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The Influence of Current Ratio (CR), Total Asset Turnover (TATO), Debt to Equity Ratio (DER), and Net Profit Margin (NPM) on Return on Assets (ROA) in Manufacturing Companies Listed on the IDX for the Period 2021–2023

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Abstract: The consistent performance of the manufacturing sector in the first quarter of 2023 has had a significant impact on Indonesia's economic development, particularly in the face of ongoing economic uncertainty. This study employs a quantitative research methodology, utilizing both descriptive and verification analyses. Its aim is to provide a comprehensive overview of company performance while examining the relationship between the Current Ratio (CR), Total Asset Turnover (TATO), Debt to Equity Ratio (DER), and Net Profit Margin (NPM) on Return on Assets (ROA). Quantitative methods are applied to a defined population or sample by collecting data using pre-established instruments and analyzing the results through statistical techniques. Descriptive analysis is used to outline the identified issues, while verification analysis assesses the validity of predetermined hypotheses. The verification analysis in this study includes classical assumption testing and hypothesis testing. A purposive sampling technique was adopted, where samples were intentionally selected based on specific criteria determined by the researchers. Out of a total population of 78 companies, only 10 were selected as samples that met these criteria. The F-table value was 2.78, and the calculated F-statistic was 76.67. Since the F-statistic exceeds the F-table value, the null hypothesis (H_0) is rejected and the alternative hypothesis (H_5) is accepted. This indicates that CR, TATO, DER, and NPM collectively influence Return on Assets. The coefficient of determination (R^2) was 0.9842, suggesting that 98.42% of the variance in Return on Assets is explained by the independent variables CR, DER, TATO, and NPM, while the remaining 2.57% is attributed to other factors outside the scope of this study.

Keywords: Current Ratio, Total Asset Turnover, Debt to Equity Ratio, Net Profit Margin, Return on Assets.

INTRODUCTION

In the business world, a company's financial performance is an important indicator that reflects the health and sustainability of its operations. The economy is still unclear, but the

steady performance of the manufacturing sector in the first three months of 2023 has made a big impact on Indonesia's economic growth. Although it only grew at a rate of 5.4%, it is still the most important part of the state's GDP. In the March 2024 report, there was an increase in the Purchasing Managers' Index (PMI) in Indonesia's manufacturing subsector which was recorded at 54.2, up from the previous month. This positive outcome was driven by high domestic demand as well as increased purchases of goods aimed at boosting production ahead of the Idul Fitri celebrations. In March 2024, many people working in the industry are hopeful as they think the market will get stronger and prices will fall (*Indonesia's Manufacturing Performance Continues to Expand and Inflation Remains Manageable Amid Increased Risks*, 2024).

One way to see how well a company is making money with all its assets is to look at its Return on Assets (ROA). In the group of success rates, this one shows how well a business can make money. It can help you guess how well it will perform financially in the future. The assets in question include all the company's wealth, both from its own equity and from external sources, which has been converted into productive assets to support the company's operations and business continuity (Herlinda et al., 2017).

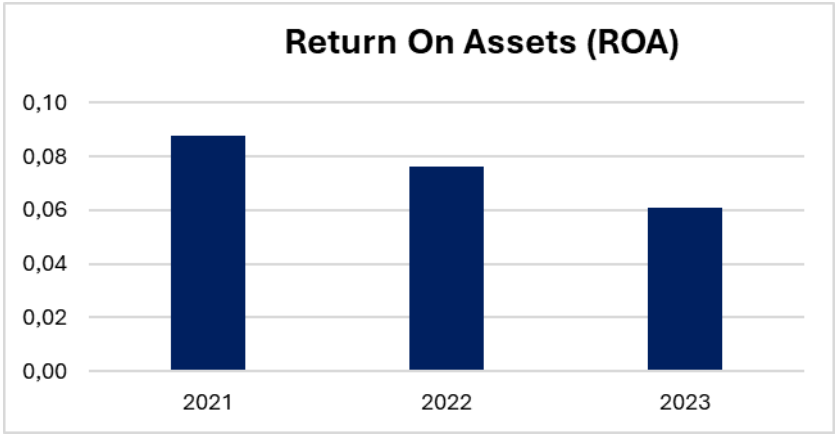


Figure 1. Return on Assets (ROA) of Manufacturing Companies, 2021–2023

The graph above shows that manufacturing companies traded on the Indonesia Stock Exchange (IDX) experienced considerable losses between 2021 - 2023. Several things can cause this decline, such as economic changes, higher production costs, and changes in people's desire to buy after the pandemic. This shows the challenges faced by the manufacturing sector in maintaining positive financial performance, as well as the need for adaptation strategies to improve efficiency and profitability in the future.

