



The Effect Of Current Ratio, Debt To Equity Ratio, And Total Assets Turnover On Return On Assets At PT. Hanjaya Mandala Sampoerna Tbk. For The Period 2013-2023

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Abstract

This research aims to determine the effect of Current Ratio, Debt to Equity Ratio and Total Assets Turnover on Return On Assets at PT. Hanjaya Mandala Sampoerna Tbk. Both partially and simultaneously. The data in this research is secondary data obtained from PT's financial reports. Hanjaya Mandala Sampoerna Tbk for the 2013-2023 period. The method used is a quantitative method. The sample used is from 2013-2023. Based on the results of this research, it shows that partially the Current Ratio obtained a calculated t value of $0,506083 < 2,36462$ and has a significance value of $0,6283 > 0,05$ which shows that it has no effect on Return On Assets. The Debt to Equity Ratio obtained by the calculated t value is $2,663488 > 2,36462$ and has a significance value of $0,0323 < 0,05$. which shows that it has an effect on Return On Assets. Total Assets Turnover obtained a calculated t value of $7,047016 > 2,36462$ and has a significance value of $0,0002 < 0,05$. which shows that it has an effect on Return On Assets. The results of simultaneous testing of Current Ratio, Debt to Equity Ratio and Total Assets Turnover obtained an Fstatistic value of $17,66673 > 4,07$ with a significance value of $0,001204 < 0,05$, this shows that there is an influence on Return On Assets at PT. Hanjaya Mandala Sampoerna Tbk for the 2013-2023 period. This result is supported by testing the coefficient of determination (R^2) of 83,33% while the remaining 16,67% is influenced by other variables not studied.

Keywords : CR, DER, TATO, ROA

INTRODUCTION

Financing is crucial for businesses, in addition to their rapid growth and expansion. The financial industry is increasingly gaining attention due to the growing competition and highly competitive market. Management must handle and manage financial resources effectively to maintain competitiveness. Decision-making in economic operations needs to be quick and accurate. Besides having access to relevant data, the ability to evaluate and make informed decisions based on available information is equally important.

Indonesia is one of the world's leading tobacco producers. According to 2004 data, Indonesia ranked sixth globally in tobacco production, behind the United States, Turkey, China, Brazil, and India. With more than 145,000 hectares of land, Indonesia produces 160,000 metric tons of tobacco annually and employs approximately 2,539,000 people. Tobacco is cultivated in several regions in Indonesia, including Madura, West Nusa Tenggara, Bali, East Java, and Central Java.

The primary ingredient used in cigarette production is tobacco. A cigarette is a packaged processed product containing tobacco, either white or kretek, derived from

Nicotiana Tabacum, *Nicotiana Rustica*, or other natural or artificial species. Depending on its classification, the product may or may not contain nicotine, tar, and other additives. This is regulated under Minister of Industry Regulation No. 62/MPP/Kep/2/2004 concerning Tar and Nicotine Testing Standards in Cigarettes.

In Indonesia, PT Hanjaya Mandala (HM) Sampoerna Tbk is the third-largest cigarette producer. Since 1913, when the famous "Kretek King" Dji Sam Soe introduced his business to Indonesia, the company has been an integral part of the country's tobacco industry. In 1989, Sampoerna launched Sampoerna A, Indonesia's first low-tar machine-made kretek cigarette (SKM LT). Since then, Sampoerna has become a major player in Indonesia's cigarette industry. The company also produces several other well-known kretek brands, including Philip Morris Bold, Marlboro Filter Black, Sampoerna U, and Sampoerna Kretek.

With a 28.8% market share in 2020, Sampoerna has dominated the Indonesian cigarette market for over a decade. As a subsidiary of Philip Morris International, Inc., Sampoerna operates under PT Philip Morris Indonesia (PMID), overseeing the production, trade, and distribution of kretek tobacco products, in addition to distributing Marlboro, a globally recognized cigarette brand

Sampoerna's management team oversees over 22,000 permanent employees using international best practices and systems. The company also collaborates with 38 Cigarette Production Partners (MPS), employing around 41,500 people in Hand-Rolled Kretek Cigarette (SKT) production. Additionally, Sampoerna distributes and sells cigarettes across Indonesia through sales offices, distribution centers, and branch offices in 112 zones.

