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Analysis of Current Ratio, Debt Ratio, Net Profit Margin, and Total Asset Turnover Change in Income (Study of Multinational Companies Listed on the IDX for the 2020-2022 Period)

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ABSTRACT: A change in profit is a condition in which a company over a period of time has an increase or decrease in profits compared to the previous period. Failure to make a profit will seriously affect business operations. In the short term, losses may not matter unless the business suffers a substantial loss. The purpose of this research is to empirically examine if the ratios of current, debt, net profit margin, and total asset turnover have a significant impact on the growth of income for MNCs included in the IDX index between the years 2020 and 2022. This kind of study is quantitative and makes use of already collected data. For the years 2020-2022, this research focuses on American MNCs trading on the Indonesia Stock Exchange (IDX). A total of 68 samples were collected for this investigation through a purposive sampling strategy. Several different types of statistical tests (descriptive, multiple regression, traditional, and hypothesis) were utilized to analyze the data for this study. This research found that although changes in the Debt Ratio, Net Profit Ratio, and Total Asset Turnover did impact profits, Current Ratio no effect on profits. financial development. In addition, the findings demonstrate that the ratios of current, debt, net profit margin, and total asset turnover all have a synergistic impact on the rate at which income fluctuates.

Keywords: Current Ratio, Debt Ratio, Net Profit Margin, Total Asset Turnover, Change In Income

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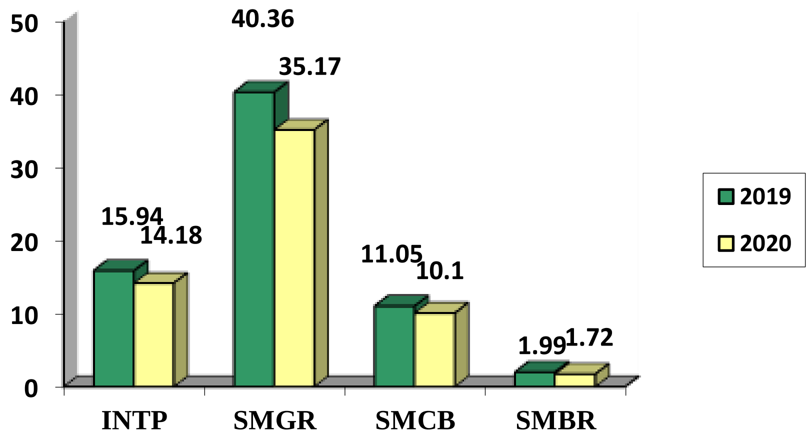
INTRODUCTION

In today's age of globalization, the growth of Indonesia's economy is seen as crucial to a company's long-term viability. An organization in the modern world must strive for continuous growth and development (Susilawati et al., 2022; U. et al., 2016). This happens because today's evolving business world requires a company to be optimally prepared for business competition, fierce business competition will erode companies that are not able to compete. or have financial performance problems. One of the things one can do to know if a company is doing well financially is to look at the change in profit that occurs every year, if the company's profits increase then that indicates that the company is in good financial performance(Irawati et al., 2019; Mahrani & Soewarno, 2018; Minggus et al., 2020). Conversely, if the company's earnings drop throughout the year, it's smart to put in place methods that can be utilized to boost profits in the near and far future (Imani et al., 2020)); (Allozi & Obeidat, 2016); (Suzan, 2019). Profit is a key indicator of financial health and may be used in a variety of contexts. The growth of earnings refers to information that can bring about the results or image of the company in the future (Suharti & Kalim, 2019); (Imani et al., 2020; Minggus et al., 2020; Rahmawati et al., 2022).

