EFFECT OF DEBT TO EQUITY RATIO, CURRENT RATIO AND DEBT TO ASSET RATIO ON RETURN ON ASSET AT KUD TANI BAHAGIA, INDRAGIRI HULU REGENCY

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ABSTRACT

This research was conducted for know the effect Debt to Equity Ratio, Current Ratio and Debt to Assets Ratio to Return on Assets at KUD Tani Bahagia, Indragiri Hulu Regency. This study uses secondary data by looking at the financial statements at KUD Tani Bahagia. The researcher processed the data using multiple linear regression which processed it using SPSS (statistical package for social science) version 21 to get the output to conclude the results of this study. From research resultsthat is Debt to Equity Ratio, Current Ratio and Debt to Assets Ratio partially effect to Return on Assets at KUD Tani Bahagia.

Keywords: Debt to Equity Ratio, Current Ratio, Debt to Assets Ratio, Return on Assets.

INTRODUCTION

Cooperatives aim to promote the welfare of members in particular and society in general and to participate in building the national economic order in order to create an advanced, just and prosperous society based on Pancasila and the 1945 Constitution. To achieve this goal, every cooperative is required to always improve its performance from time to time by managing the resources owned effectively and efficiently.

To see the progress and development of cooperative performance in the field of finance, it is necessary to have financial reports that can be used by interested parties to; 1) means of information to find out the situation and condition of the cooperative without having to go directly to the field, 2) predicting the condition of the cooperative in the future, 3) analyzing, assessing and evaluating the achievement of the goals set by the cooperative. Therefore, cooperatives must have financial reports in order to be able to make the right decisions and be able to run each of their businesses effectively and efficiently.

According to Bringham and Houston (2006:44) financial statements are several pieces of paper with numbers written on it, but it is also important to think about the assets that underlie these figures. Financial Statement Analysis often includes activities to make various transformations of financial statements. If the analysis only analyzes items or accounts contained in the financial statements, the analyst has difficulty assessing how
well the company is operating. The analysis technique used is ratio analysis, percentage
analysis that allows to identify. The types of financial ratio analysis used to analyze
corporate performance according to Darsono and Ashari (2005:51) are balance sheet ratios
(liquidity and solvency), profit and loss ratios (profitability), activity balance ratios.

Return on Assets is the profitability ratio describes the company's ability to generate
profits from every one rupiah of assets used. Through the ratio of Return on Assets we can
determine the efficiency of cooperatives in carrying out operational activities. Return on
Assets at the KUD Tani Bahagia Cooperative can be seen in the table below:

Table 1: Return on Assets KUD Tani Bahagia Indragri Hulu Regency 2015 to 2019

<table>
<thead>
<tr>
<th>No</th>
<th>Year</th>
<th>Net profit</th>
<th>Total assets</th>
<th>Return on Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2015</td>
<td>273,055,882</td>
<td>6,195,193,924</td>
<td>0.044</td>
</tr>
<tr>
<td>2</td>
<td>2016</td>
<td>312,826,427</td>
<td>7,389,027,916</td>
<td>0.042</td>
</tr>
<tr>
<td>3</td>
<td>2017</td>
<td>165,000,746</td>
<td>5,025,993,364</td>
<td>0.033</td>
</tr>
<tr>
<td>4</td>
<td>2018</td>
<td>198,283,425</td>
<td>4,742,630,146</td>
<td>0.042</td>
</tr>
<tr>
<td>5</td>
<td>2019</td>
<td>57,072,305</td>
<td>9,259,833,855</td>
<td>0.006</td>
</tr>
</tbody>
</table>

Average 0.0334

Source: KUD Tani Bahagia

From the table above it can be seen that Return on Assets tends to decrease every
year. Return on Assets the lowest in KUD Tani Bahagia occurred in 2019 which was 0.006
or 0.6%. There are several factors that can affect the Return on Assets, including the Debt
to Equity Ratio, Current Ratio and Debt to Asset Ratio.

