The Effect of Current Ratio, Total Asset Turnover, and Debt Asset Ratio on Return on Assets of Indonesian Food and Beverages Industry in 2019 - 2023

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Article Info

ABSTRACT

This study examines the effect of the Current Ratio (CR), Total Asset Turnover (TATO), and Debt to Asset Ratio (DAR) on Return on Assets (ROA) in the food and beverage subsector companies listed on the Indonesia Stock Exchange during 2019-2023. The study uses panel data from 15 companies. The Fixed Effect Model (FEM) regression analysis shows that, simultaneously, all three variables significantly affect ROA. However, only TATO and DAR have a significant partial effect, while CR does not. These findings highlight the importance of asset efficiency and capital structure management in improving company profitability.
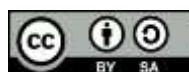
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1. INTRODUCTION

In recent years, the food and beverage industry in Indonesia has continued to show rapid and sustainable growth. The food and beverage sector remains a major focus because it fulfills basic human needs.[1]Food and beverage companies have achieved consistent and positive performance in the industry, from their role in increasing productivity, investment, exports, and employment. The Ministry of Industry recorded that the food and beverage industry grew by 7.19% in 2018, exceeding the national economic growth of 5.17%.[2]To maintain positive growth, companies in the food and beverage sector need to manage their financial resources efficiently.One of the main indicators in measuring a company's efficiency and profitability is Return on Assets (ROA),This is a ratio that measures a company's ability to generate net profit after tax from the total assets used in its operational activities. This ratio is used to determine how efficiently a company uses its assets to carry out its operational activities.[1]Therefore, understanding the factors influencing ROA is a crucial aspect in analyzing the financial performance of this industry.

Financial performance is a crucial aspect in assessing a company's position and prospects. Therefore, financial performance can influence a company's value. The better a company's performance, the higher its value.[2]This is because good financial performance reflects operational efficiency, stable profitability, and effective risk management, which ultimately increases investor and stakeholder confidence.

Financial ratios such as the Current Ratio (CR), Total Asset Turnover (TATO), and Debt Asset Ratio (DAR) are often used to evaluate liquidity, operational efficiency, and financial leverage, which can affect a company's financial performance. CR is a ratio used to measure a company's ability to meet its short-term obligations.[3]. While TATO is an important metric in financial analysis that measures how efficiently a company utilizes its assets to generate sales[4]On the other hand, DAR is used to measure a company's ability to adapt to conditions of asset reduction due to losses without reducing interest payments to creditors.[5].

In Indonesia's dynamic and competitive food and beverage industry, effective resource management is crucial to maintaining long-term profitability.[6]Return on Assets (ROA) is one of the main indicators used to assess the effectiveness of asset utilization and capital structure. This indicator serves as a measure of how efficiently a company utilizes its assets to generate profits. In this context, the financial health of this industry is highly dependent on the optimization of financial ratios, such as the Current Ratio (CR), Total Asset Turnover (TATO), and Debt to Asset Ratio (DAR), which directly impact ROA.[7].

ROA was chosen as the dependent variable in this study based on its function, which not only indicates a company's profitability but also reflects the quality of management in managing available assets. The food and beverage industry is a capital-intensive sector and requires optimal asset management to avoid wasting resources. Therefore, ROA is an appropriate measurement tool to evaluate the extent to which a company can generate profits from its total assets, even during fluctuating economic conditions throughout 2019 and 2023.

Furthermore, ROA serves as an indicator that integrates various financial aspects such as liquidity, efficiency, and capital structure. In this study, the relationship between ROA and the Current Ratio, Total Asset Turnover, and Debt to Asset Ratio illustrates a holistic approach to measuring financial performance.(Sari & Sapitry, 2023). Any changes in these financial aspects will directly or indirectly affect the rate of return on the company's assets.[7]This provides added value in the context of strategic financial analysis, which is needed by food and beverage industry players to determine more effective and efficient financial policy directions.