The phenomenon that occurred in one of the production companies that experienced a decrease in revenue was as follows:



Source: Data Processed by Researchers, Kontan.co.id
Figure 1. Revenue of Cement Sub Sector Company

Companies listed on the Indonesian Stock Exchange (IDX) who operate in the cement industry are expected to have a decline in revenue during 2020, as shown in Figure 1. The first drop in revenue occurred at PT. Indocement Tunggal Perkasa Tbk (INTP), a cement maker with a tricycle brand, recorded a net profit of Rs 1,000,000,000. Rp 14.18 trillion in 2020 down 11% from 2019 revenue of Rp 15.94 billion. From a financial results perspective, INTP also reported reduced net profit in 2020 of 2,56 trillion. In addition, PT. Semen Indonesia Tbk (SMGR), reported net income decline throughout 2020 of Rp 35.17 trillion. This is down 12.87% from the 2019 revenue of Rp 40.36 billion. However, SMGR achieved a net profit increase in 2020 of p 2.79 trillion, up 16% from Rp 2.39 trillion in 2019. Third, PT. Solusi Bangun Indonesia Tbk (SMCB), recorded revenue of Rp 1,000,000,000. in 2020, a decrease of 8.58% compared to 2019 of Rp 11.050 billion. However, SMCB posted a net profit increase in 2020 of Rp 1,000,000,650.98 billion, up from 2019 of Rp 30.44% or Rp 499.05 billion. Wednesday, PT. Semen Baturaja Tbk (SMBR) recorded a revenue of Rp 1.72 trillion in 2020, down 13.9% from 2019 of Rp 1.72 trillion (Rp 1.99 trillion). SMBR also recorded a decrease in net profit attributable to the parent company of Rp 1,000,000.10.98 billion in 2020, down 6% from 2019 of Rp 30.07 billion (Kontan.co.id, 2021).
(Zamzami Faiz, 2016) states that the primary function of a manufacturing company is to manage raw materials into market-ready products. According to the Institute of Corporate Finance

(2021), the IDX-listed multinational corporations are one of the most sought-after industries in Indonesia. According to Harahap (2016: 297), a financial ratio is a comparison figure used to assess the relative importance of two different variables. The liquidity ratio, often known as the working capital ratio, is a metric used to assess a company's liquidity, as noted by (Kasmir, 2019); (Hertina & Sutarman, 2020; Imani et al., 2020; Khoiriah, 2022; Maria & Kosasih, 2022; Minggus et al., 2020; Susilawati et al., 2022; Suzan, 2019; Utami, 2017).

The conceptual framework

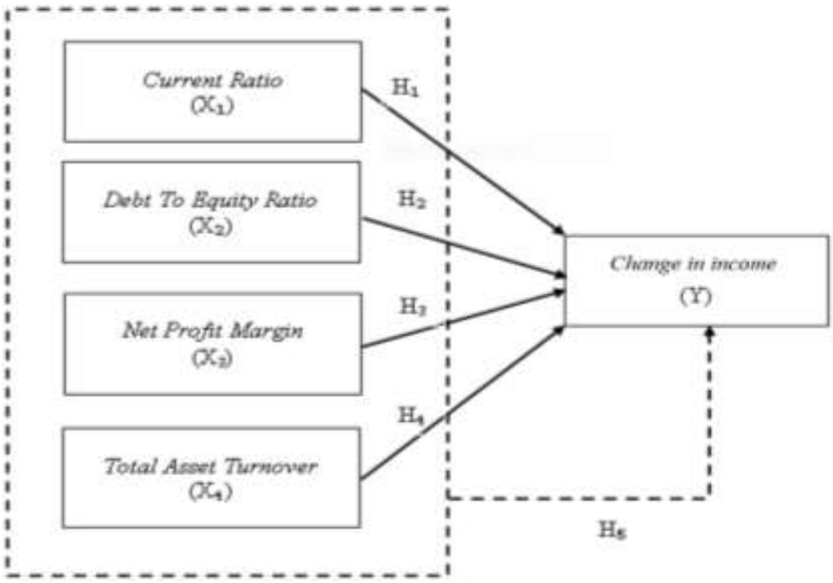


Figure 2. Conceptual Framework

Hypothesis

1. Effect of Current Ratio on Profit Changes

The current ratio is a measure of the stability of a business. Total current assets are compared to current liabilities to get the overall liquidity ratio. According to Kasmir (2019: 134), a company's current assets are its assets that can be quickly converted to cash (within a year or less). A company's current liabilities are its obligations that can be paid off within a year. The longest length of liability for the business is one year. The company has sufficient cash on hand to meet its short-term commitments, putting it in a strong position to maximize its earnings from customers' purchases and interest on accounts receivable, according to (Maria & Kosasih, 2022);(Allozi & Obeidat, 2016; Irawan & Setyono, 2013; Lee, 2020; Susilawati et al., 2022).

