

Analysis of the Effect Current Ratio on Return on Assets at PT Astra Otoparts TBK.

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ARTICLE INFO	ABSTRACT
Keywords: Current Ratio; Return on Assets Received: 7 Oct 2023 Accepted: 23 Dec 2023 Published: 30 Dec 2023	<p>This study makes an important contribution in understanding the relationship between current ratio and return on assets at PT Astra Otoparts Tbk. Through the use of a simple linear regression test on financial statement data for the period 2015-2022, this study intends to explain the extent to which the current ratio affects the company's return on assets. Current ratio, as the independent variable, is used as an indicator of the company's ability to meet its short-term obligations, while return on assets, as the dependent variable, reflects the company's level of profitability. The results show that, although the current ratio has a positive influence on return on assets, the influence is not statistically significant. In other words, the increase in current ratio does not contribute significantly to the increase in return on assets at PT Astra Otoparts Tbk. The findings can provide valuable insights for company management in designing financial strategies, especially in terms of managing short-term assets and liabilities. In the context of the automotive and spare parts industry in Indonesia, where PT Astra Otoparts Tbk operates, an in-depth understanding of the factors that influence return on assets is crucial. The results of this study can serve as a basis for similar companies to evaluate and improve their financial performance, optimize asset allocation, and manage short-term liabilities more effectively. Further research and the integration of other factors in financial analysis can help shape a more holistic and sustainable business strategy amidst changing market dynamics.</p>

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1. INTRODUCTION

Financial performance analysis is a crucial approach that provides an overview of how well a company achieves its objectives in terms of profitability and sustainability. Profit optimization is considered a central aspect of corporate strategy, as it determines the company's ability to sustain its activities and compete in a dynamic business environment (Cuandra, 2023). In Indonesia, the automotive spare parts industry has experienced significant growth, with PT Astra Otoparts Tbk emerging as a market leader, recording revenues of IDR 18.57 trillion in 2022, an increase of 22.62% compared to 2021. Such achievements indicate the importance of maintaining strong financial performance to secure long-term competitiveness.

Despite positive growth, financial ratios at PT Astra Otoparts Tbk, such as the current ratio and return on assets (ROA), have shown fluctuating trends. The current ratio, which measures short-term liquidity, has declined in some periods due to rising current liabilities from external financing. Meanwhile, ROA has decreased as net profit dropped, despite asset growth from investments in factories and machinery. These conditions raise questions regarding the extent to which liquidity conditions affect profitability in a leading spare parts company.

Previous studies have established that financial statements and ratio analysis are essential tools for assessing company performance. Financial statements provide information about revenues, costs, net income, financial position, and cash flow, which are useful for decision-making when compared over multiple periods (Widjaja et al., 2018; Mutiah, 2019; Pratiwi, 2022). Financial ratio analysis is widely used to measure liquidity, solvency, profitability, and efficiency, enabling stakeholders to evaluate financial health in a structured manner (Amping et al., 2020; Sudana, 2015). Liquidity ratios, particularly the current ratio, indicate the ability of a company to meet its short-term obligations (Harahap, 2015; Marginingsih, 2017), while profitability ratios such as ROA highlight efficiency in generating returns from assets (Rosie & Idayati, 2018).

Although many studies have examined the impact of liquidity and profitability in manufacturing and automotive firms (Simanjuntak & Siregar, 2021; Putri & Nugroho, 2022; Susanto & Wulandari, 2020), limited research has specifically investigated the relationship between the current ratio and ROA in Indonesia's automotive spare parts sector, particularly focusing on PT Astra Otoparts Tbk as an industry leader. Most prior research tends to generalize across industries or only examines financial ratios separately without analyzing their direct interrelationship. This leaves a research gap in understanding how liquidity directly influences profitability in a dominant company that represents the dynamics of the automotive spare parts industry in Indonesia.

Filling this gap is important because liquidity and profitability are critical indicators for both internal management and external stakeholders. For managers, insights into how liquidity affects profitability can guide financing and investment strategies. For investors and creditors, such findings provide a more reliable basis for evaluating financial health and sustainability. In the context of increasing global and domestic competition, accurate financial ratio analysis becomes a strategic tool for companies to maintain resilience and growth.

