

## THE EFFECT OF CURRENT RATIO ON RETURN ON ASSETS AT PT. ASTRA AGRO LESTARI, TBK PERIOD 2008-2018

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### ABSTRACT

This study aims to determine the effect of the Current Ratio on Return on Assets at PT. Astra Agro Lestari, Tbk Period 2008-2018. The method used is explanatory research. The analysis technique uses statistical analysis with regression testing, correlation, determination and hypothesis testing. The results of this research variable Current Ratio obtained an average value of 127.09%. The return on variable assets obtained an average value of 25.88%. Current Ratio has a positive and significant effect on Return On Assets with a regression equation value of  $Y = 9.112 + 0.132X$ , and a correlation coefficient value of 0.660 or has a strong level of relationship with a determination value of 43.5%. Hypothesis testing obtained a significance of  $0.027 > 0.05$ .

**Keywords:** *Current Ratio, Return On Assets.*

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### I. INTRODUCTION

#### A. Background of the problem

The field of agriculture and plantations is currently one part that continues to be pursued for the development of agribusiness in order to improve modern agriculture and plantations, this has become a national commitment. Indonesia as an agrarian country realizes a lot of its necessities of life from farming and gardening, because of that the agriculture and plantation sector is one of the sectors that continues to be relied on to support the pace of national economic growth. In general, the Indonesian population, especially those in rural areas, make their living in the agricultural and plantation sectors. One of the efforts to increase the economic value of agricultural and plantation products as well as a very important effort to achieve several goals, namely to attract and encourage new industries.

PT Astra Agro Lestari Tbk (the Company) is a company engaged in developing the plantation industry in Indonesia since more than 30 years ago. Because of its role in building the country's economy, the financial condition of PT. Astra Agro Lestari Tbk must remain stable. That is why financial ratio analysis needs to be done so that we can get an overview of the financial position of the company. For users of financial statements, knowing the financial position of a company is very important because basically it will be taken into consideration in making decisions. The profit or profit earned is one description of the financial condition of a company. Profits generated by the company can be known through measurement tools of financial statement analysis, This financial analysis is carried out so that users of financial information can find out the pros and cons of a company's financial condition that reflects work performance in a certain period. The use of financial information will make it easier for investors to calculate financial ratios which include the ratio of liquidity, solvency, activity and profitability of the company as a basis for consideration in investment decisions.

Liquidity describes the ability of a company to meet its financial obligations that must be met immediately. Liquidity will affect the size of the dividends paid to shareholders. This study uses the liquidity ratio represented by the current ratio, which is the ratio that describes the company's ability to pay debts that must be met with the cash available in the company. To find out how much the

company pays its debts, using more debt means increasing the risk borne by the company. Vice versa, using more debt also increases the expected rate of return. The debt to asset ratio is a ratio to measure the size of a company's assets financed with debt (Kasmir 2013: 158).

Table 1. Development of CR and ROA of PT. Astra Agro Lestrari Tbk 2008-2018

Year	CR (%)	ROA (%)
2008	176.71	40.35
2009	182.58	21.93
2010	193.17	23.93
2011	130.97	24.48
2012	68.46	20.29
2013	45.44	12.72
2014	58.47	14.13
2015	79.95	10.23
2016	102.75	38.73
2017	183.84	38.48
2018	175.65	39.44
Average	127.09	25.88

Based on the table above, it can be seen that during 2008-2018 the growth in PT. Astra Agro Lestrari Tbk in paying debts or the average current ratio (CR) experiences fluctuating developments. The percentage of achieving the current ratio on average per year is 127.09%. While the ability of PT. Astra Agro Lestari Tbk in obtaining profit or return on assets (ROA) has experienced fluctuating developments. The average percentage of achieving return on assets per year is 25.88%. One of the objectives of establishing a company is to make a profit (profit), if the company has high profits it will increase the competitiveness of the company and increase economic activity and growth in the business world so that it can open up opportunities for new investment. Profitability measures the level of profit generated by the company. Besides aiming to determine the company's ability to generate profits over a certain period, this ratio also aims to measure the level of management effectiveness in carrying out company operations (Hery, 2016).

