# Influence of Current Ratio, Inventory Turnover, and Debt to Equity Ratio to Return on Assets on the Company's Property that are Listed in theIndonesia Stock Exchange

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**ABSTRACT**

The purpose of this research was conducted to find out the influence of the current ratio, inventory turnover, and debt to equity ratio against the return on assets on the company's property that are listed in the indonesia stock exchange.The approach used in this study is the assosiatif approach. While the types of data used in this research is quantitative data in the form of financial statements from the years 2011-2015, the sample used amounted to 7 companies and sources of data from these studies is a report on the company financial property listed on the indonesia stock exchange. Technique of data analysis in this study using multiple linear regression, classic assumption test, test hypotheses and test the coefficient of determination. Processing of data in this study using program SPSS (statistical product and service solution) 22 for windows.The results of this proof proves that partially current ratio was not significant effect against the return on assets, inventory turnover is also partially do not affect significantly to return on assets and debt to equity ratio partially no significant effect against the return on assets. Simultaneously current ratio, inventory turnover and debt to equity ratio effect significantly to return on assets.

***Keyword:****current ratio, inventory turnover, debt to equity ratio, return on assets*.

## 1. INTRODUCTION

Net income is one of the important indicators are often used by investors to assess the level of profitability of the company before investing. The company's activities can be ensured already oriented profitably.

Profitability is one of the indicators used to measure the financial performance of the company. The ratio of profitability (profitability ratio) will demonstrate the combination of the effects of liquidity, assets, and debt management, in the results of operations (Brigham and Houston, 2009:107). Profitability ratio consists of two types, namely the ratio indicating profitability in relation to sales (sales profitability) and the ratio that indicates profitability in terms of investment ((the profitability of investment). Profitability in relation to investments in this research uses the ratio of Return On Assets (ROA). ROA is often referred to with the ROI (Return On Investment). ROA is the profitability ratio used to measure the effectiveness of the company in generating profits by leveraging the total assets. The larger the ROA shows the company's performance the better, because the return is so large.

In General, the purpose of which is to achieve a firm is obtaining profits or the maximum profit. In order to achieve these goals, the company must have a management with a high level of effectiveness. Measurement of the level of effectiveness of management as seen from the profit resulting from the sale of supplies and. Profit is the result of the difference between the costs incurred during a certain period and income fund. By knowing the ratio of profitability of the firm, then profits can be measured and known development companies every time.

## 2. LITERATURE REVIEW

### 2.1 *Return On Asset* ( ROA)

One indicator of the success of a company's performance indicated by the *Return On Asset* (ROA).For companies in General, the most important is getting a return or the maximum profit as had been targeted. The company can to do much for the welfare of the owners. Employees as well as improve the quality of products in doing new investments. It's often observed that companies with high returns on a very high investment turns out using the relative amounts of debta little bit. A high rate of return allowed the company do the majority of their funding through funds generated internally.

Return On Assets were always calculated and used by financial analysts. Khasmir (2012) which states that: "Profitability Ratio is the ratio of to assess the ability of the company in search of profits. This ratio gives a measure of the effectiveness of the management of a company ". Therefore, the company's management in practice demanded must be able to meet the target that has been set ".

Furthermore, according to Harmono (2009) " Analysis of the profiitabilitas is
the ratio that describes the company's fundamental performance review of the level
the company's operating efficiency and effectiveness in acquiring profits ".

A company must be in a State of menguntukan profit in the absence of the profit because of the importance of the correct meaning is based on the profit for the firm's future. There are several measuring the profitability of a company where each measurement is associated with the volume of sales, total assets, and capital and third overall this measurement will allow an Analyzer to evaluate earning levels in relation to sales volume of total assets, investment from the owner of the company.

**2.2 *Current Ratio (*CR)**

Current Ratio indicates the company's ability to pay off short-term obligations from current assets which have. *Current Ratio* according to Munawir (2010) "Current Ratio a comparison between the amount of current assets with debt well. This ratio shows that the value of wealth smoothly (that can immediately be used as money) there are umpteen time debts short term. Current Ratio shows the level of similarity (Margin Of Safety) short-term creditors, or the company's ability to pay debt-the debt".