Based on the description of the phenomena, problems, and research gaps that have been explained, the purpose of this study is to analyze the financial performance of PT Astra Otoparts Tbk through the liquidity ratio (current ratio) and profitability (return on assets/ROA), and investigate the relationship between the current ratio and ROA to determine the extent to which liquidity conditions affect the company's profitability. In addition, this study also aims to provide empirical evidence that can enrich the academic literature as well as become a practical basis for management in making strategic decisions related to financing and investment, especially in the automotive spare parts industry sector in Indonesia.

2. METHOD

2.1. Operational Definition and Variable Measurement

Operational definition

- 1) Current ratio is a ratio used to measure a company's ability to pay short-term obligations or debt that is due soon. The current ratio is a comparison between current assets and current liabilities at PT Astra Otoparts Tbk for 2015-2022. In this research the current ratio is identified as the independent variable (X) and expressed in percent (%).
- 2) Return on assets is a ratio used to measure management's effectiveness in generating profits using available assets. Return on assets is a comparison between profit after tax and total assets at PT Astra Otoparts Tbk 2015-2022. Return on assets is identified as the dependent variable (Y) expressed in percent (%).

Variable Measurement

The variable measurement in this research is the current ratio, which is the total current assets divided by current liabilities. This could happen because cash is not used as well as possible. Meanwhile, return on assets is a comparison between profit after tax divided by total assets.

2.2. Population and Sample

The population in this research is all financial reports of PT Astra Otoparts Tbk for the 2015-2022 period. Meanwhile, the sample in this research is the balance sheet and profit and loss report at PT Astra Otoparts Tbk for the 2015-2022 period.

2.3. Data collection technique

The data collection technique used is documentation. The author collected data by documenting the financial report of PT Astra Otoparts Tbk for the 2015-2022 period by accessing the official website of the PT Indonesia Stock Exchange, namely www.idx.co.id.

2.4. Data analysis technique

Classic assumption test

1) Normality Test

The normality test in this study used the Kolmogorof-Smirnov non-parametric statistical test. The decision making is that if the significance or probability value is > 0.05 then the distribution of data from the population is normal, which means that H_0 is accepted. Meanwhile, if the significance or probability value is < 0.05 then the distribution of data from the population is not normal, which means that H_0 is rejected.

2) Linearity Test

The linearity test in this research uses the Test of Linearity test. There are two ways of making decisions in this test, namely, if the deviation from linearity significance value is > 0.05 then the data is said to have a linear relationship between variables. Meanwhile, if the deviation from linearity significance value is < 0.05 then the data is said to have no linear relationship between variables.

Simple Linear Regression Test

A simple linear regression method is used to determine the influence or relationship of the current ratio on return on assets. According to Ghazali (2016), the formula for simple linear regression is as follows:

$$Y = a + bX$$

Information:

Y = Dependent variable (return on assets)

a = Constant

b = Regression coefficient

X = Independent variable (current ratio)

Hypothesis Test (t Test)

In this research, the t test is used to determine whether in the regression model the independent variable (X) individually has a significant effect on the dependent variable (Y). The hypothesis used is, if $t_{table} > t_{count}$ then H_0 is accepted and H_1 is rejected. Current Ratio has no significant effect on return on assets. Meanwhile, if $t_{table} < t_{count}$ then H_0 is rejected and H_1 is accepted. Current Ratio has a significant effect on return on assets.

Coefficient of Determination Test (R^2)

The coefficient of determination test (R^2) is used to determine the percentage contribution of the independent variable to the dependent variable. The formula for the coefficient of determination is as follows:

$$R^2 = r^2 \times 100\%$$

Information:

R^2 = Koefisien determinasi

r = Koefisien korelasi

3. RESULTS AND DISCUSSION

3.1. Results

3.1.1. Classic Assumption Test

Normality test

Table 1. Results of Normality Test Analysis of Current Ratio (X) and Return on Assets (Y)

One-Sample Kolmogorov-Smirnov Test			
	<i>Current_Ratio</i>	<i>Return_on_Assets</i>	<i>UnstandardizedResidual</i>
<i>Kolmogorov-Smirnov Z</i>	0,809	0,920	1,298
<i>Asymp. Sig. (2-tailed)</i>	0,530	0,366	0,069