According to Munawir (2016), the definition of profitability is as follows "Profitability is indicating a company's ability to generate profits during a certain period. The profitability of a company is measured by the success of the company and the ability to use its assets productively, thus the profitability of a company can be known by comparing the profits earned in a period with the total assets or the amount of the company's capital." According to Agus Sartono (2016) profitability "Profitability is a company's ability to earn profits in relation to sales, total assets, and own capital."

Based on this background, in this discussion the researchers took the title "The Effect of Current Ratio (CR) on Return on Assets (ROA) at PT. Astra Agro Lestari, Tbk Period 2008-2018".

**B. Formulation of the problem**

1. What is the condition of the Current Ratio at PT. Astra Agro Lestari, Tbk?.
2. What is the condition of Return On Assets at PT. Astra Agro Lestari, Tbk?.
3. Is there any effect of Current Ratio on Return On Assets at PT. Astra Agro Lestari, Tbk?.

### C. Research purposes

1. To find out the condition of the Current Ratio at PT. Astra Agro Lestari, Tbk.
2. To find out the condition of Return On Assets at PT. Astra Agro Lestari, Tbk.
3. To determine the effect of Current Ratio on Return On Assets at PT. Astra Agro Lestari, Tbk.

## II. RESEARCH METHODS

### 1. Population

The population in this research is the financial statements of PT. Astra Agro Lestari, Tbk for 11 years

### 2. Sample

The sampling technique in this study was saturated sampling, where all members of the population were used as samples. Thus the sample in this study the financial statements of PT. Astra Agro Lestari, Tbk for 11 years.

### 3. Types of research

The type of research used is quantitative, where the aim is to find out the relationship between the independent variables and the dependent variable

### 4. Data analysis method

In analyzing the data used descriptive analysis, simple linear regression analysis, correlation coefficient, coefficient of determination and hypothesis testing.

## III. RESEARCH RESULT

### 1. Descriptive Analysis

In this test it is used to determine the minimum and maximum scores of the highest scores, rating scores and standard deviations of each variable. The results are as follows:

Table 2. Descriptive Statistics Analysis Results

Descriptive Statistics					
	N	Minimum	Maximum	Means	std. Deviation
CR	11	45.44	193.17	127.0900	57.55785
ROA	11	10.23	40.35	25.8827	11.51486
Valid N (listwise)	11				

Current Ratio obtained a minimum value of 45.44% and a maximum value of 193.17% with an average of 127.09% with a standard deviation of 57.55%. While the value of Return On Assets obtained a minimum value of 10.23% and a maximum value of 40.35% with an average of 25.88% with a standard deviation of 11.51%.

### 2. Quantitative Analysis.

In this analysis it is intended to determine the effect of the independent variables on the dependent variable. The test results are as follows:

#### a) Simple Linear Regression Analysis

Test this regression intended to determine changes in the dependent variable if the independent variable changes. The test results are as follows:

Table 3. Simple Linear Regression Test Results

Coefficientsa						
Model	Unstandardized Coefficients			standardized Coefficients	t	Sig.
		B	std. Error	Betas		
1	(Constant)	9.112	6,939		1,313	.222
	CR	.132	.050	.660	2,633	.027

Dependent Variable: ROA

Based on the test results in the table above, the regression equation  $Y = 9.112 + 0.132X$  is obtained. From these equations it is explained as follows:

- 1) A constant of 9.112 means that if there is no Current Ratio, then there is a Return On Assets value of 9.112 points.
- 2) The Current Ratio regression coefficient is 0.132, this figure is positive meaning that every time there is an increase in the Current Ratio of 0.132 points, the Return On Assets will also increase by 0.132 points.

