

The Effect of Current Ratio, Total Asset Turnover and Return on Asset on Profit Growth in Manufacturing Companies Listed on the Indonesia Stock Exchange

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Abstract

This study aims to determine the effect of Current Ratio (CR), Total Asset Turnover (TATO), and Return On Asset (ROA) on profit growth in manufacturing companies listed on the IDX. Prediction of profit growth is very important for investors in making investment decisions. The sample used in this study were 84 manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2016-2018 period, in order to obtain 252 company data. The data analysis technique used multiple linear regression analysis. Data processing used the Statistical Package for Social Science version 23 (SPSS 23) program. The results of this study indicate that the variable Current Ratio (CR) has a negative and significant effect on the profit growth of manufacturing companies, Total Asset Turnover (TATO) and Return On Asset (ROA) have a negative and insignificant effect on the profit growth of manufacturing companies.

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Article history

Received 2024-03-12

Accepted 2024-03-10

Published 2024-04-25

Keywords

Current Rasio;
Total Asset Turnover;
Return on Aset;
Profit Growth.

1. Introduction

Manufacturing companies are one of the categories of industrial sectors on the Indonesia Stock Exchange (IDX) that have opportunities to grow and develop. One way to look at the financial performance of a manufacturing company is to use profit growth. Financial performance helps companies to analyze the strengths, weaknesses, and financial decision-making of the company. Good financial performance indicates the state of the company being able to manage its operational activities effectively and efficiently. Every company knows the results of its performance through financial statements.

According to Ilfada and Puspitari (2016), an increase or decrease in profit is called a growth or change in profit. Profit growth is the difference between a certain year's net profit and the previous year's net profit divided by the previous year's net profit. Every company wants to increase profits in every period of time, but sometimes in practice profits can increase or decrease. Changes in the increase or decrease in profits will have an impact on the company's financial policy decisions. By looking at profit information, investors can make decisions on investment activities and estimate the company's future prospects.

Financial ratios are one of the data analysis techniques that can help and be used in analyzing the company's financial condition in predicting profits. Financial ratio analysis is useful in indicating the strengths and weaknesses of a company. According to Wahyuni et al., (2017) financial ratio analysis can help business people, the government, and other users of financial statements in assessing the financial condition of a company. Financial ratios are also useful in predicting a company's profit. If the company's financial performance is good, profit growth increases, and vice versa, if the company's performance is not good, profit decreases. The financial ratios used to predict changes in profit in this study are current ratio, total asset turnover, and return on asset.

Current Ratio is a ratio to measure the company's ability to pay short-term obligations or debts that are due immediately at the time of collection in its entirety (Kasmir, 2016). If the ratio of current debt exceeds its current assets (the current ratio shows a number below 1), then the company is said to have difficulty paying off its short-term debt. If the current ratio is too high, then a company is said to be less efficient in managing its current assets. The effect of the current ratio on profit is that if the current ratio is high, it is able to increase sales so that it is expected that there will be an increase in the profit generated by the company. On the other hand, if the current ratio is low, the company's sales ability will decrease so that the profit generated will also decrease. This is supported by the results of research conducted by Amalina (2013) showing that the current ratio has a significant effect on changes in profit.

According to Kasmir (2016), Total asset turnover is a ratio used to measure the turnover of all assets owned by a company and measure how much sales are obtained from each rupiah of assets. This means that the greater the asset turnover, the more effective the company is in managing its assets to support its sales activities or net income, the sales or income obtained increase so that the profit obtained is greater. On the other hand, if the total asset turnover is low, the sales generated will also be low due to the company's inability to manage its assets effectively so that the profits generated will decrease. The company's financial performance can be seen from the growth of a company's profit, so the higher the profit achieved by the company, the better the company's performance. This is supported by research conducted by Linda (2015) showing that total asset turnover has a positive effect on profit growth.

Return on assets (ROA) is a measure of a company's ability to generate profits with all assets owned by the company (Kasmir, 2016). The greater the return on the company's assets, the use of assets to generate increased profits, on the other hand, if the return on assets is low, the company is less efficient in using its assets for operational activities so that the profits generated will decrease. In this case, the profit generated is profit after interest and tax (Earning After Income Tax). This is supported by the research of Chasanah and Daniel Kartika Adhi (2017) that Return on assets has a positive effect on profit growth.

