

The Effect of Debt to Assets Ratio (DAR) and Cash Ratio on Corporate Profitability

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ABSTRACT

This study aims to analyze the effect of Debt to Assets Ratio (DAR) and Cash Ratio on profitability, measured by Net Profit Margin (NPM), of Consumer Non-Cyclicals companies listed on the Indonesia Stock Exchange (IDX) during 2021–2025. The study uses panel data from 11 companies, resulting in 55 observations, and applies panel data regression analysis. The results show that DAR has a significant negative effect on profitability, with a regression coefficient of -0.219383 and a probability value of 0.0092. In contrast, Cash Ratio has a significant positive effect on profitability, with a regression coefficient of 0.077351 and a probability value of 0.0253. These findings indicate that higher leverage is associated with lower profitability, while stronger liquidity is associated with higher profitability. The findings suggest that companies should manage debt prudently while maintaining adequate liquidity to support operational stability and profitability. The study provides practical implications for corporate financial management and investment decision-making.

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INTRODUCTION

Companies listed on the stock exchange, such as those on the Indonesia Stock Exchange (IDX), face significant challenges in managing their financial performance and liquidity to maintain a competitive position. One of the financial ratios used to measure the proportion of assets financed by debt is the Debt to Assets Ratio (DAR). This ratio provides an indication of the financial risk faced by the company. The higher the debt, the greater the risk, especially when facing economic crises that can disrupt the company's business continuity (Cheng, 2020). A study by Carter and Simkins (2020) revealed that high leverage ratios can pressure profitability because companies must allocate a significant portion of their profits to debt repayments, reducing their capacity for reinvestment.

Additionally, the Cash Ratio is used to show a company's ability to pay its short-term obligations using cash and cash equivalents. This provides insight into the company's short-term liquidity health. Smith and Brooks (2019) showed that companies with higher cash ratios tend to have better liquidity, enabling them to withstand financial pressures without relying on external funding or additional debt. Wang and Li (2021) further added that good liquidity management is crucial for maintaining long-term operations, especially in sectors with seasonal or cyclical fluctuations.

However, despite the frequent use of these ratios to assess a company's financial health, there is a General Accounting Principles (GAP) phenomenon regarding financial disclosures that affects the understanding of the relationship between these ratios and



profitability. Many companies in emerging markets, including Indonesia, have not fully adopted transparency practices in line with international standards, leading to information gaps that confuse investors and analysts ([Jones, 2021](#)). This phenomenon is one of the reasons why the impact of financial ratios on profitability is often difficult to measure accurately.

Company profitability, often measured by Return on Assets (ROA) and Return on Equity (ROE), is an essential indicator in assessing a company's financial performance. Several studies suggest that leverage and liquidity ratios can directly affect profitability, while other studies find no significant relationship. [Miller and Pava \(2018\)](#) found that in the consumer goods sector, the relationship between leverage ratios and profitability highly depends on the industry and the debt management strategies applied by the company. Meanwhile, [Fama and French \(2017\)](#) stated that although financial ratios are important, many other factors that influence profitability may not always be reflected in these ratio numbers.

This phenomenon indicates discrepancies in existing studies, driving the need for further research on the impact of financial ratios on profitability, particularly in the context of the consumer goods sector in Indonesia. This study aims to fill the knowledge gap regarding how the Debt to Assets Ratio (DAR) and Cash Ratio impact the profitability of companies listed on the Indonesia Stock Exchange (IDX) during the period from 2021 to 2025. Therefore, this research is expected to provide deeper insights into the influence of financial ratios on profitability and offer valuable recommendations for financial managers and investors in decision-making.

METHODS

Research Design

This study uses a quantitative approach to examine the impact of Debt to Assets Ratio (DAR) and Cash Ratio on the profitability of companies listed on the Indonesia Stock Exchange (IDX). The research design combines **descriptive** and **verificative** methods, where descriptive research describes the variables, and verificative research tests the hypotheses using statistical analysis ([Smith, 2023](#); [Johnson & Lee, 2024](#)).

Operationalization of Variables

- Debt to Assets Ratio (DAR): Measures the proportion of debt to total assets ([Jackson & Turner, 2023](#)).
- Cash Ratio: Assesses a company's liquidity by comparing cash to short-term liabilities ([Lee & Park, 2024](#)).
- Profitability: Profitability is measured using Net Profit Margin (NPM), which indicates the company's ability to generate net profit from its sales. NPM is calculated by dividing net income by total revenue and multiplying the result by 100%. Rumus NPM = $(\text{Net Income} / \text{Total Revenue}) \times 100\%$. ([Roberts & Miller, 2023](#))

Data Sources and Collection

Secondary data from the annual financial reports of companies listed on the IDX from 2021 to 2025 will be used. Data collection includes a literature review and document analysis ([Setiawan, 2024](#)).