By examining ROA over the past five years, this study can provide a more comprehensive and accurate picture of profitability developments, as well as being an important reference for investors, financial managers, and other stakeholders in making economic decisions.[10].This analysis is complemented by a graph showing the dynamics of Return on Assets (ROA) of food and beverage companies in Indonesia from 2019 to 2023. It is hoped that this visualization can explain the differences in profitability performance that have been discussed and broaden understanding of industry changes over time.
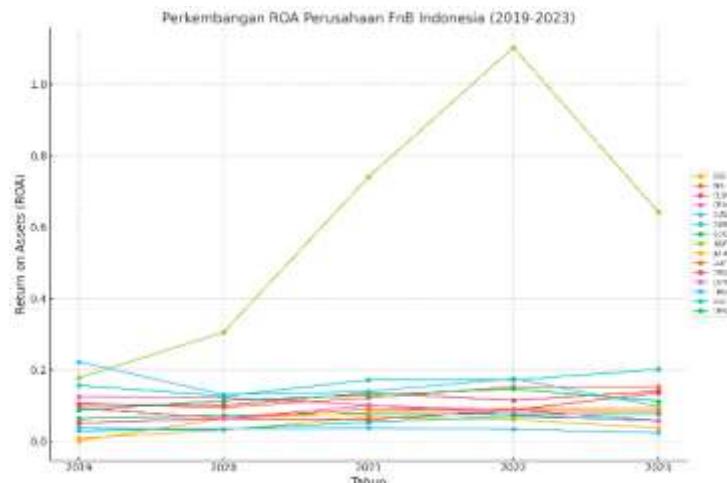
Source: Data processed by Researchers, 2025.

The selection of independent variables in this study, namely Current Ratio, Total Asset Turnover, and Debt to Asset Ratio, is based on observations of ROA data of food and beverage companies in Indonesia from 2019 to 2023 which show a fluctuating pattern.[11]When ROA decreases, it is generally accompanied by a decrease in asset efficiency or an increase in the debt ratio. Similarly, when ROA increases, the Current Ratio and asset turnover efficiency tend to perform better. This indicates a consistent relationship, so these three variables were chosen logically and based on actual ROA data as the empirical basis for the study.

Research conducted by [12]found a significant relationship between these three ratios and ROA, indicating that proper liquidity management, asset efficiency, and capital structure can contribute to increased company profitability. Furthermore, other research has shown that effective asset management and capital structure play a role in increasing profitability and improving the financial performance of companies in the food and beverage industry.[13].

Other research was also conducted by[14]entitled "The Effect of Current Ratio and Debt to Equity Ratio on Return on Assets at PT Astra International Tbk for the Period 2012-2021." The findings of this study indicate that the Current Ratio and Debt to Equity Ratio have a significant positive effect on ROA. Furthermore, research conducted by[11]with the research title "The Effect of

Current Ratio (CR), Debt to Equity Ratio (DER), and Total Asset Turnover (TATO) on Return on Assets (ROA) in the Food and Beverage Sub-Sector for the 2018-2023 Period" found that the Debt to Equity Ratio had a significant negative effect on ROA. Other studies with similar results from[15]with the research title The Influence of Current Ratio, Debt to Equity Ratio, Total Asset Turnover, Net Profit Margin and Company Size on Profit Growth (Empirical Study on Food and Beverage Sector Companies Listed on the Indonesia Stock Exchange (IDX) for the 2019-2022 Period).

The findings of this study found that the Current Ratio has a significant negative effect on profit growth.[16]. The differing results from the studies above indicate inconsistencies in the effect of financial ratios on ROA in the Indonesian food and beverage industry. This suggests the need for further research with updated data through 2023 to obtain a more accurate and up-to-date understanding.

The rapid market development in Indonesia's food and beverage sector is influencing companies' asset management strategies and capital structures. Research conducted by[17]states that changes in financial ratios have a significant impact on a company's financial performance, so financial ratio analysis needs to be conducted regularly to understand its implications for ROA. In addition, research[18]emphasizes the important role of TATO and DAR in

improving ROA by implementing ideal asset and capital management strategies. Despite the fact that a small number of studies have been conducted analyzing the relationship between financial ratios and profitability, research conducted in Indonesia in the food and beverage industry, especially from 2019 to 2023, is still very limited.

