

THE EFFECT OF LIQUIDITY AND SOLVABILITY RATIO OF LIQUIDITY

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Abstract: This study aims to determine the Effect of Liquidity and Solvency Ratios on Profitability at PT. Surya Baru in Jakarta. The method used is explanatory research with a sample of 8 years of financial statements. The analysis technique uses statistical analysis with regression testing, correlation, determination and hypothesis testing. The results of this study Current Ratio significant effect on Return on Assets of 46.5%, hypothesis testing obtained significance of $0.042 < 0.05$. Debt to Asset Ratio has a significant effect on Return on Assets by 76.9%, the hypothesis test obtained significance of $0.004 < 0.05$. Current Ratio and Debt to Asset Ratio simultaneously have a significant effect on Return on Assets of 82.4%, the hypothesis test obtained significance of $0.013 < 0.05$.

Keywords: Current Ratio, Debt to Asset Ratio, Return on Asset.

INTRODUCTION

The business world is currently growing rapidly though sometimes the competition conditions are getting tougher. This condition must be considered by the company in order to remain able to be liquid and competitively able to maintain the desired level of profit. Facing this competition, companies or company leaders are required to create or increase company value and be able to manage existing production factors effectively and efficiently so that the objectives of a company are achieved. In this case the company is also required to be able to determine good business performance, so the company will be able to guarantee its survival.

The goal of the company is to achieve or obtain maximum and optimal profit. To achieve these objectives, it is necessary to have a careful calculation in determining capital structure as a measurement tool in order to produce high profits but reduce other operational costs. Financial performance appraisal is one of the ways that can be done by management in order to fulfill its obligations to funders and also to achieve the goals set by the company. The company's financial performance is

analyzed by means of financial analysis, so that it can be known about the pros and cons of a company's financial condition that reflects work performance in a certain period. This is very important so that resources are used optimally in the face of environmental changes.

The financial ratio is one of the financial analysis tools to assess the performance of a company based on the comparison of financial data contained in the post (balance sheet, profit / loss statement, cash flow statement). Ratio analysis can be used as consideration for investors and creditors for decision-making material or consideration of the company's achievements and future prospects. Financial ratio analysis uses existing report data as a basis for research. Although based on data and past conditions, financial ratio analysis. Intended to assess the risks and opportunities in the future. Measurements and relationships of one item with another item in the financial statements that appear in financial ratios can provide meaningful conclusions in determining the soundness of a company.

In this study, the authors used PT.

Surya Baru as an object in this study to be analyzed. It has been mentioned that the management's financial performance research using the

financial ratio method cannot represent the interests of shareholders because this method does not take into account the cost of equity (equity).

Table 1. Current Ratio and Debt to Asset Ratio and Return on Assets PT. New Surya Period 2011-2018

Year	CR (%)	DAR (%)	ROA (%)
2011	103.47	70.18	8.54
2012	98.76	68.32	7.72
2013	97.85	62.58	6.22
2014	103.47	50.18	4.56
2015	99.75	57.27	5.78
2016	114.23	66.52	7.78
2017	148.42	90.94	8.26
2018	195.43	99.22	9.73
Average	120.17	70.65	7.32

Based on the information in the table above, the Current Ratio Value can be known by PT. Surya Baru from 2011-2018 experienced fluctuating developments with an average development rate of 120.17%.

Debt to Asset Ratio value based on the table above can be known by PT. Surya Baru from 2011-2018 experienced fluctuating developments with an average development rate of 7.65%.

The Return on Asset value based on the table above can be known by PT. Surya Baru from 2011-2018 experienced fluctuating developments with an average development rate of 7.32%.

So that companies can achieve profitability as desired, the company should be able to manage assets (Assets) owned well, including liquidity, through liquidity ratios and activity ratios. To find out the company's ability to meet its financial obligations that must be fulfilled immediately and to get an idea of how effectively the company manages its assets, it is necessary to do a financial analysis of the company, especially regarding liquidity and company activities. Analysis is used to provide guidance and symptoms as

well as other financial information about the company's financial situation.

Based on this background, in this discussion the researcher took the title "Analysis of the Effect of Liquidity and Profitability on Profitability at PT. Surya Baru in Jakarta".

Formulation of the problem

Is there a partial effect between Current Ratio to Return on Assets at PT. Surya Baru in Jakarta. Is there a partial effect between Debt to Asset Ratio on Return on Assets at PT. Surya Baru in Jakarta. Is there a simultaneous effect between Current Ratio and Debt to Asset Ratio on Return on Assets at PT. Surya Baru in Jakarta.

Research purposes

To find out partial effect between Current Ratio to Return on Assets at PT. Surya Baru in Jakarta To determine the partial effect between Debt to Asset Ratio on Return on Assets at PT. Surya Baru in Jakarta. To find out the simultaneous effect between Current Ratio and Debt to Asset Ratio on Return on Assets at PT. Surya Baru in Jakarta.