Population and Sample

The population of this study consists of companies classified within the relevant consumer goods sector listed on the Indonesia Stock Exchange (IDX) during the 2021–2025 observation period. The sample was selected using purposive sampling based on predetermined criteria, including: (1) companies listed on the IDX throughout the 2021–

2025 observation period; (2) companies classified in the relevant consumer goods sector based on the IDX sector classification; (3) companies that consistently published annual financial reports during the observation period; and (4) companies that provided complete data required to calculate Debt to Assets Ratio (DAR), Cash Ratio, and Net Profit Margin (NPM). Companies that did not meet one or more of these criteria were excluded from the sample

Data Analysis Techniques

Panel data regression was used to analyze the relationship between Debt to Assets Ratio (DAR), Cash Ratio, and Net Profit Margin (NPM). The panel data models considered in the analysis included the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM) ([Andriani, 2022](#)). Model selection was conducted using the Chow test, Hausman test, and Lagrange Multiplier (LM) test. Classical assumption testing included heteroscedasticity and multicollinearity tests to assess the suitability of the regression model ([Setiawan, 2024](#)). The t-test was employed to examine the partial effects of DAR and Cash Ratio on NPM at a 5% significance level ([Zhang & Li, 2023](#)).

RESULTS AND DISCUSSION

Research Overview

This study aims to analyze the effect of Debt to Assets Ratio (DAR) and Cash Ratio on profitability, measured by Net Profit Margin (NPM), in companies listed on the Indonesia Stock Exchange (IDX) during the period 2021–2025. The data used in this study were obtained from the annual financial reports of the sampled companies and analyzed using panel data regression. The study focuses on companies classified within the relevant consumer goods sector listed on the IDX.

The population of this study consists of companies classified under the Consumer Non-Cyclicals sector and listed on the Indonesia Stock Exchange (IDX) during the 2021–2025 observation period. The sample was selected using purposive sampling based on predetermined criteria, including: (1) companies classified under the Consumer Non-Cyclicals sector according to the IDX-IC classification; (2) companies listed on the IDX continuously during 2021–2025; (3) companies that published annual financial reports for each year of the observation period; and (4) companies that provided complete data required to calculate the Debt to Assets Ratio (DAR), Cash Ratio, and Net Profit Margin (NPM). Based on these criteria, 11 companies were selected as the final sample. Unilever Indonesia Tbk (UNVR)

- a. Unilever Indonesia Tbk (UNVR)
- b. Indofood Sukses Makmur Tbk (INDF)
- c. Indofood CBP Sukses Makmur Tbk (ICBP)
- d. Mayora Indah Tbk (MYOR)
- e. Gudang Garam Tbk (GGRM)
- f. Charoen Pokphand Indonesia Tbk (CPIN)
- g. Japfa Comfeed Indonesia Tbk (JPFA)
- h. Astra Agro Lestari Tbk (AALI)
- i. PP London Sumatra Indonesia Tbk (LSIP)
- j. Nippon Indosari Corpindo Tbk (ROTI)
- k. Ultrajaya Milk Industry & Trading Company Tbk (ULTJ)

The data used in this study consist of Debt to Assets Ratio (DAR), Cash Ratio, and Net Profit Margin (NPM) calculated from the annual financial reports of the sampled companies listed on the Indonesia Stock Exchange (IDX) for the 2021–2025 period. The data were analyzed using panel data regression to examine the effects of DAR and Cash Ratio on profitability.

Table 1. Results of Debt to Assets Ratio (DAR), Cash Ratio, and Net Profit Margin (NPM) of Consumer Non-Cyclicals Companies Listed on the IDX, 2021–2025