The information contained in financial reports will help various parties in formulating or considering financial decision making.[19]Through financial reports, owners and management can evaluate the company's overall financial performance, including net profit, revenue growth, and operational efficiency, so they can determine whether financial goals have been achieved or adjustments are needed. Based on previous research, financial reports provide important information that helps various parties make financial decisions. Financial reports also show how well the company's management has performed over the past year.[20].Companies need to achieve the maximum level of profit, because the continuity of business, life and progress of the company in the future will be more guaranteed by achieving this level of profit.[18].

Thus, this study aims to explore the relationship between CR, TATO, and DAR to ROA in the Indonesian food and beverage industry listed on the Indonesia Stock Exchange from 2019 to 2023. This study will empirically test the impact of each financial ratio on ROA, providing practical insights for companies in managing their finances to increase profitability.[12]The results of this study are expected to provide a significant contribution to the literature on financial ratio management and provide guidance for policymakers and practitioners in the food and beverage industry to optimize their financial management to achieve higher profitability goals.

2. LITERATURE REVIEW

2.1 Return on Asset(ROA)

*Return on Assets (ROA)*Return on Assets (ROA) is a ratio that shows the return on the total assets used by a company. Return on Assets (ROA) measures how effectively a company utilizes all of its assets to generate net profit after tax.[21]Return on AssetsReturn on Assets (ROA) is a profitability ratio that measures how well a company generates profit from its assets. This profitability can be influenced by various factors, including the Current Ratio (CR), Total Asset Turnover (TATO), Debt to Equity Ratio (DER), Debt to Equity Ratio (DR), sales growth, and company size.[6]In other research, Return on Assets (ROA) is also defined as one of the most important profitability ratios, which describes the company's financial performance in using existing resources, in accordance with the general definition of profitability ratios.[22]A company's financial performance is considered to improve if its Return on Assets (ROA) value is higher, as this indicates efficiency in generating profits from existing resources. Conversely, a low ROA can be caused by a low profit margin or low total asset turnover. To increase ROA, companies can focus on increasing asset turnover and net profit margin.

2.2 Current Ratio(CR)

*Current Ratio*is a liquidity ratio that shows the company's ability to meet its short-term obligations with the current assets it has.*Current Ratio*measuring the company's ability to pay current debts using the current assets it owns[21]This ratio is calculated by dividing current assets by current liabilities. Current assets include cash, receivables, and inventory that can be liquidated within one year, while current liabilities include accounts payable, short-term debt, and other obligations that mature within a similar timeframe.[23].

In the food and beverage industry, the existence of an ideal CR is crucial because companies in this sector require high working capital to fund the purchase of raw materials, production, distribution, and sales that take place quickly and repeatedly.[24]If the current ratio is too low, the company is at risk of financial difficulties due to its inability to pay its short-term obligations. Conversely, a ratio that is too high may indicate excess current assets that are not being utilized efficiently.[25].

Therefore, analyzing the Current Ratio is crucial to understand its contribution to Return on Assets (ROA). In this study, CR was chosen as one of the variables because it is suspected to have a significant impact on asset management efficiency and company profitability during the 2019–2023 period.

2.3 Total Asset Turnover(TATO)

Total Asset Turnover(TATO) is an activity ratio used to measure how effectively a company utilizes all of its assets to generate revenue. *Total Assets Turnover*assess the extent to which all company assets are used optimally to support sales achievement[21].The TATO formula is obtained by dividing net sales by average total assets. The higher the TATO value, the more efficient the company is in using its assets to generate revenue. Conversely, a low TATO value indicates that the company's assets are not being utilized optimally in its operational processes.[22].

In the context of the Indonesian food and beverage industry, TATO is a crucial indicator because the industry relies heavily on inventory turnover and sales. Companies in this sector need to ensure that their assets, such as production machinery, warehouses, and distribution vehicles, are utilized as efficiently as possible to avoid excessive operational costs. Efficient asset utilization not only impacts revenue but also directly contributes to profitability, as measured by Return on Assets (ROA).[26].

Therefore, in this study, Total Asset Turnover was used as an independent variable because it was assumed to have a positive and significant relationship with ROA. In other words, the higher the efficiency of asset turnover, the greater the company's opportunity to improve its financial performance.