Profitability Ratio What is meant by Profitability Ratio is a measuring tool used to measure how much profit the company can obtain. In this case the Profitability Ratio is an independent variable (X) measured by: net profit margin, return on equity, return on investment and return on assets. And liquidity ratios are ratios that illustrate the company's ability to meet short-term obligations (debt) which include the current ratio and quick ratio.

Financial performance, According to Jumingan (2006), financial performance is a picture of the financial condition of a company in a given period both regarding aspects of fund raising and fund distribution, which are usually measured indicators of capital adequacy, liquidity and profitability.

METHODS

Population

The population in this study financial statements for 8 years PT. Surya Baru in Jakarta

Sample

The sampling technique in this study is saturated sampling, where all members of the population are sampled. Thus the sample in this study was financial statements for 8 years.

Types of research

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

Data analysis method

In analyzing the data used the instrument test, classical assumption test, regression, coefficient of determination and hypothesis testing.

RESULTS AND DISCUSSION

Descriptive Analysis

This test is used to determine the minimum and maximum scores, mean scores and standard deviations of each variable. The results are as follows:

Table 2. Results of Descriptive Statistics Analysis

Descriptive Statistics						
	N	Minimum	Maximum	Mean	Std. Deviation	
Current Ratio (X1)	8	97.85	195.43	120.1725	34.70023	
Debt to Asset Ratio (X2)	8	50.18	99.22	70.6512	16.53484	
Return on Asset (Y)	8	4.56	9.73	7.3238	1.67974	
Valid N (listwise)	8					

Source: 2020 SPSS Processing

Current Ratio obtained a minimum value of 97.85% and a maximum value of 195.43% with an average of 120.17% with a standard deviation of 34.70%.

Debt to Asset Ratio obtained a minimum value of 50.18% and a maximum value of 99.22% with a mean score of 70.65% with a standard deviation of 16.53%.

Return on Assets obtained a minimum variance of 4.56% and a maximum value of 9.73% with an average of 7.32% with a standard deviation of

1.67%.

Verification Analysis.

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

Multiple Linear Regression Analysis

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

Tabel 3. Hasil Pengujian Regresi Liner Berganda

Model	Coefficients ^a				
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.702	1.402		.501	.638
Current Ratio (X1)	-.026	.020	-.530	-1.253	.266
Debt to Asset Ratio (X2)	.137	.043	1.352	3.195	.024

a. Dependent Variable: Return on Asset (Y)

Source: 2020 SPSS Processing

Based on the test results in the above table, the regression equation $Y = 0.702 - 0.026X_1 + 0.137X_2$ is obtained. From the equation explained as follows:

A constant of 0.702 means that if there is no Current Ratio and Debt to Asset Ratio, then there is a Return on Asset value of 0.702 points. Current Ratio regression coefficient of -0.026, this number is positive meaning that every time there is an increase in Current Ratio of -0.026, Return on Assets will also decrease by -0.026

points. Debt to Asset Ratio regression coefficient of 0.137, this number is positive meaning that every time there is an increase in Debt to Asset Ratio of 0.137 then Return on Assets will also increase by 0.137 points.

Correlation Coefficient Analysis

Correlation coefficient analysis is intended to determine the degree of relationship strength of the independent variables on the dependent variable either partially or simultaneously. The test results are as follows:

Table 4. Results of the Current Ratio Correlation Coefficient Test Against Return on Assets.
Correlations^a

		Current Ratio (X1)	Return on Asset (Y)
Current Ratio (X1)	Pearson Correlation	1	.682
	Sig. (2-tailed)		.042
Return on Asset (Y)	Pearson Correlation	.682	1
	Sig. (2-tailed)	.042	

a. Listwise N=8

Source: 2020 SPSS Processing

Based on the test results obtained by the correlation value of 0.682 means

that the Current Ratio has a strong relationship with Return on Assets.

Table 5. Test Results Correlation Coefficient Debt to Asset Ratio Against Return on Assets.
Correlations^b

		Debt to Asset Ratio (X2)	Return on Asset (Y)
Debt to Asset Ratio (X2)	Pearson Correlation	1	.877**
	Sig. (2-tailed)		.004
Return on Asset (Y)	Pearson Correlation	.877**	1
	Sig. (2-tailed)	.004	

** Correlation is significant at the 0.01 level (2-tailed).

b. Listwise N=8

Source: 2020 SPSS Processing

Based on the test results obtained a correlation value of 0.877 means that Debt to Asset Ratio has a very strong relationship to Return on Assets.

Table 6. Test Results of Correlation Coefficient Current Ratio and Debt to Asset Ratio simultaneously Against Return on Assets.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.908 ^a	.824	.754	.83326

a. Predictors: (Constant), Debt to Asset Ratio (X2), Current Ratio (X1)
 Source: 2020 SPSS Processing

Based on the test results obtained a correlation value of 0.908 means that the Current Ratio and Debt to Asset Ratio simultaneously have a very strong relationship to Return on Assets.