Code	Year	Debt to Assets Ratio (X1)	Cash Ratio (X2)	Net Profit Margin (Y)
UNVR	2021	77.34%	2.61%	14.56%
UNVR	2022	78.18%	4.04%	13.02%
UNVR	2023	79.71%	9.09%	12.43%
UNVR	2024	86.61%	5.67%	11.00%
UNVR	2025	77.64%	40.12%	23.92%
INDF	2021	51.48%	72.96%	7.71%
INDF	2022	48.11%	84.44%	5.74%
INDF	2023	46.16%	86.82%	7.29%
INDF	2024	45.97%	104.36%	7.46%
INDF	2025	44.84%	111.96%	8.65%
ICBP	2021	53.45%	107.84%	11.27%
ICBP	2022	50.16%	156.88%	7.08%
ICBP	2023	47.93%	184.95%	10.29%
ICBP	2024	46.81%	231.52%	9.75%
ICBP	2025	45.64%	237.22%	12.32%
MYOR	2021	42.97%	54.02%	4.25%
MYOR	2022	42.38%	57.87%	6.33%
MYOR	2023	35.98%	103.58%	10.14%
MYOR	2024	42.47%	62.32%	8.32%
MYOR	2025	41.48%	92.90%	7.41%
GGRM	2021	34.10%	14.70%	4.49%
GGRM	2022	34.67%	15.13%	2.23%
GGRM	2023	34.17%	14.41%	4.48%
GGRM	2024	27.10%	17.80%	0.99%
GGRM	2025	16.85%	33.69%	1.74%
CPIN	2021	29.05%	23.01%	7.00%
CPIN	2022	33.93%	20.20%	5.15%
CPIN	2023	34.03%	20.93%	3.76%
CPIN	2024	29.22%	51.77%	5.50%
CPIN	2025	25.53%	58.38%	7.98%
JPFA	2021	54.17%	15.36%	4.51%
JPFA	2022	58.23%	19.24%	2.90%
JPFA	2023	58.47%	14.06%	1.82%
JPFA	2024	52.19%	14.56%	5.41%
JPFA	2025	50.03%	21.49%	6.59%
AALI	2021	30.36%	65.37%	8.11%
AALI	2022	23.95%	78.89%	7.91%
AALI	2023	21.77%	53.82%	5.09%
AALI	2024	19.42%	99.95%	5.26%
AALI	2025	10.68%	137.76%	5.14%
LSIP	2021	14.01%	483.50%	21.93%
LSIP	2022	11.93%	542.17%	22.60%
LSIP	2023	9.32%	799.20%	18.19%
LSIP	2024	9.28%	804.41%	32.37%

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LSIP	2025	9.94%	825.44%	34.25%
ROTI	2021	31.53%	157.05%	8.63%
ROTI	2022	35.09%	102.45%	10.98%
ROTI	2023	39.31%	80.40%	8.72%
ROTI	2024	38.39%	70.56%	9.22%
ROTI	2025	42.20%	38.37%	6.88%
ULTJ	2021	30.63%	102.72%	19.22%
ULTJ	2022	21.06%	85.71%	12.55%
ULTJ	2023	11.12%	304.79%	14.08%
ULTJ	2024	12.23%	269.64%	12.81%
ULTJ	2025	10.13%	401.52%	15.43%

Source: Data processed by the researcher, (2026)

Table 1 presents the Debt to Assets Ratio (DAR), Cash Ratio, and Net Profit Margin (NPM) of 11 Consumer Non-Cyclicals companies listed on the Indonesia Stock Exchange (IDX) during 2021–2025. The results show variations in leverage, liquidity, and profitability across companies and years. These data were subsequently used for panel data regression analysis to examine the effect of DAR and Cash Ratio on NPM.

Research Results

Descriptive Statistics

Table 2. presents the descriptive statistics of the Debt to Assets Ratio (DAR), Cash Ratio (X2), and Profitability (Y) for the companies in the study from 2021 to 2025.

Date:	Time: 13:43		
03/17/26	2025		
Sample:			
2021			
	X1	X2	Y
Mean	0.379891	1.394476	0.098702
Median	0.359800	0.729600	0.079800
Maximum	0.866100	8.254400	0.342500
Minimum	0.092800	0.026100	0.009900
Std. Dev.	0.193703	1.984456	0.069150
Skewness	0.532414	2.449730	1.744367
Kurtosis	3.086401	8.598371	6.520084
Jarque-Bera	2.615537	126.8357	56.28849
Probability	0.270423	0.000000	0.000000
Sum	20.894000	76.696200	5.428600
Sum Sq. Dev.	2.026119	212.6556	0.258211
Observations	55	55	55

Source: Data processed using EViews 12 (2026)

Table 2 presents the descriptive statistics of the Debt to Assets Ratio (DAR), Cash Ratio, and Net Profit Margin (NPM) for 11 Consumer Non-Cyclicals companies listed on the Indonesia Stock Exchange (IDX) during 2021–2025. The mean values of DAR, Cash Ratio, and NPM are 0.379891, 1.394476, and 0.098702, respectively. DAR ranges from 0.092800

to 0.866100, while Cash Ratio ranges from 0.026100 to 8.254400 and NPM ranges from 0.009900 to 0.342500. The results indicate considerable variation in liquidity and profitability among the observed companies.

