtained4,885ttable value of2.03224and the significant value is 0.000 <0.05. which means Ha is accepted and Ho is rejected because the t value > t-table value and the significant value is < 0.05.

Coefficient of Determination(R2)

The Coefficient of Determination (R2) is a tool to measure how far the model's ability is to explain variations in the dependent variable. The coefficient of determination value is between zero or one. A small R2 value means that the ability of the independent variables to explain variations in the dependent variable is very limited. And conversely, if the value is close to 1, it means that the independent variables provide almost all the information needed to predict the dependent variables.

The Determinant Coefficient R2 is used to calculate how much the variance and independent variables can explain the dependent variable. The greater the value of the coefficient of determination, the better the ability of the variance and independent variables to determine the dependent variable.

Table 3. Coefficient of Determination(R2) Model Summary b

Model	R	R quare	Adjusted R Square	td. Error of the Estimate
1	.642a	,412	,395	3.37353

a. Predictors: (Constant), cr

b. Dependent Variable: roa

Source: Data processed by SPSS Version 20

The table in the model summary shows the results that show the valueAdjustedR Squareof 0.412. This figure indicates that variations or changes in Return On Assets (ROA) can be explained by variablesCurrent Ratio(CR)of 0.412 or 41.2% (0.412*100%=41.2%) or in other words the variableCurrent Ratio(CR) able to contribute toReturn On Assets(ROA) of 41.2%. Meanwhile, the remaining 0.588 or 58.8% (100%-41.2%=58.8%) can be explained by other variables outside this research.

CONCLUSION

From the results of research regarding the influence of Current Ratio (CR) on Return On Assets (ROA), it can be concluded:

1. Simple Linear Regression results show that the Current Ratio (CR) variable can increase Return On Assets (ROA) by 5.142.
2. The results of the Hypothesis Test showed that the t-count value of the Current Ratio (CR)

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variable had an effect on Return On Assets (ROA) where the t-count value was 4.885 > from t table of 2.03224 so that the research results received Ha.

3. The results of the Determination Coefficient state that the Current Ratio (CR) variable can contribute/is able to explain the Return On Assets (ROA) variable of 41.2% (0.412x100%=41.2%) while the remaining 58.8% (100%-41, 2%=58.8%) is explained by variables outside the research model.

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