2. Method

2.1. Population and Sample

The population of this study is manufacturing companies listed on the Indonesian stock exchange from 2016-2018, with a total of 165 (one hundred and sixty-five) issuers. According to Arikunto (2013) Population is the entire subject of research. According to Sugiyono in Haris (2017), Samples are part of the number and characteristics possessed by the population. The sample in this study is a manufacturing company in the food and beverage industry sub-sector listed on the Indonesia Stock Exchange in 2016-2018.

The criteria for companies sampled in this study are as follows:

- 1) Manufacturing companies that have been listed on the Indonesia Stock Exchange during the research period, namely 2016-2018;
- 2) Manufacturing companies that were delisted in 2016-2018;
- 3) Manufacturing companies that made a profit from 2016-2018.

Table 1. Research Sample Description

No	Remarks	Quantity
1	Manufacturing companies listed on the Indonesia Stock Exchange	165
2	Manufacturing companies delisted in 2016-2018	(3)
3	Manufacturing companies that suffered losses from 2016-2018	(78)
Number of Research Samples (Manufacturing Companies)		84

2.2. Data Analysis

The data analysis in this study uses the Statistical Package for Social Science version 23 (SPSS v23). SPSS software is used to analyze data such as descriptive or inferential, parametric or nonparametric statistics, or univariate, bivariate or multivariate windows-based. The analysis tool used in this study uses multiple linear regression analysis. Multiple linear regression analysis is the relationship linearly between two or more independent variables and dependent variables.

3. Results and Discussion

3.1. Description of Research Results

Table 2. Descriptive Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
PL	252	-25,385	576,780	3,65856	36,802109
CR	252	,103	26,830	2,62729	2,409402
TATO	252	,134	8,429	1,11074	,844817
ROA	252	,028	52,670	7,50550	8,003579
Valid N (listwise)	252				

The table above explains that:

- 1) The Current Ratio (CR) variable has an average value of 2.62729 and a standard deviation of 2.409402, meaning that the average manufacturing company listed on the Indonesia Stock Exchange is able to meet its short-term obligations of one time of the company's current assets in one period.
- 2) The variable Total Asset Turnover (TATO) has an average of 1.11074 and a standard deviation of 0.844817. This means that the average sample company is able to rotate the company's assets by 1.11074 from the company's net sales in a period with the total assets owned by the company.
- 3) The Return On Asset (ROA) variable has a mean value (average) of 7.50550 and a standard deviation of 8.003579. This means that the mean value (average) is smaller than the standard deviation, thus indicating that the manufacturing company is underperforming in utilizing assets to generate profits.
- 4) The Profit Growth variable (Y) has a mean value (average) of 3.65856 and a star deviation of 36.802109. This means that the mean value is smaller than the standard deviation, indicating that

the results are not good. Where the results of the data show that profit growth has fluctuated not too large.

3.2. Classical Assumption Test Results

**Table 3. Normality Test
One-Sample Kolmogorov-Smirnov Test**

					Unstandardized Residual
N					252
Normal Parameters ^{a,b}		Mean			,000000
		Std. Deviation			1,78145398
Most Extreme Differences		Absolute			,100
		Positive			,100
		Negative			-,064
Test Statistic				,100	
Asymp. Sig. (2-tailed)				,000c	
Monte Carlo Sig.(2- tailed)	Sig.			,076d	
		99% Confidence Interval	Lower Bound	,054	
				Upper Bound	,098

In accordance with the Normality test shown by table 4.2 above, a probability value or Monte Carlo Sig. (2-tailed) of 0.076 is obtained, thus the probability value is greater than 0.05 or $0.076 > 0.05$. This means that the assumption of normality is fulfilled that the data has a normal and consistent distribution, indicating that the independent variables used in this study can be used to predict changes in profit.

3.3. Multicollinearity Test

**Table 4. Multicollinearity Test
Coefficients^a**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	,698	1,243		,562	,575		
CR	-,497	,247	-,168	-2,012	,046	,874	1,144
TATO	-1,197	1,299	-,083	-,922	,358	,751	1,332
ROA	-,278	,338	-,077	-,823	,412	,697	1,436

Based on the results of the Multicollinearity Test above, it can be seen that the VIF value of all independent variables has a value of < 10 and a tolerance value of > 0.10 . This shows that the study variables do not show the presence of symptoms of multicollinearity in the regression model. Thus it is known that the research data meet the assumption of multicollinearity-free.

