

The Influence Of Current Ratio (Cr), Debt To Equity Ratio (Der), Total Asset Turnover (Tato), And Net Profit Margin (Npm) On Return On Equity (Roe) In Lq-45 Companies Listed On The Indonesian Stock Exchange (Bei) Year 2013-2018

Medianto Basuki, Tina Rosa, Burhanudin

Universitas Respati Indonesia

medianto@gmail.com

Abstract

This study aims to analyze the effect of the Current Ratio, Debt to Equity Ratio (DER), Total Asset Turn Over (TATO) and Net Profit Margin (NPM) on LQ45 companies' Return on Equity (ROE) at the Indonesia Stock Exchange in 2013 - 2018. This research is an explanatory research that explains the causality relationship using secondary data with a population of 45 companies incorporated in the LQ45 index on the Indonesia Stock Exchange in 2018. Samples of 7 companies were selected using the purposive sample method in accordance with predetermined criteria including one of which is to have a report finance in 2013-2018. The analytical method used is panel data linear regression.

The results showed that at the 95% confidence level of the four dependent variables studied, namely: Current Ratio, Debt to Equity Ratio (DER), Total Asset Turn Over (TATO) and Net Profit Margin (NPM) there are three variables that have a significant effect on Return on Equity (ROE), namely Debt to Equity Ratio (DER), Total Asset Turn Over (TATO) and and Net Profit Margin (NPM). Meanwhile, if tested simultaneously, the Current Ratio, Debt to Equity Ratio (DER), Total Asset Turn Over (TATO) and Net Profit Margin (NPM) have a significant effect on Return on Equity (ROE.)

Keywords : Current Ratio, Debt to Equity Ratio (DER), Total Asset Turn Over (TATO) dan Net Profit Margin (NPM) dan Return on Equity (ROE)

INTRODUCTION

The financial performance of a company can be interpreted as prospects or the future, the growth potential for good development for the company. Financial performance information is needed to assess potential changes in economic resources, which may be controlled in the future and to predict the production capacity of existing resources (Barlian in Prastyo, 2015). Meanwhile, financial reports that have been analyzed are very necessary for company leaders or management to be used as a tool for further decision making for the future.

Financial reports are an information medium that records and summarizes all company activities and is used to report the condition and position of the company to interested parties, especially creditors, investors and the company's management itself. To

explore more information contained in a financial report, a financial report analysis is needed. If information is presented correctly, the information is very useful for the company in making decisions and for knowing the company's performance.

Evaluation of financial performance can be done using financial report analysis. Where financial report analysis can be carried out using financial ratios. The ratios used to assess a company's financial performance include liquidity ratios, leverage ratios, activity ratios and profitability ratios. Ratio analysis allows financial managers and interested parties to evaluate financial conditions and interested parties to evaluate financial conditions will indicate whether a company is healthy or not. Ratio analysis also connects plan elements and profit and loss calculations so that it can assess

the company's effectiveness and efficiency. The company's profit itself can be measured through the company's ROE. Because ROE has a positive relationship with changes in profit. ROE is used to measure a company's effectiveness in generating profits by utilizing the equity it has. ROE is the ratio between profit after tax (EAT) and total equity. The most popular tool for measuring a company's performance among investors and senior managers is the return on shareholder rights, namely return on equity (ROE).

The success of a company's financial performance can be seen from the company's ROE. So far, there has been a lot of research on ROE, because ROE is an important thing and is paid attention to by many parties, both investors and creditors, which influences ROE in investing their capital. By using various financial ratios, it can be seen whether a company is successful or not. The success of a company's financial performance can be measured from ROE (Husnan, 2015). The financial performance variables used in this research are CR, TAT, NPM and DER. Results of previous research conducted by Buchary Jahja (2002), Cyrillius Martono (2002), Pieter Leunupun (2003), Yuli Orniati (2009), Ni Putu and Agung (n.d), Machfoedz (1994), Kwan Billy Kwandinata (2005), There is no consistency in the results of research testing the influence of CR, TAT, and DER, NPM, so further research needs to be conducted.

