

The Effect of Current Ratio and Debt to Asset Ratio on Net Profit Margin at PT. Kimia Farma Tbk Period 2018-2022

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Abstract

This research aims to determine the influence of Current Ratio (CR) and Debt To Asset Ratio (DAR) on Net Profit Margin (NPM). The method used is a descriptive analysis study with a quantitative approach method. The data used is secondary data obtained from the financial reports. The data analysis techniques used are descriptive statistical analysis, classical assumption testing, multiple linear regression and hypothesis testing. The partial results of this research are that. The Current Ratio has a tcount of 2.405 where the value is $2.405 > 2.306$ and the significant value is 0.047 where the value is $0.047 < 0.05$. So H_0 is rejected and H_a is accepted, which means that the Current Ratio has a significant effect on the Net Profit Margin and Debt To Asset Ratio which has a t-count of -0.116 where the value is $-0.116 < 2.306$ and the significant value is 0.911 where the value is $0.911 > 0.05$. So H_0 is accepted and H_a is rejected, which means the Debt To Asset Ratio has no significant effect on Net Profit Margin. So that F count (0.017) > F table (4.740) and systematically a significance value of 0.984b is obtained. Because the significance value (0.984b) > significance level 0.05. Thus, H_0 is accepted and H_3 is rejected. This shows that there is no significant influence of the Current Ratio, Debt to Asset Ratio on Net Profit Margin. The coefficient of determination (R Square) is 0.005 or 5.00%. This means that 5.00% of the dependent variable, namely Net Profit Margin, can be explained or influenced by the independent variables (Current Ratio and Debt to Asset Ratio). Meanwhile, the remaining 95.00% is explained by other variables not examined in this research.

Keywords: Current Ratio, Debt to Asset Ratio, Net Profit Margin

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INTRODUCTION

Analysis of short-term financial statements in a company is very important for both management and related external parties, such as lending banks and creditors, who will assess the prospects for short-term loans that will be provided. A financially sound company must be able to pay short-term debt on time. The amount of available working capital must be used by management well and efficiently. That's why financial reports are very necessary in a company.

By analyzing the company's financial reports, you can find out how much profit is generated and how much the company's ability to pay its short-term debt. According to Kasmir (2018:129) Current Ratio is a ratio to measure a company's ability to pay short-term obligations or debts that are immediately due when they are collected in full. In other words, how much current assets are available to cover

short-term liabilities that are due soon. The current ratio can also be said to measure the level of safety (margin of safety) of a company. The next variable component is the Debt to Asset Ratio (DAR). According to Kasmir (2018:156) Debt to Asset Ratio (DAR) is a comparison between total debt and total assets. In other words, how much of the company's assets are financed by debt or how much debt the company has has an effect on asset management. If the industry average is 35%, the company's Debt to Asset Ratio (DAR) is still below the industry average, so it will be difficult for the company to obtain a loan. This condition also shows that the company is almost half funded by debt.

The higher the Debt to Asset Ratio (DAR) level of a company This shows that the company's debt increases, but it also shows that the greater the level of financial risk that will be experienced by creditors and shareholders. The greater the Debt to Asset Ratio (DAR) level of a company, the more pressure the company will be under to provide financial reports as quickly as possible to creditors. Apart from that, the company is experiencing financial difficulties. Financial difficulties are bad news for the company.

PT. Kimia Farma Tbk is a company engaged in the manufacture of rubber, especially tires and tubes for vehicles, goods or equipment. Currently, there are so many competitors that become obstacles in efforts to gain profits, therefore innovation and consistency are needed from all areas to be able to maintain and develop the company. Likewise in terms of product marketing strategies so that they sell well. And efforts continue to be made, such as credit sales. Based on the company's articles of association, the scope of activities includes general trading business including export-import activities as well as carrying out business as an agent and distributor.