3.4. Heteroscedasticity Test

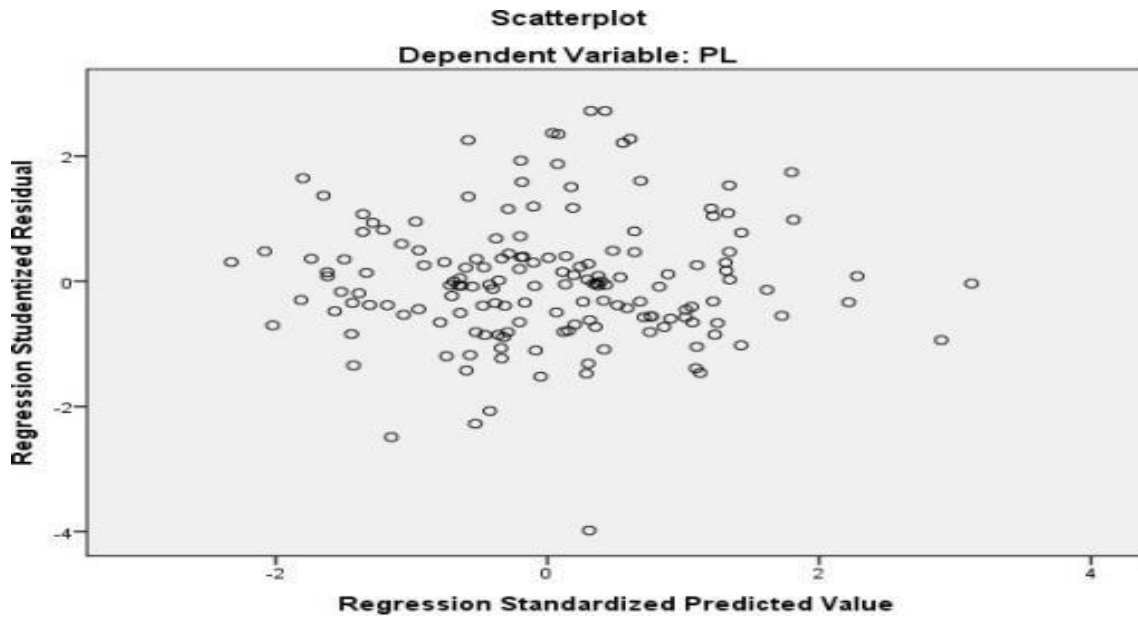


Figure 1. Heteroscedasticity Test Results

From the image above, it can be seen that the dots are scattered randomly and scattered both above and below the number 0 on the Y axis..

3.5. Autocorrelation Test

Table 5. Autocorrelation Test Results

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,228a	,052	,034	1,79850	1,948

Based on the results of the autocorrelation test in table 5, it shows that the Durbin-Watson value is 1.948 and the du value is 1.80887 with an independent variable 3 (k=3) and a total of 252 samples showing $du < d < 4-du$, which is $1.80887 < 1.948 < 2.19113$. Thus, it is known that the research data meets the assumption of autocorrelation free.

3.6. Model Feasibility Test Results (F Test)

Table 6. Model Feasibility Test ANOVA^a

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	27,619	3	9,206		
Residual	504,599	156	3,235	2,846	,039b
Total	532,218	159			

Based on the table, it can be seen that the value of Fcal is 2.846 with a significant profit growth of 0.039 (< 0.05). Therefore, it can be concluded that the regression model is feasible to explain the influence of the free variables (current ratio, total asset turnover, and return on assets) together on the bound variable (profit growth).

3.7. Determination Coefficient Test Results

Table 7. Determination Coefficient Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,228a	,052	,034	1,79850

Based on the table above, it is known that the R-square value is 0.52 or 5.2%, this shows that the contribution of the influence of independent variables (current ratio, total asset turnover, and return on asset) to the dependent variable (profit growth) which can be explained by this equation is 5.2%. While the remaining 94.8% was influenced by other factors that were not included in the regression equation model in this study.