Consistent with the findings of Yuigananda et al. (2020) and Kusumawardani et al. (2021), this research found that the Current Ratio affects earnings volatility. Therefore, we may state the hypothesis as:

H_1 : Multinational IDX-listed firms' profit fluctuations around 2020-22 may be influenced by the Current Ratio.

2. Effect of Debt To Equity Ratio on Changes in Income

Since banks (creditors) bear more of the cost of any potential business collapse, a higher ratio indicates poor profitability (Hertina & Sutarman, 2020). The corporation, however, believes that a larger ratio is preferable. When the ratio is low, the owner is more likely to give financing and the borrower is more likely to have a larger security limit in the case of an asset value decline or loss (Kasmir, 2019: 160). The higher a company's debt, the higher its interest expense will be. This, in turn, will have a negative effect on the company's bottom line, as the money made by the business will have to go toward servicing its debts and interest. significant if the firm has an excessive amount of debt (Maria & Kosasih, 2022; (Irman & Purwati, 2020). In contrast, if debt levels are kept low, the firm should be able to make a healthy profit. Therefore, the Debt to Equity Ratio affects the profitability of a business (Handriani & Robiyanto, 2018); (Hersugondo & Handriani, 2020); (Agustia et al., 2021); (Indriyani & Mudjijah, 2022).

Research by Rahmawati et al., (2022), Widiasmara et al., (2022), and Firman & Salvia (2021) corroborate our findings that the Debt to Equity Ratio affects earnings volatility. In order to establish a hypothesis:

H_2 : Changes in the profitability of multinational firms included on the IDX in 2020–2022 are anticipated to be influenced by the Debt To Equity Ratio.

3. Effect of Net Profit Margin on Profit Changes

Profit after interest and taxes as a percentage of sales is a useful indicator of financial health. Kasmir (2019: 202) defines net profit as "net income divided by sales." This ratio reveals whether or not the company's after-tax profit has decreased, and a drop in profits indicates that the company is in a financial crisis, while an increase in profits indicates that the company is doing well financially (Khoiriah, 2022; Suzan, 2019). It follows that changes in the Net Profit Margin will have an effect on the bottom line(Rizky & Aryani, 2020); (Anwar et al., 2018); (Linda, 2022).

This study's findings that the Net Profit Margin affects profit fluctuations are consistent with those of Widiasmara (2022) and Paputungan (2021). In order to establish the hypothesis:

H_3 : Profit fluctuations among IDX-listed multi-nationals may be influenced by Net Profit Margin between 2020 and 2022.

4. Effect of Total Asset Turnover on Changes in Profit

How many rupiah in sales are generated for every one rupiah in the company's assets is calculated using this ratio. A higher ratio of sales to assets means profits may be earned more quickly, while a lower ratio means profits can be earned over a longer period of time. Therefore, TACT has an impact on variations in net income (Firman, 2019); (Sunjoko & Arilyn, 2016); (Karim et al., 2023); (Andani et al., 2020).

Total Asset Turnover has a considerable beneficial influence on changes in profits, as shown in this research and by Estininghadi (2019) and Widati & Yuliandri (2020). In order to establish the hypothesis:

H_4 : Global IDX-listed corporations' 2020-2022 earnings fluctuations may be influenced by Total Asset Turnover.

5. Effect of Current Ratio, Debt To Equity Ratio, Net Profit Margin, and Total Asset Turnover on Profit Changes

Based on the theory stated above, variations in the value of current assets, the value of current liabilities, and the turnover of all assets all affect the variation in the value of the firm's net income (Karim & Syamsuddin, 2023).