Below is the financial ratio data of PT Hanjaya Mandala Sampoerna Tbk from 2013 to 2023, measured by Current Ratio, Debt to Equity Ratio, Total Assets Turnover, and Return on Assets

Table 1

Current Ratio, Debt to Equity Ratio, Total Assets Turnover, and Return on Assets of PT Hanjaya Mandala Sampoerna Tbk

Year	CR (%)	DER (%)	TATO (times)	ROA (%)
2013	175.25	93.60	2.7	39.48
2014	152.77	110.26	2.8	35.87
2015	656.74	18.72	2.3	27.26
2016	523.41	24.38	2.2	30.02
2017	527.23	26.47	2.3	29.37
2018	430.20	31.80	2.3	29.05
2019	327.61	42.67	2.1	26.96
2020	245.41	64.26	1.9	17.28
2021	188.14	81.87	1.9	13.44
2022	168.51	94.49	2.0	11.54
2023	171.94	85.19	2.1	14.64

Source: Financial Reports of PT Hanjaya Mandala Sampoerna Tbk

Based on Table 1 the data shows that the Current Ratio reached its lowest point in 2014, with a value of 152.77%, while the highest value was recorded in 2015 at 656.74%. Meanwhile, the Debt to Equity Ratio (DER) fluctuated throughout 2013-2023. The highest DER was recorded in 2014 at 110.26%, whereas the lowest DER occurred in 2015 at 18.72%.

A high Debt to Equity Ratio indicates that a company relies heavily on debt financing, which may pose challenges in obtaining additional loans. This is due to concerns that the company may struggle to meet its obligations, potentially impacting its financial performance negatively.

During 2013-2023, Total Assets Turnover (TATO) also fluctuated. It reached its lowest value in 2020 and 2021 at 1.9 times due to the COVID-19 pandemic, which led to a decline in company assets compared to previous years. When compared to the industry average TATO of 2 times, Sampoerna has not yet fully optimized its asset utilization. The highest TATO was recorded in 2014, reaching 2.8 times.

Return on Assets (ROA) declined yearly, peaking in 2016 at 30.02%, while its lowest value was recorded in 2022 at 11.54%, mainly due to a decrease in company revenue. Liquidity Ratio assesses a company's ability to cover short-term liabilities with its current assets. Liquidity is vital for businesses, as higher liquidity enhances a company's ability to generate revenue. A company that lacks liquidity is less likely to generate profits. A strong business performance, reflected in a higher liquidity ratio, can drive asset growth.

Leverage Ratio measures the extent to which a company's assets are financed by debt or equity. This ratio helps assess the company's financial position, obligations, and the balance between real assets and equity. Increased debt financing leads to higher dividend payments, boosting share value and price. However, excessive debt usage (high Debt to Equity Ratio) can reduce asset value, particularly during economic downturns or declining sales. Total Assets Turnover (TATO) measures the efficiency of asset utilization in generating revenue. A higher TATO ratio indicates faster asset turnover and the potential for greater profitability. The overall efficiency of resource utilization in production processes can be improved by increasing Total Assets Turnover.

METHOD

This study utilizes a quantitative research method, which is designed to test specific theories by analyzing the relationships between variables. Quantitative research involves the collection and analysis of numerical data, often using statistical methods to interpret the findings. According to Sugiyono (2017:8), "quantitative research is a research method based on positivist philosophy, used to examine specific populations or samples, collect data using research instruments, and analyze data statistically to test predetermined hypotheses." This study employs secondary data obtained from the financial reports of PT Hanjaya Mandala Sampoerna Tbk, covering the period 2013 to 2023. The research aims to analyze the influence of Current Ratio (CR), Debt to Equity Ratio (DER), and Total Assets Turnover (TATO) on Return on Assets (ROA). The study uses multiple regression analysis to evaluate the impact of independent variables on ROA. Statistical tests such as normality test, multicollinearity test, heteroscedasticity test, autocorrelation test, and hypothesis testing (t-test and F-test) are employed to ensure the validity and reliability of the results. These tests help determine whether the financial ratios significantly affect the profitability of PT Hanjaya Mandala Sampoerna Tbk. The findings of this research can contribute to financial management strategies in the tobacco industry, providing insights into how liquidity, leverage, and asset efficiency influence corporate performance.

RESULT

Multiple Linear Regression Analysis

The purpose of multiple linear regression analysis is to observe the response changes concerning various independent factors and the dependent variable.