Debt to Equity Ratio shows the debt to equity ratio is used to measure the ability of
the cooperative company's own capital to pay all of its debts Hendar (2010:200). Bringham
and Houston, 2011:165) state that the higher the Leverage ratio represented by the Debt
to Equity Ratio, the greater the company's profit, this is because the company has large
working capital and is accompanied by the company's ability to manage the large working
capital by effective, resulting in large profits. Research on the Debt to Equity Ratio on
Return on Assets has been conducted by Akbar, et al (2017); Pidu (2015) and Gultom, et
al (2020) with research results Debt to Equity Ratio has an effect on Return on Assets.
Different results were presented by Setyaningsih and Cunengsih (2018); Felicia,

The next factor that affects Return on Assets is the Current Ratio. According to
Kasmir (2015:134) Current Ratio is a ratio to measure the company's ability to pay short-
term obligations or debts that are due immediately when billed in their entirety.
Cooperatives must be able to maintain short-term liquidity so that cooperative operations
are not disrupted and the value of this ratio which is too large shows that the cooperative
management has poor management of liquidity sources. Research on Current Ratio to
Return on Assets has been conducted by Aulia, et al (2020); Zaman (2020) and Sitinjak, et
al (2019) with the results of research that Current Ratio has an effect on Return on Assets.
Different results were presented by Innawati (2018);

Debt to Assets Ratio is a variable that can also affect Return on Assets, Debt to Assets
Ratio is the comparison between the amount of current assets and current liabilities
(Munawir (2007:72). The high value of the ratio informs the risk of the cooperative's
inability to pay off all obligations. Research on the Debt to Asset Ratio to Return on Assets
has been conducted by Sanjaya and Sipahutar (2019); Astutik and Anggraeny (2019) and
Ariani and Bati (2020) with the results of research that Debt to Asset Ratio has an effect
on Return on Assets. Different results were presented by Zulkarnaen (2018) and Harjayanti
and Pujianti (2020) who obtained the results that the Debt to Asset Ratio had no effect on Return on Assets.

Based on the background that the researchers have described, it can be seen that the problem of this research is related to the tendency to decrease the value of Return on Assets from year to year experienced by KUD Tani Bahagia and the researchers also see that the results of research conducted by previous researchers related to debt to Equity Ratio, Current Ratio and Debt to Asset Ratio to Return on Assets. The phenomenon that occurs and the existence of a research gap has become a gap for researchers to re-do research by changing the object of research with the title "The Effect of Debt to Equity Ratio, Current Ratio and Debt to Asset Ratio on Return on Assets at KUD Tani Bahagia, Indragiri Hulu Regency".

RESEARCH PROBLEM FORMULATION
Based on the above background where there is a decrease in Return on Assets from KUD Tani Bahagia and there is a research gap, then the research questions are prepared whether Debt to Equity Ratio, Current Ratio and Debt to Asset Ratio partially affect Return on Assets at KUD Tani Bahagia Indragiri Hulu Regency.

RESEARCH PURPOSES
Based on the above background where there is a decrease in Return on Assets from KUD Tani Bahagia and there is a research gap, so the purpose of this research is to find out and analyze the effect of Debt to Equity Ratio, Current Ratio and Debt to Asset Ratio on Return on Assets at KUD Tani Bahagia Indragiri Hulu Regency.

LITERATURE REVIEW
1. Return on Assets
   According to Hery (2016: 193) the return on assets is a ratio that shows how big the contribution of assets is in creating net income. In other words, this ratio is used to measure how much net profit will be generated from each rupiah of funds embedded in total assets. Return on Assets looks at the extent to which investments that have been invested are able to provide a return of profits as expected and the investment is actually the same as the company’s assets that are invested or placed. (Fahmi, 2017: 137)

2. Debt to Equity Ratio
   According to Raharjaputra (2009:201) Debt to Equity Ratio is a ratio that measures the amount of debt or funds from outside the company to its own capital. The purpose of the DER analysis is to measure the mix of funds in the balance sheet and make a comparison between the funds provided by the owners of equity and the funds borrowed (debt). (Walsh, 2003:118)

3. Current Ratio
   According to Horne, et al (2016: 190) the Current Ratio is a ratio that measures the ability to meet short-term debt with current assets. According to Jumingan (2009:124) explains that there are many factors that affect the size of the Current Ratio (CR), namely: 1) The securities owned can be immediately cashed; 2) What is the level of collection of receivables; 3) What is the inventory turnover rate; 4) Comparing between current assets and current liabilities; 5) Mention each post and its rupiah amount; 6) Comparing with industry ratios.
4. **Debt to Asset Ratio**

According to Sudana (2015: 95) Debt to Asset Ratio is the ratio used to measure the proportion of funds sourced from debt to finance company assets. Debt to Asset Ratio is a ratio used to measure the ratio between total debt and total assets. In other words, this ratio is used to measure how much the company's assets are financed by debt or how much the company's debt affects asset financing. (Hery, 2016:75)

**RESEARCH METHODS**

This research was conducted on KUD Tani Bahagia, while the time needed to carry out the research was 7 months. This study uses secondary data, secondary data, namely data that is already available in an organization or agency. The source of the data is the financial statements of KUD Tani Bahagia.