Consistent with previous research, our findings suggest that the Cash Ratio, Debt to Equity Ratio, Total Asset Turnover, and Net Profit Margin all play a role in explaining variations in profitability. In order to establish the hypothesis:

H_5 : It is hypothesized that in the years 2020 and 2022, the profit fluctuations of multinational businesses traded on the IDX are influenced by the Current Ratio, the Debt to Equity Ratio, the Net Profit Margin, and the Total Asset Turnover.

METHOD

Quantitative methods were used for this study. Quantitative research methods, as defined by Sugiyono (2018: 13), involve the study of populations or samples through the use of random sampling techniques, the collection of data through the use of research tools, the use of quantitative data analysis or statistics, and the testing of hypotheses.

According to Hendriyadi (2015: 110), the most significant benefit of quantitative research is the generation of more trustworthy data, with the ultimate goal of generalizing results to wider populations. Using quantitative methods, scientists may also put previously held beliefs and hypotheses to the test.

The participants in this research were international corporations trading on the IDX. The research strategy used here is quantitative. A quantitative approach is one that use numerical data and statistical analysis to provide an impartial evaluation of outcomes. This research relied on secondary sources for both data and information. From 2020 to 2022, the IDX will include 551 different multi-national corporations. In this investigation, we used a targeted sample strategy. Researchers selected a sample of 118 multinational corporations traded on the IDX between 2020 and 2022 based on predetermined sampling parameters.

Descriptive statistics, multiple regression analysis, tests of classical assumptions, and hypothesis testing were utilized to analyze the data in this research.

RESULT AND DISCUSSION

1. Uji Statistik Deskriptif

Research variables are explained using a descriptive statistics test. The following analysis provides examples of the research variables with respect to minimum, maximum, median, mean, and standard deviation. Table 1 provides some basic descriptive statistics.

Table 1. Descriptive Statistics Test Results

	N	Min	Max	Median	Mean	Std. Deviation
CR	68	0.800	5.610	2.016	2.439	1.397
DER	68	0.020	2.480	0.766	0.917	0.825
NPM	68	0.000	0.900	0.105	0.148	0.154
TATO	68	0.050	2.810	0.796	0.960	0.624
Cahnge in Income	68	-0.770	3.650	0.230	0.669	1.232
Valid N (listwise)	68					

Source: Results of SPSS Data Processing (2023)

The number of observations at IDX-listed international firms is broken down by minimum, maximum, average, and standard deviation in Table 1. It reveals that between 2020 and 2022, 68 observations were taken at IDX-listed global corporations.

2. Classic assumption test

A reliable set of regression analysis findings was sought, hence a conventional assumption test was conducted. Normality tests, multicollinearity tests, heteroscedasticity tests, and autocorrelation tests are all examples of classical assumption tests. Table 2 displays the results of the normalcy test:

Normality test

To determine whether a data set has a normal distribution, the normality test may be performed. Table 2 displays the results of the normalcy test:

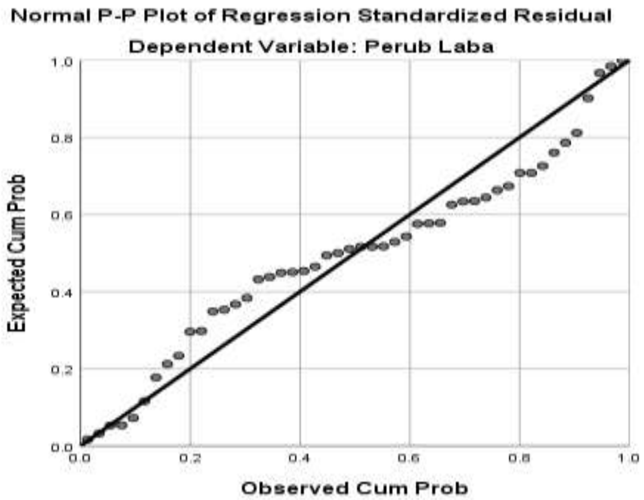
Table 2. Data Normalization Test Results
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		68
Normal Parameters[a,b]	Mean	0.0000000
	Std. Deviation	0.68709371
Most Extreme Differences	Absolute	0.130
	Positive	0.130
	Negative	-0.117
Test Statistic		0.140
Asymp. Sig. (2-tailed)		0.091[c]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Source: Results of SPSS Data Processing (2023)