Improving company performance can be done in various ways, one of which is by entering the capital market. By entering the capital market, the company will get the fresh funds needed to improve performance. Judging from the development of the capital market in Indonesia, it shows very encouraging developments, this can be seen from the development of the composite stock price index and stock trading volume. The capital market has a very important role in a country's economy and is even an economic barometer. The capital market has two functions for a country, namely an economic function and a financial function. It is said that the economic function of the capital market is to provide facilities or as a forum that brings together two economic interests, namely the party who has excess funds, called the Investor, and the party who needs funds, namely the Issuer. With the existence of this capital

market, parties who have excess funds can place funds or make investments in the capital market which is certain to expect a return (reward) on the investment, while the issuer or issuer (company that goes public) can utilize these funds for investment purposes. without having to wait for the company's operating funds to become available. The capital market can be said to have a financial function because the capital market provides the possibility and opportunity to obtain income (return) for investors (fund owners) in accordance with the development of the selected shares.

With this capital market, it is hoped that the country's economic activity will increase. This happens because in the capital market this is the funding activity for issuers so that companies can improve performance by increasing sales levels to increase company profits either by increasing sales levels or by investing in other fields so as to absorb labor and in turn will increase the prosperity of the wider community. On a macro scale, investment performance in the capital market or stock exchange is greatly influenced by economic conditions, political stability and the performance of other stock exchanges. Apart from that, the situation on the stock exchange is very sensitive to various subjective matters (rumours).

The LQ 45 index is created and published by the Indonesian Stock Exchange. The LQ 45 index is calculated every six months by the research and development division of the Indonesia Stock Exchange. This index consists of 45 stocks with high liquidity which are selected using several selection criteria. The LQ 45 index is one of the stock index indicators on the IDX which can be used as a reference for assessing stock trading performance. Among the shares on the Indonesian capital market, LQ 45 shares on the Indonesian Stock Exchange are in great demand by investors. This is because LQ 45 shares have high capitalization and high trading frequency so that the growth prospects and financial condition of the shares are good. Interestingly, this index only consists of 45 stocks which have been selected after going through several selection criteria from stocks with high liquidity.

The criteria for determining companies included in LQ45 as determined by the Indonesian Stock Exchange include the following:

1. Be in the top 95% of the total annual average share transactions on the regular market
2. Be in the top 90% of the annual average price capitalization
3. Listed on the IDX for a minimum of 30 trading days
4. Is the highest order representing the sector in the IDX industry classification according to market capitalization value
5. Has the same portion as other sectors
6. Is the highest order based on transaction frequency

This research is intended to measure the influence of Current Ratio (CR), Debt to Equity Ratio (DER), Total Asset Turn Over (TATO), and Net Profit Margin (NPM) on Return On Equity (ROE) in LQ-45 companies registered in Indonesian Stock Exchange (BEI) 2013-2018.

METHOD

The type of research used in this research is verification research, namely research that aims to test the truth of a hypothesis which is carried out through data collection in the field. The research method used is explanatory research or explanatory research because it is explanatory, namely explaining the influence of the independent variable on the dependent variable

The data collection method in this research uses documentation techniques which are based on financial reports published by the Indonesia Stock Exchange for the period 2013 - 2018. The data source used in this research is quantitative data, namely data measured on a scale (numbers). The data used in this research is secondary data obtained indirectly or through intermediaries (recorded and processed by other parties), in the form of the LQ45 company's

financial reports on the Indonesian Stock Exchange (BEI) via the official BEI website (www.idx.co.id)

The population in this study was 45 companies that were members of the LQ45 list on the Indonesia Stock Exchange from 2013 to 2018. The sampling technique from the population was to obtain a representative and representative sample, so the sampling was based on the purposive sampling method. Sugiyono (2017) states that purposive sampling is a sampling technique with certain considerations.

The companies included in the LQ45 index are not grouped based on the same sector, but rather based on the company's performance on the floor of the Indonesia Stock Exchange. Companies included in the LQ45 index are not always the same every year, because the index is compiled based on the performance of the 45 best companies. Of the 45 companies, 7 samples of companies were taken that met the criteria. The criteria in question are that the companies used as samples must always be included in the LQ45 index published by the IDX from 2013 to 2018 in order to obtain an uninterrupted data series for that period.

The data analysis method used is panel data regression analysis with the help of Eviews Version 9 software.