3.8. Multiple Linear Regression Analysis Results

Table 8. Multiple Linear Regression Analysis Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	,698	1,243		,562	,575
CR	-,497	,247	-,168	-2,012	,046
TATO	-1,197	1,299	-,083	-,922	,358
ROA	-,278	,338	-,077	-,823	,412

Based on the results of the regression test above, the multiple regression equation is obtained as follows:

$$Y = 0,698 - 0,497 X_1 - 1,197 X_2 - 0,278 X_3 + e$$

The interpretation of the regression equation above is as follows:

- 1) The constant means that the current ratio, total asset turnover, and return on asset value is 0, then the growth of profit is 0.698.
- 2) The regression coefficient of the current ratio variable is -0.497, meaning that if the value of other variables is fixed and the current asset variable experiences a decrease of 1 unit, then profit growth will decrease by -0.497%.
- 3) The regression coefficient of the total asset turnover variable is -1.197, meaning that if the other variable has a fixed value and the variable of total asset turnover decreases by 1 unit, then profit growth will decrease by -1.197%.
- 4) The regression coefficient of the return on asset variable is -0.278, meaning that if the value of the other variable is fixed and the return on asset variable decreases by 1%, then profit growth will decrease by 1%, then profit growth will decrease by 1% -0,278%.

3.9. Hypothesis Test Results

1) The Effect of Current Ratio (CR) on Profit Growth

The first hypothesis test showed a efficiency value of negative 2.012 with a significant value of 0.046 (< 0.05), the result was obtained that the Current Ratio variable had a negative and significant effect on profit growth. It can be concluded that the first hypothesis (H1) Current Ratio has a negative and significant effect on profit growth in this study is rejected. This means that a high current ratio value indicates that the company has a source of assets that in the short term can be converted into a source of company income. A high current ratio does not fully indicate that the company is in good shape. For example, the condition of a company's large inventory can be one of the causes of excessive current asset value at the end of the accounting reporting period.

The results of this study are contrary to the research conducted by Amalina (2012), by paying obligations on time will provide good information to potential investors. This will increase investors' interest in investing, resulting in increased profits. The results of this study show that the company's ability to fulfill its current obligations does not provide a guarantee of the availability of working capital to support the company's operational activities, so that the profit obtained is not in accordance with expectations.

2) The Effect of Total Asset Turnover (TATO) on Profit Growth

The second hypothesis test showed a negative efficiency value of 0.922 with a significant value of 0.358 (> 0.05), the results were obtained that the Total Asset Turnover variable had a negative and

insignificant effect on profit growth, it can be concluded that the second hypothesis (H2) Total Asset Turnover had a negative and insignificant effect on profit growth in this study was rejected. The results of this study show that the changes that occur will not affect profits. An increase in TATO will result in a decrease in profit. This means that the company in generating sales through the use of these assets does not make the best use of the company so that the profit obtained is very small. And the lower the asset turnover rate, the more net profit generated will decrease because the company cannot utilize these assets to increase sales which affects revenue.

The results of this study are in line with research from Intan (2016) where total asset turnover (TATO) has a negative influence that is not significant on changes in profits in the company.

3) The Effect of Return on Asset (ROA) on Profit Growth

The third hypothesis test showed a efficiency value of negative 0.823 with a significant value of 0.412 (> 0.05), the results were obtained that the Return On Asset variable had a negative and insignificant effect on profit growth, it can be concluded that the second hypothesis (H3) Return On Asset had a negative and insignificant effect on profit growth in this study was rejected.

Return on Assets (ROA) in this study is calculated using net profit after tax on total assets which reflects the ability of the investment company used for the company's operations in order to generate the company's profitability, and negative means that the company works inefficiently, the company produces low profits. A high return on asset value does not always indicate a good state of the company. For example, the state of large fixed assets such as the addition of new machine tools, new vehicles and new buildings used to support the company's operational activities to generate profits, but the utilization of these assets is less than optimal or even with the increase in these assets, the depreciation costs that must be incurred by the company will also increase. Thus, the profit generated by the company will decrease and not meet expectations at the beginning of the period. The results of this study are contrary to the research conducted by Amalia (2016) in her research showing that the Return on Assets (ROA) has a positive and significant effect on changes in profits in the company.

4. Conclusion

The Effect of Current Ratio, Total Asset Turnover, and Return On Asset on Profit Growth Using SPSS Analysis Tools. Based on the results of data analysis and discussions that have been carried out previously, the conclusions in this study are as follows:

- 1) Current Ratio (CR) has a negative and significant effect on profit growth in manufacturing companies listed on the Indonesia Stock Exchange.
- 2) Total Asset Turnover (TATO) has a negative and insignificant effect on profit growth in manufacturing companies listed on the Indonesia Stock Exchange.
- 3) Return On Asset (ROA) has a negative and insignificant effect on profit growth in manufacturing companies listed on the Indonesia Stock Exchange.

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