Multiple Linear Regression Analysis is used to measure the effect of more than one independent variable Debt to Equity Ratio (X1), Current Ratio (X2), and Debt to Asset Ratio (X3) to the dependent variable Return on Assets (Y)

Regression Equation

\[ Y = a + b_1 x_1 + b_2 x_2 + b_3 x_3 + e \]

Where:

- \( Y \) = Return on Assets
- \( a \) = Constant
- \( b_1, b_2, b_3 \) = Regression coefficient
- \( x_1 \) = Debt to Equity Ratio
- \( x_2 \) = Current Ratio
- \( x_3 \) = Debt to Asset Ratio

The F test is used to see whether the model used is fit in a study. The t test is used to test the regression coefficient partially or separately from other independent variables.

**RESULTS AND DISCUSSION**

**RESULTS**

1. **Multiple Linear Regression**

Table 1: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>B</th>
<th>Std. Error</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Constant)</td>
<td>.275</td>
<td>.029</td>
<td>.275</td>
<td></td>
<td>9.523</td>
<td>.067</td>
</tr>
<tr>
<td>X1</td>
<td>.027</td>
<td>.005</td>
<td>.027</td>
<td>2.033</td>
<td>5.751</td>
<td>.110</td>
</tr>
<tr>
<td>X2</td>
<td>-.032</td>
<td>.002</td>
<td>-.032</td>
<td>-.961</td>
<td>-18.799</td>
<td>.034</td>
</tr>
<tr>
<td>X3</td>
<td>-.358</td>
<td>.058</td>
<td>-.358</td>
<td>-2.186</td>
<td>-6.199</td>
<td>.102</td>
</tr>
</tbody>
</table>

From the table above, we can see that the multiple linear regression becomes:

\[ Y = 0.275 +0.027X1 – 0.032 – 0.358X3 \]
The interpretation of the regression model above is:

\[ a. \quad b = 0.275 \]

If Debt to Equity Ratio, Current Ratio and Debt to Asset Ratio equal to 0 (zero) or constant (no increase or decrease) then the magnitude of Return on Assets of 0.275.

\[ b = 0.027 \]

If Debt to Equity Ratio increased by 1 (one unit) while Current Ratio and Debt to Asset Ratio stay then Return On Assets will increase by 0.027.

\[ b = -0.032 \]

If Current Ratio increased by 1 (one unit) while Debt to Equity Ratio and Debt to Asset Ratio stay then Return On Assets will experience a decrease of 0.032.

\[ b3 = -0.358 \]

If Debt to Asset Ratio increased by 1 (one unit) while Debt to Equity Ratio and Current Ratio stay then Return On Assets will experience a decrease of 0.358.

2. Correlation Coefficient and Determination

To see the correlation and determination of the variables Debt to Equity Ratio, Current Ratio and Debt to Asset Ratio to the dependent variable Return on Assets, can be seen in the table below:

Table 2: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.999a</td>
<td>.997</td>
<td>.990</td>
<td>.00160</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), X3, X2, X1
Source: SPSS Processed Data

Table 3: Guilford Kategori Category Standards

<table>
<thead>
<tr>
<th>Coefficient/Path</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 0.20</td>
<td>Very low relationship closeness or very weak influence</td>
</tr>
<tr>
<td>0.20 &lt; 0.40</td>
<td>Low relationship closeness or weak influence</td>
</tr>
<tr>
<td>0.40 &lt; 0.70</td>
<td>Medium relationship or moderate influence</td>
</tr>
<tr>
<td>0.70 &lt; 0.90</td>
<td>High relationship closeness or high influence</td>
</tr>
<tr>
<td>&gt;0.90</td>
<td>Very high relationship or very high influence</td>
</tr>
</tbody>
</table>

The value of r or correlation that can be seen from the Model Summary table is 0.99 means that there is a very high relationship between Debt to Equity Ratio, Current Ratio, and Debt to Asset Ratio to the dependent variable Return on Assets.

From the model summary table, it can be seen that the value of R Square is 0.997. So, the contribution of the influence of the independent variable is 99.70%, while the remainder is 0.30% influenced by other factors not examined in this study such as total asset turnover and non-performing loans.