Figure 1 presents the regression equation based on the findings from the multiple regression line using the ordinary least squares (OLS) method:

Sample: 2013 2023

Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-31.06158	8.679012	-3.578931	0.0090
CR	0.921197	1.820246	0.506083	0.6283
DER	-0.099307	0.037285	-2.663488	0.0323
TATO	0.276306	0.039209	7.047016	0.0002

Figure 1
Results of Multiple Linear Regression Analysis
Source: Data processed using Eviews 12

Figure 1 presents the regression equation based on the findings from the multiple regression line using the ordinary least squares (OLS) method:

$$Y = -31,06158 + 0,921197 (X_1) - 0,099307 (X_2) - 0,276306 (X_3).$$

The evaluation of research findings from this regression equation can be described as follows:

1. The constant value (a) of -31.06158 indicates that the Return on Assets (ROA) decreases by -31.06158 for every percentage increase in X_1 (Current Ratio), X_2 (Debt to Equity Ratio), and X_3 (Total Assets Turnover).
2. The Current Ratio (X_1) has a regression coefficient of 0.921197, meaning that for every 1% increase in Current Ratio, ROA increases by 0.921197. A positive coefficient between Current Ratio and ROA indicates a direct relationship – a higher Current Ratio corresponds to a higher ROA.
3. The Debt to Equity Ratio (X_2) has a regression coefficient of -0.099307, which signifies that ROA decreases by -0.099307 for every 1% increase in Debt to Equity Ratio. Since the coefficient is negative, there is an inverse relationship – as the Debt to Equity Ratio increases, ROA decreases.
4. The Total Assets Turnover (X_3) has a regression coefficient of 0.276306, meaning ROA increases by 0.276306 for every 1% increase in Total Assets Turnover. The positive coefficient suggests that higher asset turnover leads to increased ROA.

t-Test (Partial Test)

The t-test is used to determine the significance of each independent variable in explaining the dependent variable. The selection criteria used in this study are:

1. If the t-statistic significance value is greater than 0.05, the independent variable does not significantly affect the dependent variable.
2. If the t-statistic significance value is less than 0.05, the independent variable significantly affects the dependent variable.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-31.06158	8.679012	-3.578931	0.0090
CR	0.921197	1.820246	0.506083	0.6283

Figure 2

t-Test Results for Current Ratio (Partial Test)

Source: Data processed using Eviews 12

Based on Figure 2, the t-table value for $\alpha = 0.05$ and degrees of freedom (df) = (n-k) = (11-3-1) = 7 is 2.36462. The t-statistic for Current Ratio (X_1) is 0.506083, which is less than 2.36462, and the significance value is 0.6283, which is greater than 0.05. This means that the Current Ratio does not have a significant partial effect on ROA.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-31.06158	8.679012	-3.578931	0.0090
DER	-0.099307	0.037285	-2.663488	0.0323

Figure 3

t-Test Results for Debt to Equity Ratio (Partial Test)

Source: Data processed using Eviews 12

Based on Figure 3, the t-table value is 2.36462. The t-statistic for Debt to Equity Ratio (X_2) is -2.663488, which is greater than 2.36462, and the significance value is 0.0323, which is less than 0.05. This means that the Debt to Equity Ratio has a significant partial effect on ROA.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
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C	-31.06158	8.679012	-3.578931	0.0090
X3	0.276306	0.039209	7.047016	0.0002

Figure 4
t-Test Results for Total Assets Turnover (Partial Test)
Source: Data processed using Eviews 12

Based on Figure 4.9, the t-table value is 2.36462. The t-statistic for Total Assets Turnover (X3) is 7.047016, which is greater than 2.36462, and the significance value is 0.0002, which is less than 0.05. This means that Total Assets Turnover has a significant partial effect on ROA.

F-Test (Simultaneous Test)

The F-test determines whether the independent variables, when combined in the model, have a simultaneous effect on the dependent variable.

F-Test Results (Simultaneous Test)

R-squared	0.883334	Mean dependent var	24.99182
Adjusted R-squared	0.833334	S.D. dependent var	9.376613
S.E. of regression	3.827980	Akaike info criterion	5.797839
Sum squared resid	102.5740	Schwarz criterion	5.942529
Log likelihood	-27.88812	Hannan-Quinn criter.	5.706633
F-statistic	17.66673	Durbin-Watson stat	1.152043
Prob(F-statistic)	0.001204		

Figure 5
F-Test Results (Simultaneous Test)
Source: Data processed using Eviews 12

The F-statistic value is 17.66673, which is greater than the F-table value of 4.07, with a probability value of 0.001204, which is less than 0.05. This indicates that Current Ratio, Debt to Equity Ratio, and Total Assets Turnover simultaneously influence Return on Assets (ROA).

Coefficient of Determination (R² Test)

The coefficient of determination (R²) is used to measure the accuracy of the multiple linear regression model. It represents the proportion of variance in the dependent variable explained by the independent variables.