Tabel 1. Data on the Development of Current Ratio (CR) Debt To Asset Ratio (DAR) Net Profit Margin (NPM) Values PT. Kimia Farma Tbk Period 2013-2022

Year	CR (%)	DAR (%)	NPM (%)
2018	15	7	4
2019	15	7	14
2020	16	6	18
2021	17.6	6.1	4
2022	16.3	6.2	10

Based on the data in the table above, it can be concluded that the Current Ratio level PT. Kimia Farma Tbk obtained high data, namely 23% and decreased in 2015 - 2017, namely 15%, for the Debt to Asset Ratio in 2022, the highest data was obtained, namely 6.2% and experienced a decrease in 2013-2014 of 6%. Meanwhile, Net Profit Margin at PT. Kimia Farma Tbk's highest data in 2015 was 34% and decreased in 2016, namely 2%. Debt to Asset Ratio (DAR) is closely related to the financial health of a company. If you successfully calculate DAR, it is easy to find out what the debt condition of a company is without analyzing the company's ability to manage its capital. DAR focuses on seeing how the company's

assets and debt compare. Calculating the net profit margin is one way. Calculating the profit margin of a business can also provide a realistic perspective on the company's financial condition. Apart from that, these figures can also identify unnecessary expenses and which business sectors are not producing enough. On the investor side, NPM and other profit margin figures can be an important indicator in making investment decisions, especially for those who want to invest in shares. The greater the Net Profit Margin means the more efficient the company is in incurring costs related to its operational activities. Based on the background of the problem above, the author is interested in conducting further research with the title: "The Influence of Current Ratio and Debt to Asset Ratio on Net Profit Margin at PT. Kimia Farma Tbk for the 2018-2022 Period".

LITERATURE REVIEW

Financial Management

According to Horne and Wachowichz (2019: 12), "The definition of financial management encompasses all activities related to the acquisition, funding, and management of assets with several general objectives as the background." Darsono (2020: 1) adds that "financial management refers to the activities of company owners and management to obtain the cheapest possible sources of capital and use them as effectively, efficiently, and productively as possible to generate profits." Similarly, Martono and Harjito (2019: 4) define financial management as "all company activities related to how to obtain funds, use funds, and manage assets according to the company's overall goals."

Financial Statements

In carrying out its operational activities, the company periodically prepares financial reports to provide information to stakeholders. Several experts have defined financial reports as follows:

- a. Kasmir (2019: 7) states that financial reports are "reports that show the company's financial condition at a specific time or over a certain period."
- b. Werner R. Murhadi (2019: 1) describes financial reports as "the language of business" containing information about the company's financial condition for users. By understanding a company's financial reports, various interested parties can assess the financial health of the company.
- c. Raymond Budiman (2020: 3) defines financial reports as "documents that describe the company's financial condition and performance over a certain period."
- d. Sutrisno (2012: 9) states that financial reports are "the final result of the accounting process, including two main reports: the balance sheet and the profit and loss statement, prepared to provide financial information about a company to interested parties for decision-making purposes."

Financial Ratios

According to Kasmir (2019: 104), financial ratios involve "the activity of comparing the numbers in financial reports by dividing one number by another." Comparisons can be made between components within the same financial report or

between different financial reports. These comparisons can involve numbers from a single period or multiple periods.

METHOD

This type of research is quantitative. According to Sugiyono (2019: 8), "quantitative research is a research method based on the philosophy of positivism, used to research certain populations or samples, collect data using research instruments, and analyze quantitative or statistical data with the aim of testing predetermined hypotheses." This research is an empirical study aimed at testing the influence of the Current Ratio and Debt to Asset Ratio on the Net Profit Margin.

The population in this research consists of the financial statements of PT. Kimia Farma Tbk for the research period of 2018-2022. The sample used in this research is the financial report of PT. Kimia Farma for the period 2018 to 2022.

The data analysis techniques include several stages. First, descriptive analysis is conducted. This is followed by classic assumption tests, which include the normality test, multicollinearity test, autocorrelation test, and heteroscedasticity test. Quantitative analysis is then performed, involving multiple linear regression analysis, correlation coefficient analysis, and analysis of the coefficient of determination. Finally, hypothesis testing is conducted using the t-test for partial hypothesis testing and the F-test for simultaneous hypothesis testing

RESULTS AND DISCUSSION

The research results and discussion are an illustration of the results has been obtained in research consisting of independent variables and dependent variables. The data used in this research is secondary data related to data to calculate the Current Ratio, Debt To Assets Ratio, and Net Profit Margin for the 2018-2022 period. This data was obtained from published financial reports issued by the company via the official website of PT Kimia Farma Tbk / <https://www.gt-tires.com/> and through www.idx.co.id nor www.idnfinancial.co.id.