**b) Correlation Coefficient Analysis**

Analysis of the correlation coefficient is intended to determine the level of the strength of the relationship from the independent variable to the dependent variable. The test results are as follows:

Table 4. Test Results for Correlation Coefficient Current Ratio to Return on Assets.

Correlationsb			CR	ROA
CR	Pearson Correlation		1	.660*
	Sig. (2-tailed)			.027
ROA	Pearson Correlation		.660*	1
	Sig. (2-tailed)		.027	

\*. Correlation is significant at the 0.05 level (2-tailed).

- Listwise N=11

Based on the test results obtained a correlation value of 0.660 means that the Current Ratio has a strong relationship to Return On Assets.

**c) Analysis of the Coefficient of Determination**

Analysis of the coefficient of determination is intended to determine the percentage of influence of the independent variable on the dependent variable. The test results are as follows:

Table 5. Test Results for the Coefficient of Determination of Current Ratio on Return on Assets.

Summary models				
Model	R	R Square	Adjusted R Square	std. Error of the Estimate
1	.660a	.435	.372	9.12304

• Predictors: (Constant), CR

Based on the test results obtained a determination value of 0.435 means that the Current Ratio has a contribution of 43.5% to Return On Assets, while the remaining 56.5% is influenced by other factors.

#### d) Hypothesis testing

Hypothesis testing with the t test is used to find out which hypothesis is accepted. Formulation of the hypothesis: There is a significant influence Current Ratio on Return On Assets.

Table 6. Results of the Current Ratio Hypothesis Test on Return On Assets.

Coefficients <sup>a</sup>						
Model	Unstandardized Coefficients			Standardized Coefficients	t	Sig.
		B	std. Error	Betas		
1	(Constant)	9.112	6,939		1,313	.222
	CR	.132	.050	.660	2,633	.027

• Dependent Variable: ROA

Based on the test results in the table above, the value of t count > t table or (2.633 > 2.262) is obtained, thus the hypothesis proposed that there is a significant effect of Current Ratio on Return On Assets is accepted.

### Discussion of Research Results

#### 1. Current Ratio Variable Value Conditions

Based on empirical data and data analysis, the Current Ratio variable obtained an average value per year of 127.09%.

#### 2. Return On Asset Variable Value Conditions

Based on empirical data and data analysis, the variable Return On Assets obtained an average value per year of 25.88%.

#### 3. Effect of Current Ratio on Return On Assets

Current Ratio has a significant effect on Return On Assets with the regression equation  $Y = 9.112 + 0.132X$ , a correlation value of 0.660 or has a strong relationship with a contribution of 43.5%, while the remaining 56.5% is influenced by other factors. Hypothesis testing obtained t count > t table or (2.633 > 2.262). Thus the hypothesis proposed that there is a significant effect of Current Ratio on Return On Assets is accepted.

#### IV. CONCLUSIONS AND RECOMMENDATIONS

##### 1. Conclusion

- a. The condition of the Current Ratio variable based on the 11-year financial report period obtained an average Current Ratio of 127.09%.
- b. The condition of the variable Return On Assets based on the 11-year financial report period obtained an average Current Ratio of 25.88%.
- c. Current Ratio has a significant effect on Return On Assets with the regression equation  $Y = 9.112 + 0.132X$ , a correlation value of 0.660 or strong and a contribution of 43.5% while the remaining 56.5% is influenced by other factors. The hypothesis test obtained by the value of  $t$  count  $>$   $t$  table or  $(2.633 > 2.262)$ .

##### 2. Suggestion

Based on the results of the research that has been concluded, the authors provide the following suggestions:

- a. The company must maintain its Current Ratio position, because a good Current Ratio shows the company can fulfill its short-term obligations, but a Current Ratio that is too high can also be said to be bad because it indicates excess cash or current assets needed
- b. The company is expected to be able to increase profitability by conducting field surveys of consumers regarding what consumers treat, this is intended to increase sales even better.

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