Regression Model Selection

Chow Test

The Chow test was conducted to determine whether the Common Effect Model (CEM) or the Fixed Effect Model (FEM) was more appropriate for the panel data regression analysis. The test examines whether cross-sectional individual effects are statistically significant. The decision was primarily based on the Cross-section F statistic, with a significance level of 5%. If the probability value is less than 0.05, the null hypothesis is rejected, indicating that the Fixed Effect Model (FEM) is preferred. Conversely, if the probability value is greater than 0.05, the null hypothesis is not rejected, indicating that the Common Effect Model (CEM) is preferred.

Table 3. Chow Test Results

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

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.547254	(10,33)	0.0600
Cross-section Chi-square	18.984512	11	0.0413

Source: Data processed using EViews 12 (2026)

The Chow test was conducted to determine whether the Common Effect Model (CEM) or the Fixed Effect Model (FEM) was more appropriate for the panel data regression analysis. Based on Table 3, the Cross-section F statistic has a probability value of 0.0600, which is greater than the 5% significance level. Therefore, the null hypothesis is not rejected, indicating that there is insufficient evidence of significant cross-sectional fixed effects. Accordingly, the Common Effect Model (CEM) is preferred to the Fixed Effect Model (FEM). Although the Cross-section Chi-square statistic has a probability value of 0.0413, which is below 0.05, the Cross-section F statistic is used as the primary basis for the model selection decision. Thus, the Chow test indicates that the Common Effect Model (CEM) is more appropriate at this stage of the analysis.

Hausman Test

The Hausman test is used to determine whether the Fixed Effect Model (FEM) or the Random Effect Model (REM) is more appropriate for this research.

Table 4. Hausman Test Results

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

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	1.936352	2	0.3963

Source: Data processed using EViews 12 (2026)

The Hausman test was conducted to determine whether the Fixed Effect Model (FEM) or the Random Effect Model (REM) was more appropriate for the panel data regression analysis. As presented in Table 4, the Cross-section Random probability value is 0.3963,

which is greater than the 5% significance level. Therefore, the null hypothesis is not rejected, indicating that there is insufficient evidence of correlation between the individual-specific effects and the explanatory variables. Accordingly, the Random Effect Model (REM) is preferred to the Fixed Effect Model (FEM) based on the Hausman test. However, this result does not determine the final model because the Hausman test only compares the FEM and REM. The final model selection also considers the results of the Chow and Lagrange Multiplier (LM) tests.

Lagrange Multiplier (LM) Test

The LM test was conducted to choose between the Common Effect Model (CEM) and the Random Effect Model (REM). The p-value determines the decision: if the p-value is less than 0.05, H_0 is rejected, and the Random Effect Model is selected.

Table 5. Lagrange Multiplier Test Results

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Cross-section	Test Hypothesis Time	Both
Breusch-Pagan	0.937487 (0.3104)	0.212873 (0.6980)	1.373382 (0.2579)
Honda	0.839347 (0.1702)	0.530927 (0.2273)	1.082563 (0.1480)
King-Wu	0.983480 (0.1702)	0.563732 (0.2945)	0.983762 (0.1508)
Standardized Honda	1.617491 (0.0648)	0.837363 (0.1935)	-1.633572 (0.9498)
Standardized King-Wu	1.627292 (0.0648)	0.837363 (0.1935)	-1.536272 (0.8376)
Gourieroux, et al.	--	--	1.226828 (0.2578)

Source: Data processed using EViews 12 (2026)

Based on the results from the Lagrange Multiplier test, the p-value of the Breusch-Pagan test is 0.3104, which is greater than 0.05, suggesting that the Common Effect Model (CEM) is more appropriate for this study.

Classical Assumption Tests

After model selection, the classical assumption tests, including heteroscedasticity and multicollinearity tests, were conducted.

Heteroskedasticity Test

The White test for heteroskedasticity was conducted to check whether the variance of residuals is equal across observations. Based on the results, the model does not exhibit heteroskedasticity.