The independent variables in this research are Current Ratio, Debt to Equity Ratio (DER), Total Asset Turn Over (TATO) and Net Profit Margin (NPM). Meanwhile, the dependent variable is Return on Equity (ROE) on the Indonesian Stock Exchange in the 2013 - 2018 period

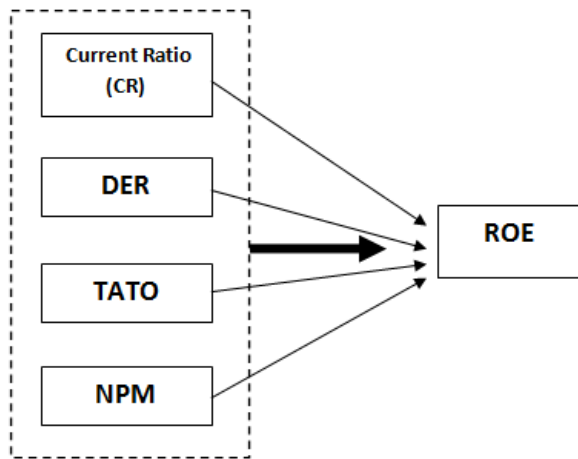


Figure 1 Research Design

The research hypothesis proposed in this study is as follows:

H1: There is a significant influence between the Current Ratio and partial Return on Equity (ROE) in LQ45 companies on the Indonesia Stock Exchange.

H2: There is a significant influence between Debt to Equity Ratio (DER) on Return on Equity (ROE) partially in LQ45 companies on the Indonesia Stock Exchange.

H3: There is a significant influence between Total Asset Turn Over (TATO) on Return on Equity (ROE) partially in LQ45 companies on the Indonesian Stock Exchange.

H4: There is a significant influence between Net Profit Margin (NPM) on Return on Equity (ROE) partially in LQ45 companies on the Indonesian Stock Exchange.

H5: There is a significant influence between Current Ratio, Debt to Equity Ratio (DER), Total Asset Turn Over (TATO) and Net Profit Margin (NPM) on Return on Equity (ROE) simultaneously in LQ45 companies on the Indonesia Stock Exchange

RESULTS AND DISCUSSION

According to Sugiyono (2017) Descriptive analysis is statistics used to analyze data by describing or illustrating the data that has been collected as it is. In this research, descriptive analysis is used to describe the independent and dependent variables, namely Current Ratio, Debt

to Equity Ratio (DER), Total Asset Turn Over (TATO), Net Profit Margin (NPM) and Return on Equity (ROE). These research variables are interpreted in terms of lowest (minimum) value, highest (maximum) value, average (mean) and standard deviation. The results of the descriptive analysis can be seen below:

Table 1. Descriptive Analysis

	Y	X1	X2	X3	X4
Mean	14.21214	200.7738	1.066905	0.873428	9.609762
Median	13.11500	166.4550	0.975000	0.774306	8.900000
Maximum	32.78000	450.9400	3.310000	2.013139	29.780000
Minimum	4.640000	48.16000	0.200000	0.268162	2.760000
Std. Dev.	5.675106	111.9446	0.662296	0.435565	4.805980
Skewness	1.070055	0.801963	1.532838	0.577180	1.999237
Kurtosis	4.401946	2.541545	5.970797	2.482000	9.200900
Jarque-Bera	11.45467	4.869835	31.89200	2.801527	95.26817
Probability	0.003256	0.087605	0.000000	0.246409	0.000000
Sum	596.9100	8432.500	44.81000	36.68396	403.6100
Sum Sq. Dev.	1320.480	513795.2	17.98410	7.778396	946.9951
Observations	42	42	42	42	42

Table 2. T Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-11.70613	3.236553	-3.616851	0.0010
X1	0.006862	0.006814	1.006958	0.3218
X2	4.035853	1.185727	3.403694	0.0019
X3	9.209986	1.441287	6.390113	0.0000
X4	1.268557	0.104147	12.18042	0.0000

The partial test is used to determine whether there is an influence between the independent variables on the dependent variable partially (individually). The partial test calculation results as shown in Table 2 can be interpreted as follows:

H1: At the 95% confidence level, the Current Ratio has no significant effect on Return on Equity (ROE). This can be seen from the significance value of 0.3218 which is greater than the value $\alpha = 0.05$.