3. F test and t test

a. F Test (Model Feasibility Test)

The F test is used to see whether the model used is feasible in a study. The following is the calculated F value in this study:

Table 4: F Test Results
In the table above, the calculated F value is 131.256, while the table F value is 19.16. Because the calculated F value > F table (131.256 > 19.16), so it can be concluded that the model used in this study is feasible/fit.

b. t test

Testing the influence of variables Debt to Equity Ratio, Current Ratio and Debt to Asset Ratio partially against Return On Assets can be seen in the table below:

Table 5: Partial Test Results

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
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<td>-18.799</td>
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<tr>
<td>X3</td>
<td>-.358</td>
<td>.058</td>
<td>-2.186</td>
<td>-6.199</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Y

Source: SPSS Processed Data

1. Effect Partial Test Debt to Equity Ratio To Return On Assets

Based on the results of the SPSS analysis above, it shows that the value of tcount for the variable Debt to Equity Ratio is 5.751. Because the value of tcount ttable (5.751 > 3.182) so Debt to Equity Ratio effect on Return On Assets.

2. Effect Partial Test Current Ratio To Return On Assets

Based on the results of the SPSS analysis above, it shows that the value of tcount for the variable Current Ratio is as big as -18.799. Because the value of tcount < ttable (-18.799 < -3.182) so Current Ratio effect on Return On Assets.

3. Effect Partial Test Debt to Asset Ratio To Return On Assets

Based on the results of the SPSS analysis above, it shows that the value of tcount for the variable Debt to Asset Ratio is -6.199. Because the value of tcount < ttable (-6.199 < -3.182) so Debt to Asset Ratio effect on Return On Assets.

DISCUSSION

Debt to Equity Ratio effect on Return On Assets.

Debt to Equity Ratio is used to measure the amount of cooperative debt to its own capital. The purpose of the Debt to Equity Ratio is to measure the mix of funds in the balance sheet.
and make a comparison between the funds provided by the owners of equity and the funds borrowed (debt). The results of the hypothesis test carried out show that Debt to Equity Ratio take effect to Return On Assets, hThe results of this study are in line with research conducted by Akbar, et al (2017); Pidu (2015) and Gultom, et al (2020) with research results Debt to Equity Ratio has an effect on Return on Assets.

Current Ratio partially affect Return On Assets.
This ratio can be used to measure the company’s ability to pay short-term obligations or debts that are due immediately when billed in their entirety. The greater the value of the Current Ratio, the greater the cooperative’s ability to pay its short-term obligations. The results of the hypothesis test carried out show that Current Ratio significant effect on Return On Assets, the results of this study are in line with research conducted by Aulia, et al (2020); Zaman (2020) and Sitinjak, et al (2019) with the results of research that Current Ratio has an effect on Return on Assets.

Debt to Asset Ratio effect on Return On Assets.
Debt to Asset Ratio is a ratio that can measure the ratio between total debt and total assets, so this ratio is usually used to measure how much cooperative assets are financed by debt or how much cooperative debt affects asset financing. The results of the hypothesis test carried out show that Debt to Asset Ratio effect on Return On Assets, the results of this study are in line with research conducted by Sanjaya and Sipahutar (2019); Astutik and Anggraeny (2019) and Ariani and Bati (2020) with the results of research that Debt to Asset Ratio has an effect on Return on Assets.

CONCLUSION

Based on the results of research and discussion in the previous chapter, conclusions can be drawn to answer the formulation of the problem. The conclusion is the variable Debt to Equity Ratio, Current Ratio and Debt to Asset Ratio partially affect Return On Assets, it can be seen from comparing the t count with the t table.

SUGGESTION

Based on the results of the research as a whole and the conclusions obtained, suggestions can be developed for interested parties in this study. The suggestions that can be given are: Upgrade Return On Assets cooperatives are very dependent on the size Debt to Equity Ratio owned by the cooperative. for that Cooperative administrators must be able to use debt from other parties effectively and efficiently in productive matters so as to assist cooperatives in increasing the profits earned. Management must be able to reduce or limit the value of the cooperative’s Current Ratio by adding current assets without adding current liabilities so that the cooperative can run well. However, a Current Ratio that is too high is also not very good because it reflects poor management of liquidity sources. Debt to Asset Ratio The smaller the cooperative, the better for the cooperative because the debt burden of interest on third parties will decrease so that it will be able to increase cooperative profits and for further researchers to be able to lift other variables that can affect Return On Assets at KUD Tani Bahagia.
REFERENCES


