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Determinants *of Return on Assets* of Food and Beverage Companies Listed on the Indonesia Stock Exchange

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ABSTRACT

This study aims to analyze the effect of current ratio and total asset turnover on return on assets in food and beverage companies listed on the Indonesia Stock Exchange. Data analysis uses an associative quantitative approach to determine the relationship between two or more variables, using multiple linear regression analysis of nine company data collected using purposive sampling technique for the observation years 2020-2024. The results found that partially and simultaneously, current ratio and total asset turnover affect return on assets. This study succeeded in finding the determinant of return on assets that increasing the current ratio value also increases the return on assets value because the company has sufficient assets and low risk, as it already has budgeted funds at maturity. Similarly, related to total asset turnover, the more effective the company is in using its assets to generate net sales, indicating the better the performance achieved by the company. For future research, it is recommended that other variables can be developed, explaining the impact of financial ratios and adding measurements for each variable, increasing the sample size with other sectors, and extending the research duration so that the study can be developed with Structural Equation Model (SEM).

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INTRODUCTION

The food and beverage industry plays a strategic role in the Indonesian economy, with a contribution of 39.10% to the Gross Domestic Product (GDP) in 2023 (Antaranews.com, 2024). Despite showing steady growth of 4.47% per year (Antara, 2024), the profitability performance of this sector is actually under pressure, as reflected in the average decline in *Return on assets (ROA) from 9.2% in 2021 to 7.8% in 2023* (IDX, 2024). This phenomenon is interesting to study more deeply considering

that it occurs in the midst of market capitalization growth that reaches 12.5% per year (IDX, 2024), raising questions about the efficiency of asset management and factors affecting profitability in this sector.

ROA is one of the fundamental indicators in assessing a company's financial performance, because it reflects the company's ability to convert assets into profits (Brigham & Houston, 2022). ROA fluctuations that occur in the food and beverage sector can be influenced by various factors, both internal such as cost management and capital structure and other external factors. Financial ratios are a tool for analyzing a company's performance that describes various relationships and financial indicators to show changing in financial conditions or operating performance in the past and help to describe the risks and opportunities inherent in the company in question.

Among the financial ratios, in this study the liquidity ratio and activity ratio are used. The liquidity ratio indicates the company's ability to pay short-term debts that will mature (Hanafi, 2013). Liquidity ratios are very important because they are closely related to the ability of a business to make a profit (in this case *Return on Asset*). The liquidity ratio indicates the level of availability of working capital required for business operational activities. With sufficient capital, businesses can operate smoothly. Companies can use the current ratio (*current ratio*) as a tool to measure the company's liquidity level over some time. The current ratio indicates the ability of a company to meet short-term financial obligations that are about to mature by using all available current assets, i.e. how much of the company's total current assets have to meet short-term financial obligations that are about to mature.

Additionally, the activity ratio shows how effectively a company is using its assets. This means that the company's profits will be different if the funds owned by the company are embedded in a large enough asset, even though the funds must be invested in other assets (Hanafi, 2013). Activity ratio is very important because it can be used to predict R*eturn on Asset (ROA)*. If *ROA* increases, it indicates that the company is in good or healthy condition, since this is related to utilizing the resources available to the company to generate sales. Companies that have a higher activity ratio have better results. The activity ratio also measures the performance of management in managing the business to achieve the targets or objectives that have been set. In this study, the activity ratio is measured by Total Assets Turnover, which is a ratio used to measure the total turnover of the company's assets and the amount of sales obtained from each rupiah of assets (Kasmir, 2016).

Preliminary findings show that despite an increase in ROA in 2023 to 9.1%, the downward trend in recent years indicates that there are structural challenges that need to be identified. This research is expected to make an academic and practical contribution to understanding the dynamics of profitability of the food and beverage sector in Indonesia, especially in the context of post-pandemic economic recovery and increasingly fierce industrial competition.

This study focuses on two main variables that are suspected to influence ROA, namely *Current Ratio* (CR) and *Total Asset Turnover* (TATO). Lawrence (2015) found that the *Current Ratio* (CR) represents liquidity policy and capital structure, while Ramadhan & Larasati (2022) expressed that the total asset turnover (TATO) reflects operational efficiency and pricing power, discovering the effect of CR on return on assets (ROA) in the automotive and component sectors, which aligns with findings by Saragih et al. (2015) in the diversified industries sector. In contrast research by Ayuningrum (2024) on PT Pembangunan Jaya Ancol Tbk for the 2010-2023 period shows that CR is not significant to ROA because the company tends to maintain high cash reserves in anticipation of demand fluctuations. Meanwhile Satria (2022) found that CR has no effect on ROA. Previous empirical studies by Rachma (2024) and Gunawan *et al.*, (2022) found that TATO had a significant effect on ROA. Comparative analysis (Memah *et al*., 2023) showed no significant change in the *Total Asset Turnover Ratio* (TATO) and *Return on Asset Ratio* (ROA) before and during the COVID-19 pandemic. However, the findings are not completely consistent, so this study aims to update this analysis with the latest data (2021–2024) on food and beverage companies listed on the Indonesia Stock Exchange.