H2: At the 95% confidence level, Debt to Equity Ratio (DER) has a significant effect on Return on Equity (ROE). This can be seen from the significance value of 0.0019 which is smaller than the value $\alpha = 0.05$.

H3: At the 95% confidence level, Total Asset Turn Over (TATO) has a significant effect on Return on Equity (ROE). This can be seen from the significance value of 0.000 which is smaller than the value $\alpha = 0.05$.

H4: At the 95% confidence level, Net Profit Margin (NPM) has a significant effect on Return on Equity (ROE). This can be seen from the significance value of 0.000 which is smaller than the value $\alpha = 0.05$

The results of the F test were carried out with the aim of testing whether all the independent variables in this case, namely the Current Ratio, Debt to Equity Ratio (DER), Total Asset Turn Over (TATO) and Net Profit Margin (NPM) which were included in the model had an influence together. on the dependent variable, namely Return on Equity (ROE). The F test results are as follows:

Table 3. Simultaneous Test

Cross-section fixed (dummy variables)			
R-squared	0.930823	Mean dependent var	14.21214
Adjusted R-squared	0.908507	S.D. dependent var	5.675106
S.E. of regression	1.716591	Akaike info criterion	4.138684
Sum squared resid	91.34718	Schwarz criterion	4.593788
Log likelihood	-75.91237	Hannan-Quinn criter.	4.305498
F-statistic	41.71242	Durbin-Watson stat	1.260142
Prob(F-statistic)	0.000000		

Based on Table 3 above, it shows that the F test results with a significance of 0.000 have a value smaller than $\alpha = 0.05$, which means that:

H5: The Current Ratio, Debt to Equity Ratio (DER), Total Asset Turn Over (TATO) and Net Profit Margin (NPM) variables together have a significant effect on the Return on Equity (ROE) variable at the 95% confidence level.

Based on data analysis using the Eviews Version 9 program, it shows that the Adjusted R Square coefficient value is 0.908507. This means that 90.8507% of the Return on Equity (ROE) variable can be explained by the Current Ratio, Debt to Equity Ratio (DER), Total Asset Turn Over (TATO) and Net Profit Margin (NPM) variables. Meanwhile, the rest is influenced by other variables that are not in this model.

Based on the tests that have been carried out, the following regression equation model is obtained:

$$y_{ti} = x_{ti}\beta + c_i + \varepsilon_{ti}$$

$$y_{ti} = -11,70613 + 0,006862x_{t1} + 4.035853x_{t2} + 9.209986x_{t3} + 1.268557x_{t4}$$

Where :

y_{ti} : Return on Equity (ROE)

x_{t1} : Current Ratio

x_{t2} : Debt to Equity Ratio (DER)

x_{t3} : Total Asset Turn Over (TATO)

x_{t4} : Net Profit Margin (NPM)

Based on the regression model formed, it can be interpreted that:

1. The Constant Coefficient is -11.70613, meaning that under constant conditions, the Return on Equity (ROE) value is -11.70613 assuming the independent variable is ceteris paribus.

2. The Current Ratio regression coefficient is 0.00686, meaning that for every one unit increase in the Current Ratio, it is estimated that it can increase Return on Equity (ROE) by 0.00686 assuming other variables are considered constant.

3. The Debt to Equity Ratio (DER) regression coefficient is 4.035853, meaning that for every one unit increase in the Debt to Equity Ratio (DER), it is estimated that it can increase Return on Equity (ROE) by 4.035853 assuming other variables are considered constant.

4. The Total Asset Turn Over (TATO) regression coefficient is 9.20998, meaning that for every one unit increase in Total Asset Turn Over (TATO), it is estimated that it can increase Return on Equity (ROE) by 9.20998 assuming other variables are considered constant.

5. The Net Profit Margin (NPM) regression coefficient is 1.268557, meaning that for every one unit increase in Net Profit Margin (NPM), it is estimated that it can increase Return on Equity (ROE) by 1.268557 assuming other variables are considered constant

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of data analysis and discussions carried out, the conclusions obtained are as follows:

1. Current Ratio has no significant effect on Return on Equity (ROE) in LQ45 companies on the Indonesia Stock Exchange for the 2013-2018 period at a confidence level of 95 percent.