Return on Assets (ROA) can be influenced by many factors, including Current Ratio (CR), Total Asset Turnover (TATO), Debt to Equity Ratio (DER), and Net Profit Margin (NPM). One way to find out how well a company can handle its short-term debt is to see how much of its current assets can be used to pay off its debts in the future (Fatimah et al., 2023). This figure shows how well the company is making sales with all its assets by showing how much money it earns from each dollar of assets. The debt-to-equity percentage looks at how much debt the company has compared to its shares. This shows how much of the company's money comes from people who are in debt and how much comes from people who have cash. Net profit margin, on the other hand, shows how well a business can keep costs down and still make money by showing how much net profit each unit of sales brings in. These four figures provide a complete picture of a business's earnings and how well it performs when combined (Handayani et al., 2021).

Companies that create something and want to go public on the Indonesia Stock Exchange (IDX) between 2021 - 2023 will face new problems and opportunities, especially as the country begins to recover from the pandemic. The main objective of this study is to find out how these financial measures affect ROA for managers and buyers the knowledge they can use to make choices. Companies can make better plans to become more profitable and efficient, as well as adapt to changes in the market, if they know how these financial measures relate to ROA.

From these problems, the authors will conduct research with the title "The Effect of Current Ratio (CR), Total Asset Turnover (TATO), Debt to Equity Ratio (DER) and Net Profit Margin (NPM) on Return On Assets (ROA) in Manufacturing Companies listed on the IDX for 2021-2023".

Literature Review

1. Signal Theory

   Signal Theory says that any message a business sends to the stock market can change the way investors respond to that message. Whatever the signal, the strategy that buyers use will determine how the market moves (Elshinta & Suselo, 2023). Therefore, this theory can help in making business choices, such as how to prepare a gift plan. When a company gives a good message to investors, it can increase their trust in management and make them feel better about the prospects of the business. People who spend money tend to want better returns on their money (Nurullah et al., 2024). This theory also says that investors can tell the difference between high and low value companies by looking at signs in the form of financial and non-financial data. One of the best ways to see how a company is performing and what its plans are for the future is to look at financial or management reports. So, investors need information that is easy to find and understand to make smart decisions about their money (Yasar et al., 2020).

2. Agency Theory

   Kholmi (2011) says that agency theory is an agreement between owners and management. In this agreement, the owner can tell the agent what to do. As Bustani et al. (2021), the task of financial managers is to make the company more valuable to its owners by making investors believe in the decisions they make. Owners and business partners are seen as leaders, and they give managers the authority to run the business on their behalf. This move is intended to help owners and investors get better treatment and make more money. Despite this, owners and workers often fight because they want different things (Wahyuni, 2019).

3. *Trade off* Theory

   Modigliani and Miller in 1963 developed a theory that explains that companies determine the proportion between the use of debt and equity by considering the costs and benefits arising from the debt. This theory is closely related to capital structure, where companies try to reach the optimal point between the benefits obtained from the use of debt and the risks or burdens that must be borne. Debt can be helpful in some ways, such as when it is necessary to save taxes, but it also has risks, such as having to pay interest and the possibility of not being able to repay the loan. If the costs incurred from using debt outweigh the benefits, then the company could potentially face financial difficulties and even the risk of bankruptcy. In another part of this theory, the amount of assets a company has is linked to the amount of debt it has. This is because assets can be used as loan collateral (Kalventri & Mulyani, 2022).

4. Return on Assets (ROA)

The Return on Assets (ROA) of a business shows how well its leaders use its assets to make money (Fatimah & Hertina, 2022). It shows how well a company can make money with all the tools it has. According to Audrey (2023), by subtracting the cost of capital from the ROA analysis, it can be seen to what extent the company is able to generate returns on the assets it has used. A company tends to grow if its ROA value is high. This means that the company knows how to make money by managing its assets well. An important way to see how successful a business is is to compare its net income to its total assets or cash over time. This is called return on assets (ROA). This level of profitability shows the company's success in managing its assets productively and sustainably (Prasongko & Hirawati, 2022).

5. Current Ratio (CR)

Current Ratio (CR) is a key financial indicator that shows how well a business can handle its short-term bills as they come due (Fadli, 2018; Utami & Soeherman, 2025). This ratio can be obtained by comparing the company's current assets with its current debt (Malinggato et al., 2018). Companies easily pay their short-term bills when the CR value is high. This makes failure less likely, which is a good thing for the owner (Safitri & Mukaram, 2018). However, a CR that is too high may mean that there is extra cash that is not being used properly, which can hurt the business's bottom line because the cash is not being used properly.

