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Analysis of the Effect of Current Ratio, Working Capital, Debt Ratio on the Performance of Various Industrial Companies Listed on the IDX

Refni Sukmadewi
Sekolah Tinggi Ilmu EkonomiPersada Bunda, Pekanbaru, Riau
refni.dhewi@gmail.com

ABSTRACT

The purpose of this study is to prove the effect of financial ratios Current Ratio, Working Capital Debt Ratio on the performance of various industrial companies as measured by profits variables on company performance.The object of research is the various industrial sector companies operating in Indonesia in 2017-2019. The sampling technique in this study used a purposive sampling technique, namely the selection of sampling based on certain criteria. The analysis technique used is multiple regression analysis. To determine the accuracy of the model, it is necessary to test several classical assumptions that underlie the regression model. Classical assumption tests used in this study include tests, normality, multicollinearity, heteroscedasticity and autocorrelation. The results partially show that current ratio and debt ratio has a significant effect on performance, while working capital has no significant effect on performance. Simultaneously current ratio, working capital and debt ratio have a significant effect on profitability.

Keyword: Current Ratio, Working Capital, Financial Performance

INTRODUCTION

Manufacturing companies are companies that sell their products starting from the production process, namely from purchasing raw materials, processing raw materials to finished goods. Manufacturing industry companies are further divided into three sectors, each of which contributes to economic growth in Indonesia. The three sectors are the goods and consumption industry, various industries, and basic and chemical industries

Companies engaged in manufacturing require more attention to the management of their current assets to be more efficient. This is because the proportion of current assets of manufacturing companies is usually more than half of total assets. To measure the company's financial condition, the company usually performs financial statement analysis(Iskamto 2015). A multi-industrial company as an industrial company which processes raw materials to be used as ready-to-use materials by utilizing machinery, equipment, and labor and through chemical and physical processes. For example, textile and garment companies, proceed by producing cotton into yarn, then yarn into cloth, and the fabric can be re-produced into clothing such as pants, shirts, pants and others, automotive companies, operate by using high-level technology to carry out production. , and food and beverage companies, operate by processing a raw material into a drink and food that will be consumed by buyers(Iskamto 2020; Iskamto, Ghazali, and Aftanorhan 2020). The various industrial sector operational standards have procedures for their workers so that they can be used as references and safety at work, because most of the production activities at the company use sophisticated machines.(Iskamto et al. 2021). The advantages provided by various industries are for economic development in a country, because they can provide profitable prospects and generate foreign exchange which is a source of funds for company development. The company's own profits and earnings can be measured from the activity position in the financial statements, in the financial statements which have the aim of assessing the performance of the company's financial activities to earn a profit, there are several ratios used to examine the activities of the company's finances, namely the leverage ratio, activity ratio and the ratio

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profitability. financial statement analysis using ratios is more effective in order to find out the activities of the company's finances. which shows the comparison between current assets and current liabilities

Financial statements as a reference for investors to measure the company's performance. A company is said to be healthy if it is able to survive in any circumstances, it can be observed through its competence in utilizing its assets to take profit from sales, being able to fulfill financial responsibilities, and being able to continue to carry out operational activities and develop its business. Return on assets is a performance ratio used to determine the effectiveness of the company when creating profits by utilizing the total assets it has. The higher the return on assets proves the company's achievements are getting better, because the returns are getting bigger. The important value of Return on assets for investors is as a benchmark for assessing an investment before the investment decision is determined. Liquidity has a fairly close correlation with profitability, because liquidity proves the level of availability of working funds needed for operational activities. The current ratio proves how far current assets cover current liabilities(Herman 2021; Setiawati 2021; Syahsudarmi 2021). The higher the ratio of current liabilities and current assets, the greater the company's competence to cover its short-term liabilities. A small current ratio is generally considered to prove a problem in liquidation, while a very large current ratio is also not good, because it proves the amount of unused capital which can then reduce the company's competence when creating profits.(Iskamto, Karim, et al. 2020).

LITERATURE REVIEW

Financial Ratio

According to Warsidi and Bambang in Fahmi (2012), financial ratio analysis is an instrument of company performance analysis that explains various financial relationships and indicators, which is intended to show changes in financial conditions or operating performance in the past and help describe trends in these changes, to then show risks and opportunities inherent in the company concerned.