Tabel 2. Calculation *Current Ratio* PT. Kimia Farma Tbk Period 2018-2022 (Value in millions of rupiah)

Year	Current assets	Current Debt	CR (%)
2018	8,673,407	5,797,360	149.61
2019	8,097,861	5,420,942	149.38
2020	7,624,956	4,749,681	160.54
2021	8,320,091	4,720,225	176.26
2022	8,902,756	5,344,228	166.59

Based on The table and image above show that the Current Ratio has the highest data obtained in 2021, namely 176.26% and decreased in 2022, namely 166.59%. The formula used to calculate the Current Ratio:

Tabel 3. PT Debt To Asset Ratio Calculation. Kimia Farma Tbk Period 2018-2022 (Value in millions of rupiah)

Year	Total Assets	Total Debt	DAR (%)
2018	19,711,478	13,835,648	70.19

2019	18,856,075	12,620,444	66.93
2020	17,743,101	10,699,931	60.3
2021	18,400,697	11,254,520	61.16
2022	19,016,012	11,790,337	62

Based on the table and image above, it shows that the Debt to Asset Ratio has the highest data obtained in 2018, namely 70.19% and decreased in 2021, namely 61.16%

Table 4. Calculation of Net Profit Margin at PT.Kimia Farma Tbk for the 2018-2022 period (Value in millions of rupiah)

Year	Net Profit After Tax	Net sales	NPM (%)
2018	74,557	15,349,939	-0.49
2019	269,107	15,939,421	1.69
2020	320,376	13,434,592	2.38
2021	80,495	15,344,138	0.52
2022	181,389	17,170,492	-1.06

Table 5. Descriptive Statistics Test Results

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
CR	10	149.38	230.88	174.9	24.87939	618.984
DAR	10	61.16	70.19	65.4	3.70722	13.743
NPM	10	1.1	9.04	3.631	2.31962	5.381
Valid N (listwise)	10					

1. Linear Regression Analysis

Table 6. Multiple Linear Regression Test Results Current Ratio (X1) and Debt To Asset Ratio (X2) Against Net Profit Margin (Y)

Model	Coefficients ^a					
	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
(Constant)	.030	.952			127	.02
X1	.03	.031	.37		405	.47
X2	.02	.02	-.047		.12	.11

a. Dependent Variable: Y

Based on the table above, it can be seen that the regression equation for the research model is as follows: $Y = a + b_1 X_1 + b_2 X_2$

$$NPM = (2.030) + (0.003) \text{ Current Ratio} + (- 0.023) \text{ Debt To Asset Ratio}$$

From the equation above, it can be concluded as follows:

- a. The constant value is 2.030 meaning that if the Current Ratio variable (X1) and Debt To Asset Ratio (X2) is not considered then the Net Profit Margin (Y) will only be worth 2,030 points.
- b. Current Ratio value (X1) 0.003 means if the constant is constant and there is no change in the Debt To Asset Ratio (X2), then for every 1 unit change in the Current Ratio variable (X1) will result in this occurring change in Net Profit Margin (Y) of 0.003 points.

- c. Debt To Asset Ratio (X2) -0.023 means if the constant is constant and there is no change in the Current Ratio variable (X1), then each change is 1 uniton the Debt To Asset Ratio variable (X2) will result in this occurringchanges to *Net Profit Margin*(Y) is -0.023 points.

2. Correlation Coefficient Analysis

Table 7. Partial Current Ratio Correlation Coefficient Test Results and Debt To Asset Ratio Correlations

		X1	X2	Y	
1	X	Pearson Correlation	1	-0.34	,053
		Sig. (2-tailed)		,332	,885
		N	10	10	10
2	X	Pearson Correlation	-0.34	1	-0.06
		Sig. (2-tailed)	,332		,871
		N	10	10	10
Y		Pearson Correlation	,053	-0.06	1
		Sig. (2-tailed)	,885	,871	
		N	10	10	10

The conclusion from the table above is as follows:

- The significance result between Current Ratio and Net Profit Margin is $0.885 > 0.05$. The relationship between the Current Ratio and Net Profit Margin is negative, which means that it is concluded that there is a significant relationship in the negative direction between the Current Ratio and Net Profit Margin with a correlation level of 0.053 which is very low.
- The significance result between Debt To Asset Ratio and Net Profit Margin is $0.871 > 0.05$. The relationship between the Current Ratio and Net Profit Margin is negative, which means that it is concluded that there is a significant relationship in the negative direction between Debt To Asset Ratio and Net Profit Margin with a correlation level of -0.059 which is low.