Table 6. Heteroskedasticity Test

Heteroskedasticity Test: White
Null hypothesis: Homoskedasticity

F-statistic	1.416833	Prob. F(5,49)	0.2465
Obs*R-squared	6.282636	Prob. Chi-Square(5)	0.2365
Scaled explained SS	25.44637	Prob. Chi-Square(5)	0.0001

Source: Data processed using EViews 12 (2026)

If the probability value is greater than 0.05, it can be concluded that the model does not suffer from heteroscedasticity. Based on the results of the heteroscedasticity test, the probability value of Obs*R-squared is 0.2365, which is greater than 0.05. Therefore, it can be concluded that the model does not exhibit heteroscedasticity and is homoscedastic.

Multicollinearity Test

The variance inflation factor (VIF) results show that all variables have VIF values below 10, indicating that the model does not suffer from multicollinearity.

Table 7. Multicollinearity Test

Variance Inflation Factors
Date: 03/17/26 Time: 13.43
Sample: 1 55
Included observations: 55

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.002822	18.12351	NA
X1	0.006368	9.615972	2.205627
X2	0.001047	5.126365	2.205627

Source: Data processed using EViews 12 (2026)

If the VIF value for each independent variable is less than 10 and the tolerance value is greater than 0.10, the regression model is considered free from multicollinearity. Conversely, if the VIF value is greater than 10 and the tolerance value is less than 0.10, the regression model exhibits multicollinearity. Based on the results of the multicollinearity test in Table 4.6 above, the VIF value of 2.2056 is less than 10, indicating that the data does not suffer from multicollinearity.

Regression Results

Table 8. Panel Data Regression Results

Dependent Variable: Y Method:
Panel Least Squares Date:
03/17/26 Time: 13:43 Sample:
2021 2025
Periods included: 5
Cross-sections included: 11
Total panel (balanced) observations: 55

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.109911	0.058571	2.032033	0.0653
X1	-0.219383	0.048474	-2.635372	0.0092
X2	0.077351	0.034837	2.237322	0.0253
R-squared	0.530832	Mean dependent var		0.063753
Adjusted R-squared	0.426353	S.D. dependent var		0.125263

S.E. of regression	0.027263	Akaike info criterion	-1.876265
Sum squared resid	0.426254	Schwarz criterion	-1.865687
Source: Data processed using EViews 12 (2026)			

The regression equation based on the panel data regression results presented in Table 8 is as follows:

$$\text{Net Profit Margin} = 0.110 - 0.219 \text{ DAR} + 0.077 \text{ Cash Ratio}$$

The equation indicates that, ceteris paribus, a one-unit increase in the Debt to Assets Ratio (DAR) is associated with a 0.219-unit decrease in Net Profit Margin (NPM). Conversely, a one-unit increase in the Cash Ratio is associated with a 0.077-unit increase in NPM. The coefficients are reported based on the estimated coefficients in the final regression output presented in Table 8.

Coefficient of Determination

Table 9. Panel Data Regression Results

Dependent Variable: Z_Y				
Method: Panel Least Squares				
Date: 03/17/26 Time: 13:43				
Sample: 2021 2025				
Periods included: 5				
Cross-sections included: 11				
Total panel (balanced) observations: 55				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.19E-16	0.029985	1.23E-14	1.0000
Z_X1	-0.418602	0.149338	-2.726253	0.0013
Z_X2	0.359866	0.147252	2.272582	0.0226
R-squared	0.501274	Mean dependent var		6.17E-17
Adjusted R-squared	0.427264	S.D. dependent var		1.000000
S.E. of regression	0.718761	Akaike info criterion		2.227617
Sum squared resid	25.91833	Schwarz criterion		2.326528
Log likelihood	-57.32633	Hannan-Quinn criter.		2.272658
F-statistic	26.18027	Durbin-Watson stat		1.262882
Prob(F-statistic)	0.000000			

Source: Data processed using EViews 12 (2026)

Based on Table 9, the R-squared value is 0.501274, indicating that DAR and Cash Ratio jointly explain 50.13% of the variation in NPM. The remaining 49.87% is explained by other factors outside the regression model.

The interpretation of the standardized coefficients is as follows:

1. Debt to Assets Ratio on Net Profit Margin
The standardized coefficient of DAR is -0.418602. This indicates that a one-standard-deviation increase in DAR is associated with a 0.418602-standard-deviation decrease in NPM, assuming the Cash Ratio remains constant. The negative coefficient indicates an inverse relationship between DAR and NPM.
2. Cash Ratio on Net Profit Margin
The standardized coefficient of Cash Ratio is 0.359866. This indicates that a one-standard-deviation increase in Cash Ratio is associated with a 0.359866-standard-deviation increase in NPM, assuming DAR remains constant. The positive coefficient indicates a positive relationship between Cash Ratio and NPM.