Liquidity Ratio

The liquidity ratio is the ability of a company to meet its short-term obligations. This ratio is important because failure to pay obligations can lead to bankruptcy of the company. Liquidity ratios can show signs of cash flow problems and future business failures. The liquidity ratio also provides very useful information for the acquirer when assessing the target company, namely how much liquidity is post-acquisition. If after the acquisition the company requires liquid funds, the company will be relatively safer if it has a high liquidity ratio. For creditors, the liquidity ratio can be used to see the prospect of the company's ability to pay short-term loans, with a large liquidity ratio, the company can convince creditors to get short-term loans, and for shareholders the liquidity ratio can be used to see the prospects of dividends in the future. Ratios that can be used to measure this ratio are Current Ratio, Quick Ratio, Working Capital Ratio

Activity Ratio

Activity ratio is a ratio that describes the extent to which a company uses its resources to support company activities (Fahmi, 2012). The higher the level of activity ratio in the company, the greater the cash flow received by the company means the more effective it is in managing transaction activities in the company. Ratios that can be used to measure this ratio are Assets Turnover, Average Days Inventory, Inventory Turnover, and Working Capital Turnover.

Solvency Ratio

The solvency ratio or commonly referred to as the leverage ratio is the ratio used to measure the company's ability to meet its financial obligations, Husnan 2013. The company's ability to rely solely on its own capital is often limited so that debt financing is used to support equity financing. On the other hand, the use of debt is more profitable than equity financing because interest payments can be used as a tax deduction. Thus, the higher the debt, the more likely the company is to experience financial difficulties. The solvency ratio according to Sartono (2014) is divided into Debt Ratio, Debt to Equity Ratio,

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Profitability Ratio

Profitability ratio according to is a ratio to measure the effectiveness of management as a whole which is indicated by the size of the level of profit obtained in relation to sales and investment, (Fahmi 2012). The better the profitability ratio describes the high ability of a company to gain profits. The company's ability to generate profits can attract investors to invest their funds to expand their business, otherwise a low level of profitability will cause investors to withdraw their funds. The ratios that can be used to measure this ratio are, Net Profit Margin, Gross Profit Margin, Return on Equity, Return On Investment, Return On Assets

Financial statements

Financial statements are information that describes the condition of a company, which in turn will become information that describes the performance of a company, Fahmi (2012). The purpose of financial statements is to provide information to those in need about the condition of a company from the point of view of numbers in monetary units. A financial statement can provide benefits for retrieval if the financial statement information can be predicted what will happen in the future. By further managing financial statements through a process of comparison, evaluation and trend analysis, predictions will be obtained regarding the possibilities that will occur in the future so that these financial statements are indispensable (Fahmi, 2012).

Financial performance

Performance measurement is defined as "performing measurement", namely the qualifications and efficiency and effectiveness of the company in operating the business during the accounting period. Financial performance is an analysis carried out to see the extent to which a company has implemented it using financial implementation rules properly and correctly, Fahmi (2012). . According to the company's performance is a display of the company in a certain period to find out whether the company's condition has improved or decreased, (Anisah and Tritonowati 2016)

Performance measurement is a process to determine how well business activities are carried out to achieve strategic objectives and provide timely information to carry out continuous improvement.

Financial performance appraisal has several roles for the company. Financial performance appraisal can measure the level of costs of various activities that have been carried out by the company, to determine or measure the efficiency of each part of the process or production as well as to determine the degree of profit that can be achieved by the company concerned, to assess and measure the work results in each section. individuals who have been given the authority and responsibility, as well as to determine whether or not new policies or procedures are needed to achieve better results. Benefits of financial performance assessment, provide a better understanding of debt management including the overall financial condition, identify problems early finances that arise before it is too late,

METHOD

Research sites

Research is causal associative, measuring the relationships between research variables or useful for analyzing how one variable affects other variables, or looking for causal relationships, namely the independent variable on the dependent variable. The population in this study are various industrial companies registered from 2017 to 2019. The population used is all various industrial companies registered from 2017 to 2019. While the determination of the sample is based on the purposive sampling method, namely the selection of samples in a predetermined population. namely issuing and publishing complete annual financial statements in 2017-2019 with positive corporate profits. The data used in this research is secondary data, namely data sourced from the annual financial statements of various industrial companies listed on the Indonesia Stock Exchange, previous research and other related sources. The collection of data obtained from the Indonesia Stock Exchange is through:www.idx.co.id. Data collection is done by tracing the annual reports related to the sample companies.