LITERATURE REVIEW

Return on Asset (ROA)

Return on Asset (ROA) is a ratio that shows how much an asset contributes to generating net profit; in other words, it is calculated by dividing net profit by total assets. A higher return on assets indicates that more net profit is generated for every rupiah invested in total assets.

According to Hartono (2018), ROA is a profitability ratio that measures a company's efficiency in managing its assets to generate profits and it is influenced by two main components: net profit and total assets (Lawrence, 2015). A higher ROA indicates that the company is utilizing its resources more effectively. A stable ROA reflects healthy operational performance, particularly in companies with high asset turnover.

The formula used to calculate the return on assets (Hery, 2016) is:

$$Return\ on\ Asset = \frac{net\ profit}{total\ aset} \times 100\% \quad (1)$$

Current Ratio

The current ratio is typically characterized as a liquidity index. Since the numerator of the ratio consists of cash and other assets that will be converted into cash in a relatively short time, this ratio is considered to roughly indicate a company's ability to pay its current liabilities as they come due, (Bowlin, 1963). *The current ratio* indicates the company's ability to meet short-term financial obligations that are about to mature by using all of its current assets. CR reflects a company's ability to meet short-term obligations. This means that the *current ratio* reflects the amount of current assets owned by the company to meet short-term financial obligations that are about to mature. Traditional theories (Hillier et al., 2010) state that high liquidity (CR > 1.5) supports smooth operations, but excess liquidity can reduce profitability due to idle cash.

The formula for current ratio is as follows (Kasmir, 2012).

$$Current\ Ratio = \frac{current\ assets}{current\ liabilities} \quad (2)$$

Total Asset Turnover

TATO measures the efficiency of using assets to generate sales, (Patin et al., 2020). The formula for *Total Assets Turnover* is as follows (Kasmir, 2016).

$$Total\ Asset\ Turnover = \frac{Sales}{Total\ Aset} \quad (3)$$

The interpretation of the calculation of Total Asset Turnover (TATO), if there is a turnover of low total assets, it indicates that the company has excess assets that have not been used to the maximum during a certain period of time. Thus, if the measurement results show a higher turnover rate compared to the previous year, it indicates that the company is becoming more efficient. On the other hand, if the turnover rate is lower compared to the previous year, it means that it is more inefficient. According to Prawida & Sutrisno (2021), industries with high asset turnover (>1.2) such as F&B tend to have better ROAs.

RESEARCH METHOD

The research method is quantitative research where the data is presented in the form of number (Sugiyono, 2014) and uses an associative approach to determine the influence or relationship between two or more variables (Sugiyono, 2014). The associative approach used in this study is to examine the influence of the Current Ratio and Total Asset Turnover on the Return on Assets of food and beverage companies listed on the Indonesia Stock Exchange from 2020 to 2024.

The population is Food and Beverage Sub -Sector Companies listed on the Indonesia Stock Exchange for the 2020 - 2024 period and the sampling techniques is *Purposive Sampling* with the following criteria:

The company is engaged in the Food and Beverage Sub-Sector and is listed on the Indonesia Stock Exchange (IDX) in 2020 – 2024;

Table 1 Sample Test

	Criterion	Sum
1.	Food and Beverage Sub-Sector Companies listed on the Indonesia Stock Exchange for the 2020 - 2024 Period	25
2.	Food and Beverage Sub-Sector Companies whose Financial Statements are incomplete during 2020-2024	(7)
3.	Food and Beverage Sub-Sector Companies that suffered losses in Financial Statements during 2020 – 2024	(9)
4	Final Sample	9

Source: Processed data (2025)

Issuing complete Financial statements every year during 2020 – 2024; Food and Beverage Sub-Sector Companies that did not suffer losses in the Financial Statements during 2020 – 2024. The researcher collected secondary data from the official website of the Indonesia Stock Exchange, namely www.idx.co.id which will be presented in the Table 1.

Meanwhile, data analysis techniques include the first, **descriptive statistical test** are used to analyze data by providing an overview or descriptive of the data through the mean, maximum, minimum, and standard deviation values (Ghozali, 2018).