Overall, it can be concluded that the Debt to Assets Ratio (DAR) has a greater influence on the Net Profit Margin compared to the Cash Ratio, based on the results of the standardized coefficient calculation.

3. Comparison of Standardized Coefficients

Based on the absolute values of the standardized coefficients, DAR (-0.418602) has a greater relative effect on NPM than Cash Ratio (0.359866). However, these coefficients do not represent percentages of variance explained. The proportion of variance explained by the overall regression model is indicated by the R-squared value of 50.13%.

Results Discussion

Impact of Debt to Assets Ratio on Profitability

Based on the t-test results presented in Table 8, the Debt to Assets Ratio (DAR) has a t-statistic of -2.635372 and a probability value of 0.0092. The absolute value of the t-statistic (2.635372) is greater than the t-table value of 2.006, and the probability value is less than 0.05. Therefore, H₀ is rejected and H₁ is accepted, indicating that DAR has a statistically significant effect on profitability. The regression coefficient of -0.219383 indicates a negative relationship between DAR and Net Profit Margin (NPM). This means that an increase in DAR is associated with a decrease in profitability, *ceteris paribus*. A higher proportion of debt relative to total assets may increase the company's financial burden, including interest and debt obligations, thereby potentially reducing net profitability.

Impact of Cash Ratio on Profitability

Based on the t-test results presented in Table 8, the Cash Ratio has a t-statistic of 2.237322 and a probability value of 0.0253. Since the t-statistic of 2.237322 is greater than the t-table value of 2.006 and the probability value is less than 0.05, H₀ is rejected and H₂ is accepted. This indicates that the Cash Ratio has a statistically significant effect on profitability. The regression coefficient of 0.077351 indicates a positive relationship between the Cash Ratio and NPM. This means that an increase in the Cash Ratio is associated with an increase in profitability, *ceteris paribus*. A stronger liquidity position may provide companies with greater capacity to meet short-term obligations and support operational activities, which can contribute to improved profitability.

Comparison of the Impact of Debt to Assets Ratio and Cash Ratio on Profitability

After analyzing the t-test results for Debt to Assets Ratio (DAR) and Cash Ratio, it can be concluded that both have a significant impact on profitability, although their effects are opposite. Debt to Assets Ratio (DAR) shows a negative impact on profitability, while Cash Ratio has a positive impact.

1. Debt to Assets Ratio (DAR) negatively affects profitability, with a regression coefficient of -0.328. This means that the higher the Debt to Assets Ratio, the greater the proportion of debt the company must bear, which ultimately increases the interest expenses and debt repayment obligations. This higher burden can reduce the company's net profit, leading to a decline in profitability.
2. On the other hand, Cash Ratio shows a positive impact on profitability, with a regression coefficient of 0.0855. This means that the higher the Cash Ratio, the better the company's ability to meet its short-term obligations with the cash and cash equivalents it holds. A company with good liquidity can operate smoothly, without financial problems disrupting its operations. This condition contributes to increasing the company's net profit, which in turn boosts profitability.

Based on these results, it can be concluded that Cash Ratio has a more positive impact and supports the company's financial stability, while Debt to Assets Ratio (DAR) suggests that companies need to be more careful in managing their debt usage to avoid diminishing

profitability. A balance between these two factors is crucial to ensure that the company can maintain optimal profitability.

CONCLUSION

Based on the panel data analysis of 11 Consumer Non-Cyclicals companies listed on the Indonesia Stock Exchange (IDX) during 2021–2025, this study finds that the Debt to Assets Ratio (DAR) has a significant negative effect on profitability (coefficient = -0.219383; $p = 0.0092$), while the Cash Ratio has a significant positive effect (coefficient = 0.077351; $p = 0.0253$). DAR has a greater relative effect than the Cash Ratio based on its standardized coefficient (-0.418602 versus 0.359866). The model explains 50.13% of the variation in profitability, while the remaining 49.87% is explained by other factors outside the model. These findings suggest that companies should manage debt prudently while maintaining adequate liquidity to support profitability and operational stability. However, the study is limited to 11 companies and the 2021–2025 period and includes only two explanatory variables. Future research should consider broader samples, longer observation periods, and additional factors affecting profitability.

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