The sig value of (0.091) > (0.050) seen in Table 2 indicates that the data set is regularly distributed. These findings are corroborated by another kind of graphical analysis, namely the Normal Probability Plot.



Source: Results of SPSS Data Processing (2023)

Figure 1. Normal Probability Plot Graph

Points in Figure 1 are typically distributed because they are close to or on the diagonal.

Autocorrelation Test

The purpose of the autocorrelation test is to ascertain whether or not the interfering errors in the ti period are correlated with the interfering errors in the ot-1 (prior) period in the linear regression model. Table 3 below displays the results of the autocorrelation test:

Table 3. Autocorrelation Test Results (Durbin Watson)

Model	Change Statistics					Durbin-Watson
	R Square Change	F Change	df1	df2	Sig. F Change	
1	0.682	23.066	4	63	0.000	1.735

Source: Results of SPSS Data Processing (2023)

Calculations of autocorrelation yielded a Durbin Watson value of 1.735, as shown in Table 3. It can be concluded that the autocorrelation test results show (1.7001) (1.735) 4-DU (2.300) from the Durbin Watson table at a significance level of 5% for the number of independent variables (k) = 4 and the number of observational data (n) = 68, where DU = 1.7001 and DL = 1.516, respectively. As a result, we may infer from this study's autocorrelation measurement that H0 is accepted and no autocorrelation exists.

Multicollinearity Test

The purpose of the multicollinearity test is to see whether the regression model has discovered any relationships or correlations among the independent variables. An elevated Variance-Inflation-Factor (VIF) indicates the presence of multicollinearity. If the value of VIF is less than 10, and the tolerance value is more than 0.100, then multicollinearity is not present. Table 4 below displays the results of the molticolinarity analysis:

Tabel 4. Hasil Uji Multikolinearitas

Coefficients[a]			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	CR	0.819	1.221
	DER	0.671	1.490
	NPM	0.892	1.121
	TATO	0.823	1.215

Source: Results of SPSS Data Processing (2023)

Table 4 shows that the test results show a tolerance value for the Current Ratio variable of 0.819 > 0.100, Debt To Equity Ratio 0.671 > 0.100, Net Profit Margin 0.892 > 0.100, and Total Asset Turnover 0.823 > 0.100. Meanwhile, the VIF (Variance Inflation Factor) value for the Current Ratio variable is 1.221 < 10.00, Debt To Equity Ratio is 1.490 < 10.00, Net Profit Margin is 1.121 < 10.00, and Total Asset Turnover is 1.215 < 10.00. So it can be concluded that there are no symptoms of multicollinearity between each variable in this model.

Heteroscedasticity Test

The purpose of the heteroskedastisity test is to determine whether there are significant variations in the residuals and variance of the observations in the regression model. Table 5 below displays the results of a Glejser test for heteroscedasticity.

Table 5. Glejser Test Results

Model		t	Sig.
1	(Constant)	1.048	0.301
	CR	0.083	0.934
	DER	1.040	0.540
	NPM	1.109	0.273
	TATO	-0.929	0.358

Source: Results of SPSS Data Processing (2023)

Based on the data in Table 5, we can deduce that the Current Ratio (X1) is highly significant (p=0.934), the Debt to Equity Ratio (X2) is moderately significant (p=0.540), the Net Profit Margin (X3) is slightly significant (p=0.273), and the Total Asset Turnover (X4) is slightly significant (p=0.358). According to the criteria for reaching a judgment in the Glejser test, we can say that heteroscedasticity was absent in this research since the significant value of the 4 variables was more than 0.050.