Source: processed data (SPSS 21 program output)

Based on the table, it is known that the results of the Normality test using the Kolmogorov-Smirnov approach are a current ratio value of 0.809 with an Asymp.Sig value. (2-tailed) of 0.530 which shows that the p value or Asymp.Sig. (2-tailed) > 0.05 . Meanwhile, the Kolmogorov-Smirnov value for return on assets is 0.920 with a value of Asymp.Sig. (2-tailed) is 0.366 which shows that the p value or Asymp.Sig. (2-tailed) > 0.05 . Based on the results of this analysis, it can be stated that the current ratio and return on assets data at PT Astra Otoparts Tbk are normally distributed.

3.1.2. Linearity Test**Table 2.** Results of Linearity Test Analysis of Current Ratio (X) and Return on Assets (Y)

Anova Table	
Model	Sig.
Defiation from Linearity	0,554

Source: processed data (SPSS 21 program output)

Based on this table, it can be seen that the linearity test results show a significance value for Deviation from Linearity of 0.554. This value is greater than the significance level, namely $\text{sig } 0.554 > 0.05$. So it can be concluded that the current ratio and return on assets variables have a significant linear relationship.

3.1.3. Simple Linear Test**Table 3.** Results of Simple Linear Regression Test Analysis Current Ratio (X) on Return on Assets (Y)

Coefficients ^a		
	Model	Unstandardized Coefficients B
1	(Constant)	-0,219
	Current-Ratio	0,040

Source: processed data (SPSS 21 program output)

Based on this table, the a value obtained is -0.219 and the b value is 0.040. If entered into a simple linear regression equation, the results can be seen as follows:

$$Y = -0,219 + 0,040X$$

The meaning of this equation is:

- 1) The value of the constant (a) from the equation is -0.219. This means that if the current ratio is 0, then the return on assets is -0.219.
- 2) The regression coefficient (b) is 0.040, which means that if the current ratio increases by 1%, there will be an increase in return on assets of 0.040%.

3.1.4. Hypothesis Test (t Test)**Tabel 4.** Hasil Analisis Uji Hipotesis (Uji t) Current Ratio (X) terhadap Return on Assets (Y)

Coefficients ^a			
	Model	T	Sig.
1	(Constant)	-0,041	0,967
	Current_Ratio	1,185	0,245

Source: processed data (SPSS 21 program output)

Based on this table, the calculated t for the current ratio variable is 1.185 with a significance value (α) of 5% or 0.05. So the degrees of freedom (db) or degrees of freedom (df) can be calculated, namely $df = n (32) - 2 = 30$, from this result the t table value is 1.697. These results show that $t \text{ table } (1.697) > t \text{ count } (1.185)$, so the accepted hypothesis is that H_0 is accepted and H_1 is rejected. This means that the Current ratio has no significant effect on return on assets.

3.1.5. Coefficient of Determination Test (R2)

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

Model Summary

Model	R Square
1	0,045

Source: processed data (SPSS 21 program output)

Based on this table, it can be seen that the coefficient of determination (R^2) is 0.045 or 4.5%. This means that the independent variable, namely the current ratio, is able to contribute an influence of 4.5% to the dependent variable, namely return on assets. The remaining 95.5% is influenced by other factors outside of this research.

3.2. Discussion

The way to find out whether in the regression model, the current ratio (X) and return on assets (Y) variables are normally distributed or not, you can carry out a normality test using the Kolmogorov-Smirnov approach. The results of the analysis show that the current ratio value is 0.809 with a value of Asymp.Sig. (2-tailed) of $0.530 > 0.05$. The results show that the current ratio value is 0.809 with an Asymp.Sig value. (2-tailed) is 0.530, which means that the value of Asymp.Sig. (2-tailed) > 0.05 . Meanwhile, the Kolmogorov-Smirnov value for return on assets is 0.920 with a value of Asymp.Sig. (2-tailed) is $0.366 > 0.05$, which means that this shows that the current ratio and return on assets data are normally distributed. Meanwhile, to find out whether variables have a linear relationship or not, a linearity test can be used using the Test of Linearity approach. The result of this test is a significance value of $0.554 > 0.05$ (significant level). So it can be concluded that the variables current ratio (X) and return on assets (Y) have a significant linear relationship. This means that changes in the current ratio variable are followed by changes in the return on assets variable.