RESULTS AND DISCUSSION

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Normality test

Normality test aims whether in a regression model (dependent variable, independent variable or both have a normal distribution / not). The results of the normality test are shown by the calculation results of the Kolmogorov Smirnov significance level. If the Kolmogorov Smirnov value is more than 0.05 then the data is normally distributed, whereas if it is less than 0.05 then the data is not normally distributed. The results of the analysis of research data to determine the magnitude of the significance of Kolmogorov Smirnov can be seen in the following table:

Table 1. Normality Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		66
Normal Parameters	mean	.0000000
	Std. Deviation	.06248812
Most Extreme Differences	Absolute	.139
	Positive	.133
	negative	-.139
Kolmogorov-Smirnov Z		1,129
asymp. Sig. (2-tailed)		.656

From the table 1 above shows the value of Asim. Sig (2-tailed) 0.656>0.05 level significant. It means that the ratio of Current Ratio, Working Capital Ratio, Debt Ratio, is normally distributed.

Multicollinearity Test

Multicollinearity test using VIF (Variance Inflation Factor) and tolerance values. From the results of testing the regression model, the results for each variable are as follows:

Table 2. Multicollinearity Test

Model		Collinearity Statistics		
			Tolerance	VIF
1	(Constant)			
	CURRENT RATIO		.376	2,662
	WORKING CAPITAL		.379	2.640
	DEBT RATIO		.455	1.047

The table 2 above shows that there is no independent variable that has a tolerance value below 0.1. The results of the calculation of the VIF value also show that there is no independent variable that has a VIF value above 10. So it can be concluded that there is no multicollinearity between independent variables in the regression model.

Heteroscedasticity Test

To find out whether there is heteroscedasticity between independent variables, it can be seen in the table below:

Table 3. Heteroscedasticity Test

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Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.062	.016		3,883	.665
	CURRENT RATIO	.049	.008	.926	6.318	.420
	WORKING CAPITAL	.110	.052	.308	2.107	.339
	DEBT RATIO	.057	.021	.253	2,749	.088

From Table 3 the above test, it is known that the significance of the current ratio, working capital ratio and debt is greater than 0.05. This means that there is no heteroscedasticity.

Autocorrelation Test
To test whether the Durbin-Waston test is used to autocorrelation, it is known that:

Table 4 Autocorrelation Test

Model Summaryb

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.892a	.796	.714	.0639821	1,956

The test value is between du<d<4-du. Based on the results of the autocorrelation test obtained. The value of du is obtained from the Durbin Watson table of 1.956. The 4-du value obtained is 2,338. So the durbin watson value lies between the du value and the 4-du value, namely 1.662 < 1.956 < 2.338. so it can be concluded that there is no autocorrelation in this study

Multiple Linear Regression Analysis

To determine the Current Ratio, Working Capital ratio, Debt Ratio to performance using statistical analysis, namely the multiple linear regression analysis model. From the results of calculations using the SPSS program, the results are as shown in the following table:

Table 5. Multiple Linear Regression

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.037	.029		1,276	.207
	CURRENT RATIO	.359	.014	.707	4.192	.025
	WORKING CAPITAL	.190	.094	.161	4.958	.342
	DEBT RATIO	.514	.037	.040	5.374	.018

Based on the table above, it can be explained the analysis of multiple linear regression equations as follows :
Y = 0.037+0.359 X1 + 0.190 X2 + 0.514 X3

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Partial test (t test)

The partial test was conducted to determine the significant level of the research variable that you want to test its influence on the Y variable separately or individually by looking at the sig value (p-value) or comparing the t-count with the t-table.

Table 6. t test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.037	.029		1,276	.207
	CURRENT RATIO	.359	.014	.707	4.192	.025
	WORKING CAPITAL	.190	.094	.161	4.958	.342
	DEBT RATIO	.514	.037	.040	5.374	.018

From table 6 the results of the regression coefficient, it is obtained that the current ratio has a t value of 4.192 with a significant 0.025 < standard value of 0.05, this means that the current ratio has a significant effect on performance.