2.4 Debt to Asset Ratio(DAR)

Debt to Asset Ratio(DAR) is a solvency ratio used to measure the extent to which a company's total assets are financed by debt. The Debt to Asset Ratio (DAR) is used to assess how much of the company's debt is used to finance its assets.[21]This ratio reflects the level of financial risk; the higher the DAR, the higher the financial risk faced by the company. This ratio is obtained by comparing total liabilities to total assets. A high DAR indicates that a majority of a company's assets come from debt, which could be an indicator of high financial risk if the company is unable to meet its obligations. Conversely, a low DAR indicates a healthier capital structure because the company uses more equity than debt to fund its assets.[27].

In the food and beverage industry, capital structure management is crucial given the high working capital requirements for raw material purchases, production processes, and product distribution. Heavy reliance on debt can increase interest expenses and financial risk, ultimately negatively impacting a company's profitability. Therefore,*Debt to Asset*

*Ratio*considered as an important variable that can influence Return on Assets (ROA)[28].

In this study, DAR was chosen as the independent variable because it is suspected that a company's debt level in its asset structure has a significant relationship with the company's effectiveness in generating profits from total assets. In other words, the balance between debt and assets plays a significant role in creating efficiency and profitability.[29]

In the context of the Indonesian food and beverage industry, ROA is a crucial indicator for assessing a company's operational efficiency. Variables such as Current Ratio, Total Asset Turnover, and Debt to Asset Ratio were chosen because they have a significant theoretical and empirical relationship with ROA.[30]The Current Ratio reflects a company's liquidity, Total Asset Turnover indicates the efficiency of asset utilization, and the Debt to Asset Ratio illustrates the company's capital structure. By analyzing these three variables, the study aims to understand the factors influencing ROA in the industry.

2.5 Formulas

- *Return on Assets*= Net Profit / Average Total Assets
- *Current Ratio*= Current Assets / Current Liabilities
- *Total Asset Turnover*= Net Sales / Average Total Assets
- *Debt to Asset Ratio*= Total Liabilities / Total Assets

2.6 Synthesis of Research and Concurrent Research

Several previous studies have examined the relationship between these variables and ROA:

- Research by(Sari & Sapitry, 2023)at Kalbe Farma shows that Current Ratio (CR) and Total Asset Turnover (TATO) have a significant effect on ROA
- Study by[10]found that Debt to Asset Ratio has a negative and significant effect on stock prices, while ROA has no significant effect.

2.7 Hypothesis

Based on the literature review and theoretical framework, the hypothesis proposed is:

H1: Current Ratio has a significant effect on Return on Assets.

H2: Total Asset Turnover has a significant effect on Return on Assets.

H3: Debt to Asset Ratio has a significant effect on Return on Assets.

H4: Current Ratio, Total Asset Turnover, and Debt to Asset Ratio simultaneously have a significant effect on Return on Assets.

3. METHODS

The research method used in this study is quantitative with an associative approach, because it aims to test the relationship between three independent variables, namely*Current Ratio*, Total Asset Turnover, and Debt to Asset Ratio against Return on Asset (ROA) as dependent variables[31]The data used is secondary data in the form of panel data, namely a combination of time series data (period 2019–2023) and cross-section (15 food and beverage sub-sector companies listed on the Indonesia Stock Exchange). The analysis technique used is panel data regression with a Fixed Effect Model (FEM) approach, which is determined through a series of model selection tests such as the Chow Test, Hausman Test, and Lagrange Multiplier Test.[32]The test results indicate that FEM is the most appropriate method because it takes into account the

differences in characteristics of each individual company. Regression analysis was conducted using the Panel Least Squares method, which tests both the simultaneous and partial effects of each independent variable on ROA.[31]With this model, the study is able to accurately explain the contribution of financial ratios to a company's profitability performance, while also providing useful information for financial decision-making in the food and beverage industry.