The influence of the current ratio on return on assets of PT Astra Otoparts Tbk can be determined by carrying out the simple linear regression analysis test above between the current ratio (X) and return on assets (Y). So a regression coefficient of 0.040 is obtained, which means that if the current ratio increases by 1%, there will be an increase in return on assets of 0.040%. And from the coefficient of determination test, the result was 0.045 or 4.5%, meaning that the independent variable, namely the current ratio (X), was able to contribute an influence of 4.5% to the dependent variable, namely return on assets (Y), and the remaining 95.5% influenced by factors outside the model or other factors not studied.

Based on research conducted, the current ratio has a positive and insignificant effect on return on assets at PT Astra Otoparts Tbk, indicating that the relationship between the current ratio and return on assets is directly proportional. The results of the simple linear regression coefficient test show that the current ratio has no significant effect on return on assets so the hypothesis is rejected. The current ratio has a positive effect on return on assets, meaning that PT Astra Otoparts Tbk which has an increase in the current ratio will also result in an increase in return on assets. However, the influence of the current ratio on return on assets is not significant, meaning that the current ratio does not have a big influence on return on assets. This is shown by the results of the low coefficient of determination, namely 4.5%.

Based on the research conducted, it is evident that the current ratio has a positive but not significant influence on the return on assets (ROA) at PT Astra Otoparts Tbk. The relationship between the current ratio and return on assets is directly proportional. The simple linear regression coefficient test results indicate that the current ratio has an insignificant effect on return on assets, leading to the rejection of the hypothesis. The results of this research are in accordance with research conducted by Pane et al.



(2021), although an increase in the current ratio leads to an increase in return on assets, the influence of the current ratio on return on assets is not significant, as indicated by the low coefficient of determination of 4.5%.

This finding is consistent with the study by Rambe & Datuk (2021), which also found that the current ratio does not significantly affect return on assets. This suggests that a smaller current ratio leads to lower company profits, as companies incur costs to meet their immediate obligations, resulting in reduced profits. Additionally, the study by Kurniawati (2022) further supports the notion that the current ratio has an insignificant influence on return on assets.

Furthermore, the study by Siregar (2022) on PT. ACE Hardware Indonesia Tbk also aligns with the findings, emphasizing the need to analyze the influence of liquidity, solvency, activity, and profitability ratios on return on assets. This supports the comprehensive assessment of financial ratios to understand their impact on return on assets. The synthesis of these previous studies supports the notion that the current ratio may have a positive but insignificant influence on return on assets in various companies and industries. These findings underscore the importance of considering a range of financial ratios and conducting comprehensive analyses to understand their implications for return on assets.

4. CONCLUSIONS AND RECOMMENDATIONS

Based on the results of data analysis and hypothesis testing in this study, it can be concluded that the current ratio has a positive but insignificant effect on return on assets (ROA) at PT Astra Otoparts Tbk. This finding indicates that an increase in liquidity, as measured by the current ratio, contributes positively to profitability; however, the magnitude of this influence is not statistically significant. In other words, although the current ratio and ROA move in the same direction, the current ratio does not play a dominant role in determining the company's profitability.

The results of this study provide several implications. First, PT Astra Otoparts Tbk is advised to improve its liquidity management, particularly by maintaining a healthier balance between current assets and current liabilities. An increase in the current ratio can be achieved not only by strengthening current assets but also by reducing dependence on short-term debt. This effort will support financial stability and potentially strengthen investor confidence. Second, for investors and shareholders, this research highlights the importance of carefully analyzing both liquidity (current ratio) and profitability (ROA) indicators before making investment decisions. Dividend potential is closely related to the company's ability to generate sustainable net profit and maintain a strong cash position.

Finally, this study also offers recommendations for further research. The current study only focuses on two financial ratios, namely current ratio and ROA, which may limit the scope of explanation. Future studies are expected to include additional variables such as debt to equity ratio (DER), return on equity (ROE), or net profit margin (NPM) to obtain a more comprehensive picture of the determinants of profitability. Moreover, expanding the research object to include comparative analysis between companies within the automotive spare parts industry could enrich the findings and strengthen generalizability.

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