3. Multiple Regression Analysis

Researchers used multiple regression analysis to examine the linear connection between their independent variables and the dependent one. Using the value of the independent variable on two or more independent variables, this test attempts to predict the mean value of the population. Table 6 below displays the results of a multiple regression analysis:

Table 6. Results of Multiple Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.083	0.331		-3.271	0.002
CR	0.026	0.084	0.030	0.315	0.755
DER	0.681	0.157	0.456	4.349	0.000
NPM	1.843	0.726	0.231	2.539	0.015
TATO	0.823	0.187	0.417	4.404	0.000

Source: Results of SPSS Data Processing (2023)

Based on table 6, the multiple linear regression equation is obtained as follows:

Y= 1.083 + 0.026 CR + 0.681 DER + 1.843 NPM + 0.823 TATO + *e*

4. Hypothesis Test

Coefficient of Determination (R^2)

This analysis was performed to determine the level of significance of the relationships between the independent variables (Current Ratio, Debt to Equity Ratio, Net Profit Margin, and Total Asset Turnover). The results of the test for the correlation coefficient (R2) are shown below. Table 7 below displays the findings of the Coefficient of Determination:

Table 7. Test Results for the Coefficient of Determination (R^2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.826[a]	0.682	0.653	0.72566

a. Predictors: (Constant), TATO, CR, NPM, DER
b. Dependent Variable: Perub Laba

Source: Results of SPSS Data Processing (2023)

Table 7 displays a R Square (R^2) value of 0.682, which represents the findings of the coefficient of determination. This implies that Current Ratio, Debt to Equity Ratio, Net Profit Margin, and Total Asset Turnover all have an effect on the dependent variable, which in this case is the variation in profits. While the remaining 31.8% is affected by factors outside the scope of this investigation.

Partial Test (Uji t)

Partially testing the influence of the independent variables (Current Ratio, Debt to Equity Ratio, Net Profit Margin, and Total Asset Turnover) on the dependent variable (changes in profit) was the purpose of the test. Table 8 below displays the findings of a test of hypotheses with missing data (t test):

Table 8. Partial Hypothesis Testing (Uji t)

Model		t	Sig.	Nilai (ttabel)
1	(Constant)	-3.271	0.002	2,015
	CR	0.315	0.755	2,015
	DER	4.349	0.000	2,015
	NPM	2.539	0.015	2,015
	TATO	4.404	0.000	2,015

Source: Results of SPSS Data Processing (2023)

Profit changes of IDX-listed MNCs in 2020 and 2022 as shown by testing the partial effect of the independent variables Current Ratio (CR), Debt to Equity Ratio (DER), Net Profit Margin (NPM), and Total Asset Turnover (TATO) (Table 8).

1. Since the Current Ratio's osig value is more than or equal to 0.050, namely (0.755) > (0.050), and since -t table tcount ttable, namely -2.016 0.315 2.015, we accept H_0 and reject H_1, indicating that the Current Ratio has only a minor influence on changes in profits.
2. The regression coefficient of the DebtTo Equity Ratio variable has a positive and significant effect on changes in earnings, as indicated by a sig value (0.050), or (0.000) (0.050), and a tcount > ttable, or (4.349) > (2.015), thus rejecting H_0 and accepting H_2.
3. Third, the regression coefficient of the variable Net Profit Margin has a sig value of (0.050), or (0.015) (0.050), and tcount > ttable, or (2.539) > (2.015), indicating a positive and significant effect on profit changes. This leads to the acceptance of H_3, and the rejection of H_0.
4. Since the value of the regression coefficient for Total Asset Turnover is positive and significantly related to changes in earnings, the null hypothesis (H_0) can be rejected, and the alternative hypothesis (H_4) can be accepted. The exact values of the sig and tcount and ttable are (0.000) and 4.404 and 2.015, respectively.