As according to Kasmir (2012). "The current ratio (Current Ratio) is a ratio that measures the company's ability in repaying short-term obligations or debts immediately due upon billed as a whole". In other words, how much current assets available to cover short-term obligations that are maturing soon ".

Of some of the definitions above it can be concluded that what is meant
with the Current Ratio is the ratio that indicates the company's abilityin paying a debt due. How many assets available to cover what he owes or short-term liabilities at the time of charged with the whole.

**2.3 *Inventory Turn Over* (ITO)**

Inventory is one of the current assets of the company is a very important role in the company's operations Understanding company according to Bambang Arwana (2010) "Inventory or inventory items as the main elements of working capital is assets are always in a State of a rotating, which continuously changes".

Then According to Wild Subramanyam and Hasley (2005) "Inventories (Inventory) is a goods sold in the normal operating activity of the company".

Meanwhile, according to Sjahrial (2007) Posited: "Supplies is the main elements of working capital (current assets). The inventory is very significant investments in many companies. "
Some of the opinions of the experts regarding the preparation, it can be inferred that the supply is of goods or assets owned by the company to be sold in the company's operations that will generate profits for the company. Many people who pay attention to the activity of the preparation, such as shareholders, creditors, and managers are all interested parties against the results, market conditions and the ability of the supplies. Creditors are attracted by the ability to generate inventory sales cash that can be used to meet the payments of interest and principal on the loan.

**2.4 *Debt To Equity Ratio* (DER)**

In a business activity, determining the right capital structure is a challenge for company executives, because the decision the company will raise funds with minimal capital costs with maximum results, in particular in the create value for the company. The company's capital is Skruktur the proportion between debt and equity in order to mark its investments. According to Cashmere (2012) stating "Debt To Equity Ratio is a ratio used to evaluate debt and equity. This ratio is sought by means of a compare between the entire debt, including debt smoothly with the entire debt equity ".

According to Jumingan (2006), States "this ratio shows some part of each of its own capital was made rupiah guarantee debt. For companies this ratio will be greater the more profitable ".

Meanwhile, According to Sartorno (2010), States "a high Ratio also showed a low proportion of own capital to finance the assets".

From the above it can be concluded that the opinion of the Debt To Equity Ratio used to calculate the debt and equity. The ratio that illustrates the extent to which the owner can cover debts-debts of outside parties. The opinion of the Debt To Equity Ratio is useful to know the amount of funding provided the borrower (Creditors) and owner of the company. In other words, this ratio serves to know each-each own capital was made to guarantee the debt.

## 3. RESEARCH METHODS

This study uses an associative approach. The population of the region is a generalization of the object/subject who has certain qualities and characteristics set by the researchers to learn and then drawn the conclusion. As for the population in this research is the Indonesia stock exchange financial reports Field which consists of reports and financial statements balance sheets earnings loss, The type of data in this study using quantitative data in the form of Indonesia stock exchange financial reports Field by way of studying, observing, and analyzing the documents relating to the object of research. Quantitative data i.e. data figures shaped in the form of financial statements and ratio-financial ratio, In the data source that can be in this study i.e. secondary data, research data are obtained indirectly by studying literature or documents related to research in the form of financial statements, comprising the balance sheet and profit/loss report on the Indonesia stock exchange Field period in 2011-2015.

Data analysis techniques used in this research is the technique of multiple regression analysis. In the use of regression analysis needs to be tested assumptions informing the analysis regression. Testing the assumptions in the multiple regression will produce values that are unusual. A number of regression assumptions that need to be tested among other things with regard to normalcy, data (normality), there was no existence of autocorrelation patterns of relationships, multikolineritas, and heterokedastisitas.

## 4. DISCUSSION

### 4.1 Effect of Current Ratio on Return On Asset

Current ratio is a measure of short-term liquidity. Current ratio comparison between assets seamlessly with current liabilities. According to Rianto (2007) the value of liquidity is too high an impact less well against the Earning Power due to Idlechas or show excess working capital is required, this will lower the excess opportunity benefit.

For a high current ratio indicates liquidity but he could also be said to demonstrate the use of cash and short-term liabilities are not efficient. According to Harahap (2004), this ratio indicates the company's ability to meet short-term obligations.