The second, **classic assumption test**. Classical assumption testing is required to identify the presence/absence of classical assumption deviations from the multiple regression equation used. This test consists of normality, multicollinearity, autocorrelation, and heteroscedasticity tests.

The third, **multiple linear regression test** is a method used to analyze the causal relationship between two or more variables. In this study, multiple regression was used to determine the causal relationship between the independent variable/X_1 *current ratio* to the dependent/Y *return on asset*, independent variable/X2 *total asset turnover* to dependent variable/Y *return on asset*.

The **hypothesis test** was carried out with the aim of examining the influence between independent variables and dependent variables, both individually and simultaneously. The hypothesis tests in this study are the determination coefficient test (R^2), the partial test (t) and the simultaneous significance test (F)

Table 2 Result of the Coefficient of Determination Test (R^2) Model Summary

R	R Square	Adjusted R Square
.910a	.829	.821

a. Predictors: (Constant), TATO, CR

b. Dependent Variable: ROA

Source: Processed data (2025)

RESULTS AND DISCUSSIONS

The data in this study has undergone classical assumption tests (normality test, multicollinearity test, autocorrelation and heteroscedasticity) and has been declared free from issues, thus meeting the requirements for linier regression analysis.

Based on the Table 2, it can be seen that the value of the Adjusted R Square is 0.821. This means that the ability of independent variables to explain dependent variables is 0.821 or 82.1% while the remaining 17.9% is explained by other variables.

T Test

The t-test aims to test the influence of independent variables (*current ratio* and *Total Asset Turnover*) separately to the dependent variable, *Return n Asset* (Ghozali, 2018). The influence is seen from the degree of significance of the individual independent variable to the dependent variable, assuming

Table 3 Result of the partial test and F test

Coefficients[2]

Model		Unstandardized Coefficient		Standardized Coefficient	t	Sig.
		B	Std Error	Beta		
1	(Constant)	-2.191	.650		-3.369	.002
	CR	1.475	.407	.236	3.623	.001
	TATO	7.147	.548	.850	13049	.000

a. Dependent Variable: ROA

ANNOVA[2]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	318.599	2	159.299	99.351	.000[b]
	Residual	65.739	41	1.603		
	Total	384.338	43			

a. Dependent Variable: ROA
b. Predictors (Constant), CR, TATO

Source: Processed data (2025)

that the other independent variable has a constant value. This test uses a significance level (α) of 5%. The following are the results of the Partial Test in the Table 3**.**

Based on the results of the t-test, the value of *CR* (table 2) is 3.623 > 1.96 (t-table) and the significance value (Sig) is 0.001 < 0.05, that means *Current Ratio* affects *Return on Assets*. This research corroborates the findings of previous studies conducted by Goenawan (2022) and Desmaniar et al. (2024).

The calculation of the current ratio (CR) in several food and beverage companies shows that the increase in CR is due to high current assets compared to current liabilities. This indicates the company's ability to meet its short-term obligations. The increase in CR also has positive impact on return on asset (ROA), as the company has sufficient funds to meet obligations while also investing to generate profits.

The Effect of Total Asset Turnover on Return on Assets

The results show that the TATO value is 13.049 > 1.96 with a significance value of 0.000 < 0.05, indicating that *Total Asset Turnover* has a significant effect on Return on Assets. This means that food and beverage companies are able to use their assets effectively to generate sales, which impacts to improvement of ROA. These findings are consistent with the studies by Widodo (2019), Rachma (2024), and Gunawan et al. (2022).

The Effect of Current Ratio and Total Asset Turnover on Return on Assets

The F test results show that the calculated F value of 99.351 > 1.96 and the significance value of 0.000 < 0.05, thus it can be concluded that the current ratio and total asset turnover simultaneously have a significant effect on return on assets.

Based on the results, the current ratio and total asset turnover in several food and beverage companies show good values, thus affecting the return on asset. This proves that the companies are able to meet short-term obligation and operate effectively. Additionally, the companies are also able to utilize their assets to increase sales, which ultimately has a positive impact on profits.

CONCLUSION

This research shows that the current ratio and total asset turnover affect return on assets (ROA). The current ratio reflects the company's ability to meet short-term obligations through available current assets, while total asset turnover reflects the company's effectiveness in managing all assets to generate sales and profits. Simultaneously, both indicate management efficiency in maintaining liquidity while enhancing profitability. For future research, it is recommended to consider external variables such as raw material price volatility and exchange rate fluctuations, as well as using structural equation modeling (SEM) approaches and expanding the sample to more diverse sector and period to obtain more comprehensive results.

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