4. RESULTS AND DISCUSSION

4.1 Model selection

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	3.923750	(14,57)	0.0001
Cross-section Chi-square	50.613352	14	0.0000

In the table above, it can be seen that the probability value (Prob) of the Cross-section Chi-square is 0.000 < 0.05, so H0 is accepted. So it can be concluded that the Fixed Effect Model (FEM) is better than the Common Effect Model (CEM).

b) Hausmann test

This test is used to select between fixed effect and common

a) Chow Test

This test is used to select between fixed effect and common effect models. The Chow test uses the Chi-square statistic to determine which model is better, either the fixed effect or the common effect model. The Chow test uses the following criteria: if the p-value is greater than 0.05, the common effect model is selected. However, if the p-value is less than 0.05, the fixed effect model is selected. The results of the Chow test are shown in the following table.

effect models. The Hausmann test uses the Chi-square statistic to determine the better model between the random effect and fixed effect models. The Hausmann test uses the following criteria: if (p-value > 0.05), the random effect model is selected. However, if (p-value < 0.05), the fixed effect model is selected. The results of the Hausmann test are shown in the following table.

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	16.076163	3	0.0011

In the table above, it can be seen that the probability value (Prob) of the Cross-section Chi-square is 0.001 < 0.05, so H0 is accepted. So it can be concluded that the Fixed Effect

Model (REM) is better than the Random Effect Model (REM).

c) Lagrage Multiplier Test

This test is used to select between the common effects and random effects models. The Lagrange Multiplier test is a test that uses the F-statistic to determine the better model between the common effects and random effects models. The Lagrange Multiplier test uses the following criteria: if (p-value > 0.05), the common effects model is selected. However, if (p-value < 0.05), the random effects model is selected. The results of the Hausmann test are shown in the following table.

Lagrange multiplier (LM) test for panel data
Date: 04/13/25 Time: 13:04
Sample: 2019 2023
Total panel observations: 75
Probability in ()

Null (no rand. effect) Alternative	Cross-section One-sided	Period One-sided	Both
Breusch-Pagan	4.202047	0.339045	4.541093
	(0.0404)	(0.5604)	(0.0331)
Honda	2.049890	-0.582276	1.037759
	(0.0202)	(0.7198)	(0.1497)
King-Wu	2.049890	-0.582276	0.452808
	(0.0202)	(0.7198)	(0.3253)
SLM	2.888109	-0.342724	--
	(0.0019)	(0.6341)	--
GHM	--	--	4.202047
	--	--	(0.0508)

In the table above, it can be seen that the Breusch-Pagan probability value (Prob) is $0.040 < 0.05$, so H0 is accepted. So it can be concluded that the Random Effect Model (REM) is better than the Common Effect Model (CEM).

d) Conclusion of Selected Model

Based on the regression model selection test for panel data in this study, the following results were obtained:

Uji Pemlihan Model	Model terpilih
Uji Chow	Fixed Effect Model (CEM)
Uji Hausmann	Random Effect Model (REM)
Uji Lagrange Multiplier	Comon Effect Model (CEM)

Based on the results of the table above, it can be concluded that the selected model is the Fixed Effect Model (FEM).

Panel data analysis in this study involves three types of estimation models, namely the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). *Model* (BRAKE).
The selection of the best model is carried out through three stages of testing, namely the Chow test, the Hausman test, and the Lagrange Multiplier test.

First, test *Chow* was conducted to determine whether the Common Effect model is more appropriate than the Fixed Effect model. The test results show that the probability value of the Cross-section Chi-square is 0.000, or less than 0.05. This means that the null hypothesis (H0) is rejected and the alternative hypothesis is accepted. Thus, the more appropriate model is the Fixed Effect Model (FEM), because the difference in intercepts between individuals (companies) is considered significant and cannot be ignored.

Next, the Hausman test is used to choose between *Fixed Effect* and Random Effect. In this test, the probability value of 0.0011 is also less than 0.05, indicating that the null hypothesis (H0) is again rejected. Therefore, the Fixed Effect Model is more appropriate than the Random Effect Model.

This result confirms the previous Chow test finding that the specific characteristics of each company in the panel data cannot be generalized and must be considered individually.

Lastly, test*Lagrange Multiplier*A comparison of the Common Effect and the Random Effect was conducted. The Breusch-Pagan probability value was 0.040, less than 0.05, indicating that the Random Effect was superior to the Common Effect. However, because the Fixed Effect model was superior based on the two previous tests (Chow and Hausman), it can be concluded that the best model for this study is the Fixed Effect Model (FEM).