R-squared	0.883334	Mean dependent var	24.99182
Adjusted R-squared	0.833334	S.D. dependent var	9.376613
S.E. of regression	3.827980	Akaike info criterion	5.797839
Sum squared resid	102.5740	Schwarz criterion	5.942529
Log likelihood	-27.88812	Hannan-Quinn criter.	5.706633
F-statistic	17.66673	Durbin-Watson stat	1.152043
Prob(F-statistic)	0.001204		

Figure 6

Results of Coefficient of Determination (R^2 Test)

Source: Data processed using Eviews 12

The R-squared (R^2) value is 0.833334, as shown in Figure 4.11. This means that 83.33% of the variations in ROA can be explained by the independent variables (Current Ratio, Debt to Equity Ratio, and Total Assets Turnover), while the remaining 16.67% is influenced by other factors not included in this research

DISCUSSION

1. The Effect of Current Ratio (CR) on Return on Assets (ROA)

The results of the t-test indicate that the Current Ratio (CR) does not have a significant partial effect on Return on Assets (ROA). This suggests that the company's liquidity, as measured by CR, does not directly impact its profitability. A high Current Ratio signifies a strong ability to meet short-term liabilities, but it does not necessarily translate into better asset utilization or profit generation. This finding aligns with previous research, which suggests that liquidity alone may not significantly influence profitability unless supported by effective asset management and operational efficiency.

2. The Effect of Debt to Equity Ratio (DER) and Total Assets Turnover (TATO) on ROA

The Debt to Equity Ratio (DER) has a significant negative effect on ROA, indicating that a higher level of debt relative to equity reduces profitability. Companies with excessive debt obligations may face higher interest expenses and financial risks, leading to a decline in overall returns. On the other hand, Total Assets Turnover (TATO) has a significant positive effect on ROA, implying that efficient asset utilization contributes to increased profitability. This suggests that businesses should focus on optimizing asset turnover while maintaining a balanced capital structure to maximize financial performance.

3. Simultaneous Influence of CR, DER, and TATO on ROA

When analyzed together, Current Ratio, Debt to Equity Ratio, and Total Assets Turnover significantly affect ROA, as shown by the F-test results. The combined impact of these financial ratios explains 83.33% of the variations in ROA, indicating that these variables play a crucial role in determining profitability. However, the remaining 16.67% is influenced by external factors, such as market conditions, operational efficiency, and macroeconomic variables. These findings emphasize the importance of a comprehensive

financial strategy, balancing liquidity, debt management, and asset efficiency to ensure sustainable profitability.

CONCLUSION

Based on the analysis of the research findings titled "The Influence of Current Ratio, Debt to Equity Ratio, and Total Assets Turnover on Return on Assets of PT Hanjaya Mandala Sampoerna Tbk for the 2013-2023 Period," the study concludes that the Current Ratio (CR) does not significantly affect Return on Assets (ROA), as indicated by a t-statistic value of $0.506083 < 2.36462$ and a significance value of $0.6283 > 0.05$. However, the Debt to Equity Ratio (DER) has a significant negative impact on ROA, with a t-statistic value of $-2.663488 > 2.36462$ and a significance value of $0.0323 < 0.05$. Additionally, the Total Assets Turnover (TATO) positively and significantly affects ROA, as shown by a t-statistic value of $7.047016 > 2.36462$ and a significance value of $0.0002 < 0.05$. When analyzed simultaneously, CR, DER, and TATO collectively influence ROA, as evidenced by an F-statistic value of $17.66673 > 4.07$ with a significance value of $0.001204 < 0.05$. However, this study has certain limitations, including its focus on a single company (PT Hanjaya Mandala Sampoerna Tbk), a research period limited to 11 years (2013-2023), and the examination of only three independent variables (CR, DER, and TATO) in relation to ROA. Therefore, future research should consider expanding the sample size, extending the research period, and incorporating additional financial variables to enhance the comprehensiveness of the analysis. The study provides several recommendations: (1) For companies, the findings can serve as a basis for improving liquidity performance to attract potential investors. (2) For investors, it is advisable to conduct a thorough financial ratio analysis beyond just CR, DER, and TATO before making investment decisions. (3) For creditors, evaluating other financial and non-financial factors in addition to CR, DER, and TATO is crucial before providing additional funding. Lastly, to enhance research quality, future studies should consider increasing the number of samples, extending the research period, and incorporating additional financial variables for a more comprehensive evaluation.

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