Based on the test results in the partial influence of Current Ratio against the Return On Asset (ROA) obtained thitung registration-2.365 > ttabel amounted to 1.69 and had significant numbers of 0.00 0.05 Ha means < accepted and H0 is rejected. This shows that there is significant influence partially Current Ratio against the Return On Asset (ROA). Directions to do this positive trend shows increasing Current Ratio will be followed by increasing Return On Asset (ROA) on company Property are listed on the Indonesia stock exchange with a confidence level of 95%.

The research results obtained regarding the influence of Current Ratio against the Return On Asset (ROA) on company Property are listed on the Indonesia stock exchange. Test results showed that the hypothesis H0 value received and Ha was rejected. This indicates that the Test F there is no significant influence Current Ratio against the Return On Asset (ROA) on company Property are listed on the Indonesia stock exchange perode 2011-2015.

### 4.2 Effect of Inventory Turnover on Return On Asset

Inventory management is a difficult job. Where is the error in determining the level of inventory can be fatal. Japutra Rahar (2009) States that the higher the turnover, the greater the likelihood of inventory the company will earn a profit, and vice versa, if the rate of rotation of the build-up of the low likelihood of eating the smaller companies will earn a profit. Whereas Munawir (2004) States that the higher the level of inventory turnover will minimize the risks against losses that will be caused due to a decrease in the price or because of changes in consumer tastes, besides it will save you the cost storage and maintenance against the inventory.

Average Inventory Turnover (ITO) on company Property are listed on the Indonesia stock exchange of the year 2011-2015 this means that the company is still less well because the company is still not capable of managing inventory turnover on every year. The drop in inventory is the number of items stored by the company in a place (warehouse) the faster the inventory was changed to merchandise that will be sold by the company higher profits generated. Every high profit generated by each company, then the company will be getting better. Then the external factors of the acquired company i.e. increase in the number of inventory items were not followed by the rising value of net income, then the company can be said to have not been able to manage its assets efficiently because the company does not can increase net income. Therefore companies should further enhance the preparation so that the external cooperation can be entwined with the good.

Based on testing partially influence Inventory Turnover against the Return On Asset (ROA) obtained thitung of 2.695 > ttabel amounted to 1.69 and had significant numbers of 0.001 < 0.05. This means that H0 is accepted and Ha was rejected. This shows that there is significant influence partially Inventory Turnover against the Return On Asset (ROA). With the direction of the relationship is positive, it indicates the tendency of increasing Inventory Turnover will be followed by increasing Return On Asset (ROA) on company Property are listed on the Indonesia stock exchange with a confidence level of 95%.

The research results obtained regarding the Inventory Turnover against the Return On Asset (ROA) at the perushaaan Property which is listed on the Indonesia stock exchange. Hypothesis test results show that the value of H0 is rejected and accepted Ha. This shows that on the Test F no significant Inventory Turnover against the Return On Asset (ROA) on company Property are listed on the Indonesia stock exchange period 2011-2015.

### 4.3 Effect of Debt To Equity Ratio to Return On Asset

Kasmir (2010), in the study of the calculation result is when the company turns out to have a high solvency ratios. This will impact the onset of greater risk of loss, but also there is a chance the big profitability as well. Otherwise, once the company has a solvency ratio lower certainly had a smaller risk of loss, especially when the economy is declining. This impact also results in low yield return (return) at a time when the economy is high. This indicates that the debt is inversely proportional with the Return On Asset (ROA). At the time the Debt to Equity Ratio is low, the wages are low then increase profit because the company does not have to bear the burden of interest and reduce risk.

Debt to Equity Ratio (DER) in large measure the assets financed by the lender, the higher the debt ratio the greater the capital loan which is used in making a profit on that Debt to Equity Ratio (DER) measurements of the structure of the debt used by companies to manage its business. From the results of measurements, in a high ratio means that funding with more and more debt, then the more difficult it is for companies to obtain loans because it was feared the company unable to cover its debts with assets which have . Similarly if low rationya the smaller company is financed with debt. Then the ekternal factor obtained i.e. Company should be able to maximize the use of the debt so that the capital of the debt can be a source of funding that is right for investors and companies can increase earnings earnings desired.