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

Analysis of the Coefficient of Determination

Table 7. Test Results for the Current Ratio Determination Coefficient on Return on Assets.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.682 ^a	.465	.376	1.32655

a. Predictors: (Constant), Current Ratio (X1)
 Source: 2020 SPSS Processing

Based on the test results obtained a determination value of 0.465 means that the Current Ratio has an

influence contribution of 46.5% on Return on Assets.

Table 8. Test Results Determination Coefficient Debt to Asset Ratio Against Return on Assets.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.877 ^a	.769	.731	.87187

a. Predictors: (Constant), Debt to Asset Ratio (X2)
 Source: 2020 SPSS Processing

Based on the test results obtained a determination value of 0.769 means that the Debt to Asset Ratio has

an influence contribution of 76.9% on Return on Assets.

Table 9. Test Results for the Current Ratio Determination Coefficient and Debt to Asset Ratio Against Return on Assets.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.908 ^a	.824	.754	.83326

a. Predictors: (Constant), Debt to Asset Ratio (X2), Current Ratio (X1)

Source: 2020 SPSS Processing

Based on the test results obtained a determination value of 0.824 means that the Current Ratio and Debt to

Asset Ratio simultaneously have an influence contribution of 82.4% to Return on Assets, while the remaining

17.6% is influenced by other factors.

Hypothesis testing

Partial hypothesis test (t test)

Hypothesis testing with t test is used to find out which partial hypotheses are accepted.

Table 10. Current Ratio Hypothesis Test Results Against Return on Assets.. Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
1 (Constant)	3.355	1.799		1.865	.111
Current Ratio (X1)	.033	.014	.682	2.686	.042

a. Dependent Variable: Return on Asset (Y)

Source: 2020 SPSS Processing

Based on the test results in the above table, the value of t count > t table or (2.686 > 2.447) is obtained,

thus the hypothesis that there is a significant influence between Current Ratio on Return on Assets is accepted.

Table 11. Debt to Asset Ratio Hypothesis Test Results Against Return on Assets. Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
1 (Constant)	1.029	1.441		.714	.502
Debt to Asset Ratio (X2)	.089	.020	.877	4.470	.004

a. Dependent Variable: Return on Asset (Y)

Source: 2020 SPSS Processing

Based on the test results in the above table, the value of t count > t table or (4,470 > 2,447) is obtained, thus there is a significant influence between Debt to Asset Ratio on Return on Assets received.

Simultaneous Hypothesis Test (Test F)

Hypothesis testing with the F test is used to find out which simultaneous hypotheses are accepted.

Table 12. Hypothesis Test Results Current Ratio and Debt to Asset Ratio Against Return on Asset.

		ANOVA ^a				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.279	2	8.140	11.723	.013 ^b
	Residual	3.472	5	.694		
	Total	19.751	7			

a. Dependent Variable: Return on Asset (Y)

b. Predictors: (Constant), Debt to Asset Ratio (X2), Current Ratio (X1)

Source: 2020 SPSS Processing

Based on the test results in the above table, the calculated F value > F table or (11.723 > 5.410), thus there is a significant influence between the Current Ratio and Debt to Asset Ratio on Return on Assets received.

Effect of Current Ratio on Return on Assets

Current Ratio has no significant effect on Return on Assets with a correlation of 0.682 or has a moderate relationship with an influence contribution of 46.5%. Hypothesis testing obtained t value > t table or (2.686 > 2.447). Thus there is a significant effect between Current Ratio on Return on Assets.

The Influence of Debt to Asset Ratio Against Return on Assets

Debt to Asset Ratio has a significant effect on Return on Assets with a correlation of 0.877 or has a very strong relationship with a contribution of 76.9%. Hypothesis testing obtained t value > t table or (4,470 > 2,447). Thus there is a significant effect between Debt to Asset Ratio on Return on Assets.

Effect of Current Ratio and Debt to Asset Ratio on Return on Assets

Current Ratio and Debt to Asset Ratio have a significant effect on Return on Assets by obtaining a regression equation $Y = 0.702 - 0.026X_1 + 0.137X_2$, a correlation value

of 0.908 or has a very strong relationship with an influence contribution of 82.4% while the remaining 17, 6% is influenced by other factors. Hypothesis testing obtained F value > F table or (11.723 > 5.410). Thus there is a significant effect between Current Ratio and Debt to Asset Ratio on Return on Assets.

CONCLUSION

Current Ratio has a significant effect on Return on Assets. Hypothesis testing obtained the value $t > t$ table. Debt to Asset Ratio has a significant effect on Return on Assets. Hypothesis testing obtained t count > t table. Current Ratio and Debt to Asset Ratio have a significant effect on Return on Assets. Hypothesis testing obtained the value of $f > f$ table.

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