Table 8. Results Simultaneous Correlation Coefficient Test Current Ratio and Debt To Assat Ratio on Net Profit Margin

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.069a	.5	-.028	2,199

- Predictors: (Constant), Debt To Asset Ratio(X2), Current Ratio(X1)
- Dependent Variable: Net Profit Margin

Based on the test results in the table above, a coefficient value of 0.069 is obtained, where this value is in an interval, meaning 0.000 - 0.199. The variables Current Ratio and Debt To Asset Ratio have a strong relationship with Net Profit Margin.

3. Coefficient of Determination Test

Table 9. Coefficient of Determination Test Results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,069a	,005	-.028	2,199

b. Predictors: (Constant), X2, X1

The table above shows that the adjusted coefficient of determination (R Square) is 0.005 or 5.00%. This means that 95.00% of the dependent variable, namely Net Profit Margin, can be explained or influenced by the independent variables (Current Ratio and Debt to Asset Ratio). Meanwhile, the remaining 54.7% is explained by other variables not examined in this study.

Table 10. Partial Test(t-Test)

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.	
	B	Std. Error	Beta	Q		
1	(Constant)	2,030	15,952		0.127	,902
	Current	,003	0.031	,037	2,405	,047
	Debt to Asset Ratio	-0.023	,202	-0.047	-0.12	,911

a. Dependent Variable: Net Profit Margin

The size of the ttable number with the conditions = 0.05 and $dk = (nk) =$ or $(10 - 2) = 8$ so that the ttable value is 2,306. Based on the table above, the influence of each variable can be seen as follows:

- a. The Current Ratio has a tcount of 2.405 where the value is $2.405 > 2.306$ and the significant value is 0.047 where the value is $0.47 > 0.05$. So H_0 is rejected and H_a is accepted, which means that the Current Ratio partially influences the Net Profit Margin.
- b. The Debt To Asset Ratio has a tcount of -0.116 where the value is $-0.116 < 2.306$ and a significant value of 0.911 where the value is $0.911 > 0.05$. So H_0 is accepted and H_a is rejected, which means that the Current Ratio partially has no effect on the Net Profit Margin.

1. F Statistical Test

Table 11. F Statistical Test Results

Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	,160	2	,080	0.01	984
	Residual	33,840	7	4,834		
	Total	34,000	9			

a. Dependent Variable: Y

b. Predictors: (Constant), X2, X1

From the ANOVA test (Analysis of Variables) or F test, it shows that the calculated F value is 2.901 with a significance value of 0.034b. Meanwhile, to find the F table with sample size $(n) = 10$; number of variables $(k) = 3$; significant level $\alpha = 0.05$; $df1 = k - 1 = 3 - 1 = 2$ and $df2 = n - k = 10 - 3 = 7$, the F table value is 4,740. So F count (0.017) $<$ F table (4.740) and systematically a significance value of 0.984b is obtained. Because the significance value (0.984b) $>$ significance level 0.05. Thus,

H_0 is accepted and H_3 is rejected. This shows that there is no significant influence of the Current Ratio, Debt to Asset Ratio on Net Profit Margin.

CONCLUSION

From the research results, it can be concluded that partially, the Current Ratio has a t-count of 2.405, where the value is $2.405 > 2.306$, and a significant value of 0.047, where the value is $0.047 < 0.05$. Therefore, H_0H_0 is rejected, and H_1H_1 is accepted, indicating that the Current Ratio has a partial effect on the Net Profit Margin.

Additionally, it can be concluded that partially, the Debt to Asset Ratio has a t-count of -0.116, where the value is $-0.116 < 2.306$, and a significant value of 0.911, where the value is $0.911 > 0.05$. Therefore, H_0H_0 is accepted, and H_1H_1 is rejected, indicating that the Debt to Asset Ratio has no partial effect on the Net Profit Margin.

Based on the results of simultaneous testing, the F-count (0.017) is less than the F-table (0.017), and a significance value of 0.984 was obtained. Since the significance value (0.984) is greater than the significance level of 0.05, H_0H_0 is accepted, and H_3H_3 is rejected. This indicates that there is no simultaneous effect of the Current Ratio and Debt to Asset Ratio on the Net Profit Margin.

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