2. Debt to Equity Ratio (DER) has a significant effect on Return on Equity (ROE) in LQ45 companies on the Indonesia Stock Exchange for the 2013-2018 period at a confidence level of 95 percent.

3. Total Asset Turn Over (TATO) has a significant effect on Return on Equity (ROE) in LQ45 companies on the Indonesia Stock Exchange for the 2013-2018 period at a confidence level of 95 percent.

4. Net Profit Margin (NPM) has a significant effect on Return on Equity (ROE) in LQ45 companies on the Indonesia Stock Exchange for the 2013-2018 period at a confidence level of 95 percent.

5. Current Ratio, Debt to Equity Ratio (DER), Total Asset Turn Over (TATO) and Net Profit Margin (NPM) simultaneously influence Return on Equity (ROE) in LQ45 companies on the Indonesia Stock Exchange for the 2013-2018 period at the level 95 percent confidence

Saran yang dapat diberikan berdasarkan research is as follows:

1. For investors

This research shows that Debt to Equity Ratio (DER) and Total Asset Turn Over (TATO) have a significant effect on Return on Equity (ROE). These variables can help investors decide to invest in a company, but are not completely accurate because there are other variables that were not examined in this research. Meanwhile, the Current Ratio and Net Profit Margin (NPM) do not have a significant effect on Return on Equity (ROE), so these variables do not need to be considered in assessing a company and can be taken into consideration in making investment decisions.

2. For companies

It is hoped that companies can provide financial information that is objective, relevant and whose validity can be tested. Apart from that, financial reports that are timely and have been audited by a Public Accounting Firm (KAP) can convince investors in making decisions about buying company shares.

3. For future researchers

a. It would be better to carry out further research regarding the factors that influence Return on Equity (ROE), then it is hoped that other financial ratios will be added as more varied independent variables, it is very

possible for other financial ratios to be included in the research.

b. Future research is expected to increase the research period by using data series of more than 5 years.

c. Future research should add diversity to the sectors studied outside of LQ45 companies in order to obtain more accurate results regarding the measurement of Return on Equity (ROE).

BIBLIOGRAPHY

- Cyrellius Martono. 2002. Analisis Pengaruh Profitabilitas Industri, Rasio Leverage Keuangan Tertimbang Dan Intensitas Modal Tertimbang Serta Pangsa Pasar Terhadap "ROA" Dan "ROE" Perusahaan Manufaktur Yang Go- Public di Indonesia. Surabaya : Universitas Katolik Widya Mandala
- Husnan, Suad. (2015). *Dasar-Dasar Teori Portofolio dan Analisis Sekuritas*. (Edisi 5). Yogyakarta : UPPN STIM YKPN.
- Jahja, Buchary. 2002. " Analisis Risk & Return Pada BUMN Sektor Industri Jasa Telekomunikasi di Jakarta ". Jurnal Media Riset Bisnis Manajemen
- Kwandinata, Kwan. Billy. 2005. Analisis Pengaruh Debt To Equity Ratio, Net Profit Margin, Total Assets Turnover dan Institutional Ownership Terhadap Return On Equity
- Leunupun, Pieter. 2003. "Profitabilitas Ekuitas dan Beberapa Faktor yang Mempengaruhinya (Studi Pada Beberapa KUD di Kota Ambon)". Jurnal Akuntansi & Keuangan,
- Prastyo, Doddy Adi. 2015. Analisis Rasio Keuangan Sebagai Alat Untuk Menilai Kinerja Perusahaan Real Estate Yang

Listing Di Bei Periode Tahun 2013. Tesis.
Malang :Univeristas Muhamadiyah
Malang.

Sartono, Agus. 2014. Manajemen Keuangan
Teori dan Aplikasi. Edisi empat . Cetakan
ke tujuh Yogyakarta:Penerbit BPFE

Sugiyono. (2017). Metode Penelitian Kuantitatif,
Kualitatif, dan R&D. Bandung : Alfabeta,
CV

Yuli Orniati. 2009. Laporan Keuangan sebagai
Alat untuk Menilai Kinerja Keuangan.
Jurnal Ekonomi Bisnis.

www.idx.co.id