After determining the best model, the next step is to conduct hypothesis testing, both simultaneously (F-test) and partially (t-test). The goal is to determine whether the independent variables (Current Ratio, Total Asset Turnover, and Debt-to-Asset Ratio) influence the dependent variable (Return on Assets) as a whole or individually.

The F-test yielded an F-statistic of 4.003 with a probability of 0.000. This value is significantly lower than the 0.05 significance level, so the null hypothesis (H0) stating that all independent variables have no simultaneous effect on ROA is rejected. This means that the three variables, namely*Current Ratio*(CR), Total Asset Turnover (TATO), and Debt to Asset Ratio (DAR) simultaneously influence Return on Assets (ROA). This conclusion reinforces the basic assumption that ROA is influenced by various interconnected financial performance indicators.

Partial testing using the t-test provides more detailed results.*Current Ratio*, the probability value obtained is 0.0534. Although the value is close to 0.05, because it is larger, it is not statistically strong enough to state that CR has a significant effect on ROA. This means that the Current Ratio does not have a partially significant effect on Return on Assets.

In contrast to CR, the variable*Total Asset Turnover*yields a probability value of 0.0447, which is less than the significance limit of 0.05. Thus, TATO has a partially significant

effect on ROA. This indicates that a company's efficiency in utilizing total assets to generate revenue contributes directly to its profitability.

Meanwhile,*Debt to Asset Ratio*shows the most significant result among the three variables, with a probability value of 0.000. This figure indicates that its effect on ROA is statistically very strong. Therefore, it can be concluded that DAR has a significant negative effect on ROA. In other words, the higher the proportion of debt in a company's asset structure, the lower the level of profitability as measured by ROA. This finding aligns with capital structure theory, which states that a high debt burden will depress net income due to increased interest expenses.

Based on the results of the analysis above, it can be concluded that the model*Fixed Effect* is the best model to describe the relationship between Current Ratio, Total Asset Turnover, and Debt to Asset Ratio to Return on Assets in the Indonesian food and beverage industry during the period 2019–2023. This model takes into account differences in characteristics between companies, so the results obtained are more accurate and relevant for specific decision-making.

In terms of model goodness, the Adjusted R-squared value of 0.4082 and the R-squared value of 0.5441 indicate that approximately**54.4% of the variation in Return on Assets can be explained by the three independent variables used in the model**The remaining 45.6% is influenced by other factors not included in the model, such as Net Profit Margin, Return on Equity, Operating Expense Ratio, and so on. While not perfect, this R-squared value is quite moderate and indicates that the model has sufficient explanatory power.

In addition, the value*Standard Error of Regression*(0.1029) and the Durbin-Watson statistic of 1.71 indicates that there is no disturbing autocorrelation, and the model is stable enough to be used in estimation and prediction.

The coefficients of each variable in the regression model show that all variables have a negative influence on ROA. This means that

every increase in*Current Ratio*, Total Asset Turnover, and Debt to Asset Ratio actually decrease ROA. While this result contradicts some financial theories that suggest TATO and CR should have a positive effect on ROA, this condition can be explained by the possibility of suboptimal operational efficiency, the accumulation of unproductive assets, or high receivables and inventory burdens that are not quickly converted into revenue.

5. CONCLUSION

This study concludes that in the Indonesian food and beverage industry from 2019 to 2023, financial variables such as the Current Ratio, Total Asset Turnover, and Debt to Asset Ratio jointly influence Return on Assets. The best model used in this analysis is the Fixed Effect Model, which takes into account the differences in characteristics of each company in the panel data. Partially, only Total Asset Turnover and Debt to Asset Ratio were shown to significantly influence ROA, while the Current Ratio did not show a statistically strong effect.

These findings imply that companies in the food and beverage industry need to focus more on efficient asset utilization and capital structure control to increase profitability. While liquidity is important, asset and debt management have been shown to have a more dominant influence on a company's financial performance. For further research, it is recommended to add other variables and expand the observation period to gain a deeper understanding.

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