Based on testing partially influence Debt to Equity Ratio against the Return On Asset (ROA) obtained thitung of 2.275 < ttabel amounted to 1.69 and had significant numbers of 0.030 > 0.05. This means that H0 is accepted and Ha was rejected. This indicates that partially no significant influence of the Debt to Equity Ratio against the Return On Asset (ROA). With the direction of the relationship is positive, it indicates the tendency of increasing Debt to Equity Ratio does not affect the increase in Return On Assets (ROA) on company Property are listed on the Indonesia stock exchange with a confidence level of 95%.

The research results obtained regarding the influence of the Debt to Equity Ratio against the Return On Asset (ROA) on company Property are listed on the Indonesia stock exchange. Test results show the value of H0 hypothesis accepted and Ha was rejected. This indicates that the Test F there is no significant influence of the Debt to Equity Ratio against the Return On Asset (ROA) on company Property are listed on the Indonesia stock exchange period 2011-2015.

### 4.4 Effect On Current Ratio, Inventory Turnover And Debt To Asset Ratio On Return On Asset

Various financial ratios can be calculated using the financial statements of the company. ROA is the profitability ratio used to measure the effectiveness of the company in generating profits by leveraging the total assets. ROA showed the better performance of the company due to return the greater influence of Current Ratio, Inventory

Turnover and Debt to Equity Ratio against the Return on Asset (ROA).

Based on the partial tests can noted that the value of Fhitung > Ftabel 3.28 7.521 with significant level of 0.000 < 0.05. It means thank Ha and H0 is rejected. So it can be concluded that the variable is Return On Assets. Inventory Turnover and Debt to Equity Ratio to simultaneously effect significantly to Return On Asset (ROA) on company Property are listed on the Indonesia stock exchange with a confidence level of 95%.

The research results obtained regarding the influence of the Current Ratio, Inventory Turnover and Debt to Equity Ratio against the Return On Asset (ROA) on company Property are listed on the Indonesia stock exchange. F test and that the variable Current Ratio, Inventory Turnover and Debt to Equity Ratio to simultaneously effect significantly to profitability (Return On Asset) on company Property are listed on the Indonesia stock exchange.

## 5. CONCLUSION

a. From the results of research conducted on 7 (seven) corporate Property were listed on the Indonesia stock exchange period 2011-2015, then it can be inferred that the Current Ratio was not significant effect against the Return On Asset (ROA).

b. From the results of research conducted on 7 (seven) corporate Property were listed on the Indonesia stock exchange 2011-2015 period can be concluded that the Inventory Turnover has no effect against a significant Return On Asset (ROA).

c. From the results of research conducted on 7 (seven) the Property company listed on the Indonesia stock exchange period 2011-2015, it can be inferred that the Debt to Equity Ratio was not significant effect against the Return On Asset (ROA).

d. From the results of research conducted on 7 (seven) corporate Property were listed on the Indonesia stock exchange period 2011-2015, it can be concluded that the Current Ratio, Inventory Turnover and Debt to Equity Ratio the simultaneous effect of significant against the Return On Asset (ROA).

## 6. SUGGESTION

a. For the creditors, the results showed that the variable Current Ratio, Inventory Turnover and Debt to Equity Ratio to simultaneously effect significantly to profitability (ROA) on company Property are listed on the Indonesia stock exchange 2011-2015 period, so these variables can be used as an indication of the considerations for providing loans for the company.

b. For the company, to pay more attention to the profitability that is a measure of the performance of the company, creditors and investors will see how big corporate capability in generating profits. Because of the absence of profit the company should be able to do the cost-efficiency, so as to generate enough profit to return the loan to the lender and memakmurkan investors.

c. For further study, with researchers is expected to further research can do more research by adding other variables that affect the Return On Asset (ROA). Like the turnover of cash, receivables, inventory, sales and other turnaround. As well as replacing the object of research on other company sectors so as to obtain maximum results.

d. For investors, before making an investment decision, it helps an investor to first consider several factors of information, namely the condition of the company that affect the progress of the company in the future. Information on environmental factors also plays a role in decision making. Because include economic conditions, political stability of a country. By way of analyzing the effect desired first took action.

e. Subsequent researchers are expected to use a different financial ratios that have not been included in this study because there are still many other financial ratio that may affect the earnings per share in addition to operating Leverage, Financial Leverage, Return on Assets and Net Profit Margin. In addition to financial ratios subsequent researchers can also broaden discussion premises other factors that may affect earnings per share. That research results become more accurate, than the object of research is added and extended period.

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