Simultaneous Test (Uji F)

The f test determines if there is a statistically significant relationship between four independent variables—Current Ratio (CR), Debt to Equity Ratio (DER), Net Profit Margin (NPM), and Total Asset Turnover (TATO)—and one dependent variable—the rate of profit growth (Y). Check out table 9 for a summary of the findings from running many tests of a hypothesis at once (Test F).

Table 9. Simultaneous Hypothesis Testing (Uji F)

Model		Sum of Squares	df	Mean Square	F	Sig.	F_{tabel}
1	Regression	48.584	4	12.146	23.066	0.000[b]	2,507
	Residual	22.643	63	0.527			
	Total	71.227	67				

a. Dependent Variable: Perub Laba
b. Predictors: (Constant), TATO, CR, NPM, DER

Source: Results of SPSS Data Processing (2023)

According to Table 9, the Fcount is 23.066 and the significance level (sig) is 0.015 when testing the influence of the independent variables Current Ratio (CR), Debt To Equity Ratio (DER), Net Profit Margin (NPM), and Total0 Asset Turnover (TATO) simultaneously (simultaneously) on the dependent variable, namely profit changes in MNEs listed on the Indonesian Stock Exchange (IDX) for 2020-2022. H_0 is rejected due to the values of Fcount > Ftable, which equals (23.066) > (2.507) and df 1 = number of variables - 1 = (5-1) = 4, and df 2 = n-k-1 = (68-5) = 63, thus the Ftable value is 2.507 and the significance level (sig) is 0.050. This demonstrates that there is a positive and statistically significant relationship between the independent variables (Current Ratio [CR], Debt to Equity Ratio [DER], Net Profit Margin [NPM], and Total Asset Turnover [TATO]) and the dependent variable (earnings growth). Therefore, H_5 is a valid hypothesis to test.

CONCLUSION

Since the magnitude of the Current Ratio has no influence on changes in earnings, H_0 is allowed but H_1 is denied for IDX-listed multinational corporations where the Current Ratio is a determinant of the outcome. Unlike the intended profit, the current ratio is mainly concerned with paying off the company's short-term debt. A low Current Ratio is not always an indication that a manufacturing firm is struggling to turn a profit; rather, it indicates that the firm is allocating part of its liquid assets on ensuring the continuity of operations rather than growing its bottom line.

Multinational companies listed on the IDX have a variable Debt To Equity Ratio that affects their profits partly due to the company's efficiency in optimizing its own capital as opposed to relying on capital from outsiders (creditors), so H_0 is rejected and H_2 is accepted. Companies employ high capital to improve corporate earnings, however money from outside the firm will hurt the company in the long run. Changes in the company's earnings will be influenced by the company's ability to generate profit. Since most of the company's owned capital is generated internally, profit generation is a top concern.

Multinational corporations listed on the IDX may maximize their profits by optimizing their sales, therefore H_3 is approved and H0 is refused. The variable Net Profit Margin has a partial effect on profit fluctuations in these companies. The capacity of a business to turn a profit increases as the Net Profit Margin rises. An improvement in Net Profit Margin predicts future financial success for a business.

We can rule out H_0 and accept H_4 since the Total Asset Turnover variable has some bearing on the variation in earnings of multinational businesses listed on the IDX; the higher the Total Asset Turnover value, the better it is for the company. impacts the company's ability to raise revenues significantly. The greater a company's asset turnover, the greater its profits.

Changes in earnings for IDX-listed multinational corporations are influenced by four independent variables: the current ratio, the debt-to-equity ratio, the net profit margin, and the total asset turnover. This is due to a positive and statistically significant relationship between the independent variables (Current Ratio [CR], Debt to Equity Ratio [DER], Net Profit Margin [NPM], and Total Asset Turnover [TATO]) and the dependent variable (profit variation). Therefore, H_5 is a valid hypothesis to test. This demonstrates that the rise or fall in earnings is significantly affected by the independent variables of Current Ratio (CR), Debt to Equity Ratio (DER), Net Profit Margin (NPM), and Total Asset Turnover (TATO).

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