From the results of the regression coefficients, it is obtained that working capital has a t value of 4.958 with a significance of 0.342 > the standard value of 0.05, this means that working capital has no significant effect on performance.

From the results of the regression coefficients, it is obtained that the debt ratio has a t value of 5.374 with a significant 0.018 < standard value of 0.05, this means that working capital has a significant effect on performance.

F-statistics test

The F statistical test basically shows whether all the independent variables included in the model have a joint effect on the dependent variable. The results of this F-Test calculation can be seen in the following table:

Table 7. F . test

ANOVAb

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.130	3	.043	10,570	.011a
	Residual	.254	62	.004		
	Total	.384	65			

In the table 7 above, it can be seen that the F value is 10.570 and a significant value is 0.011. Because the significant value is high, which is smaller than 0.05 ($\alpha = 0.05$), the hypothesis is accepted. This shows that the independent variables, namely the current ratio, working capital and debt ratio together have a significant effect on performance.

Coefficient of Determination Test

The coefficient of determinant shows how big the relationship between the independent variables (X1, X2, X3) simultaneously on the dependent variable (Y). The value of R ranges from 0 to 1. If the value is getting closer to 1, it means that the relationship is getting stronger. On the other hand, the closer the value to 0, the weaker the relationship. The following are the results of the determinant coefficient test in this study.

HBR Husnayain Business Review Vol.2, No.1, 2022
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Table 8. Coefficient of Determination Test

Model Summaryb

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.892a	.796	.714	.0639821	1,956

Based on table 8 the output, it appears that the calculation results obtained an Adjusted R Square value of 0.714. In other words, this shows that the large percentage of performance that can be explained by variations of the three independent variables, namely the current ratio, working capital and debt ratio is 71.4%, while the remaining 28.6% is explained by other reasons outside the model.

Based on the results of the t-statistical test in the table, it is known that the current ratio variable shows a tcount value of 4.192 with a significant level of 0.025 where the significant level is smaller than the significant level = 0.05. This shows that there is a significant effect between the current ratio on the performance of various industrial companies listed on the Indonesia Stock Exchange in 2017-2019. This means that the greater the value of the current ratio, it is indicated that the performance will increase. Great performance indicates the greater the company's ability to meet its short-term obligations or the better its liquidity.

Based on the results of the t-statistical test in the table, it is known that the working capita variable; shows the tcount value of 4.958 with a significant level of 0.342 where the significant level is greater than the significant level = 0.05. This shows that there is no significant effect between working capital on the performance of various industrial sector companies listed on the Indonesia Stock Exchange in 2017-2019. The results of this study are in line with those conducted by Alfarizi and Abdul Muid (2014), with the results that working capital partially has no significant effect on financial performance (Return On Assets). This shows that high working capital does not always result in high profits for the company.

Based on the results of the t-statistical test in the table, it is known that the debt ratio variable shows a tcount value of 5.374 with a significant level of 0.018 where the significant level is greater than the significant level = 0.05. This shows that there is a significant influence between the debt ratio on the performance of various industrial sector companies listed on the Indonesia Stock Exchange in 2017-2019. The results of this study are in line with those conducted by Alfarizi and Abdul Muid (2014), with the results that the Debt Ratio partially has a significant effect on financial performance (Return On Assets). This shows that the higher the Debt Ratio, then it is followed by an increase in financial performance (Return On Assets). Companies that have high solvency, will have a large risk of loss.

Conclusion

Based on the results of research and discussion, it can be concluded that the current ratio has a significant effect on the performance of various industrial companies on the Indonesian stock exchange. It can be seen that the size of the performance is influenced by the current ratio, which means that if the company's ability to earn profits increases, the company's ability to pay its short-term obligations also increases.

The working capital ratio has no significant effect on the performance of various industrial companies on the Indonesian stock exchange. This is related to the recording of accounts by the company for transactions carried out by the company where the recording of the company's debts and receivables is not related to the profits earned by the company.

The debt ratio has a significant effect on the performance of various industrial companies on the Indonesian stock exchange, which means that if the company's ability to earn profits increases, its ability to pay long-term debt will also increase. The liquidity ratio and solvency ratio have a significant effect on profitability, meaning that if the company's ability to earn profits increases, the

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company's ability to pay all its obligations will increase, both the ability to pay short-term obligations and pay long-term obligations.

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