6. TATO

Total Assets Turnover according to Hasangapon et al. (2021) is a way to compare a company's net sales with all its assets used to run its business. The ratio here shows how well the business is using its tools to make sales. This ratio goes up when the company is better at using its assets to make money. It also means that the company as a whole is performing better. The effective use of assets in creating net sales is an important indicator for achieving positive performance (Fahmi, 2014).

7. Debt to Equity Ratio

Debt to Stock Ratio (DER) is a way to compare the amount of debt a company has with the number of shares it owns (Aprilia et al., 2022). Debt arises because the company's internal funds, both from own capital and profits generated, are not always sufficient to meet all financing needs, so the company seeks additional funds through loans. A lower DER ratio is usually better because it means the company is less dependent on debt. Conversely, a high DER ratio means the company needs more debt to expand its business or market share, which can generate more sales. However, excessive use of debt also carries a high risk to the company's financial stability (Hadi et al., 2021).

8. Net profit margin (NPM)

Net Profit Margin (NPM) tells how much net profit after tax differs from total sales. This ratio tells how much net profit the company earns from each unit of sales, after all operating expenses, interest, and taxes are taken out. Companies work harder to make money if the NPM value is higher (Hasanah & Enggariyanto, 2018). This means the company is better at converting its sales into profit. If the NPM ratio is high, it means the company can make a lot of money. This can increase investor confidence and cause the stock price to rise. In addition, net profit margin growth is considered a positive indicator that increases the attractiveness of the company in the eyes of investors, as it shows the company's ability to maintain high profitability (Gozali et al., 2023).

9. Framework of Thought

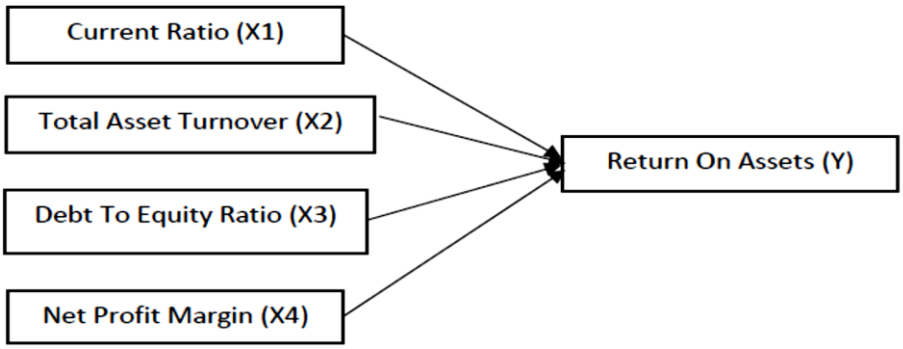


Figure 2. Research Framework

10. Hypothesis

There is a short-term idea of how to formulate a problem in a study called a hypothesis. Most of the time, hypotheses are written like questions. The hypothesis is brief because the results are still theoretical, based on important theories, and not yet supported by real-life data collected during the research. In other words, a hypothesis is a possible answer to a research question that will be tested by looking at the data (Sugiyono, 2021: 93). The following hypothesis is put forward in this study:

H1: There is an effect of Current Ratio (CR) on Return on Assets (ROA) in Manufacturing Companies listed on IDX in 2021-2023. Manufacturing Companies listed on IDX in 2021-2023.

H2: There is an effect of Total Asset Turnover (TATO) on Return on Assets (ROA) in Manufacturing companies listed on IDX in 2021-2023.

H3: There is an effect of Debt to Equity Ratio (DER) on Return on Assets (ROA) in Manufacturing companies listed on IDX in 2021-2023.

H4: There is an effect of Net Profit Margin (NPM) on Return on Assets (ROA) in Manufacturing companies listed on IDX in 2021-2023.

H5: There is an effect of Current Ratio (CR), Total Asset Turnover (TATO), Debt to Equity Ratio (DER) and Net Profit Margin (NPM) simultaneously on Return on Assets (ROA). Ratio (DER) and Net Profit Margin (NPM) simultaneously on Return on Assets (ROA) in Manufacturing Companies listed on IDX in 2021-2023. ROA) in Manufacturing Companies listed on IDX in 2021-2023.

METHODS

This research uses a descriptive research approach with quantitative methodology. The data analysis technique used is multiple regression analysis using E-Views 12 *software*. The population of this research is manufacturing companies in ASEAN in 2021 - 2023. This study uses a documentation approach for data collection, including obtaining and recording data from the Financial Statements of ASEAN manufacturing companies in 2021-2023.

Table 1: Research indicators

Variabel	Konsep Variabel	Indikator
Return on Assets (Y)	Rasio ini menggambarkan seberapa besar kontribusi aset dalam menghasilkan laba bersih, atau dengan kata lain digunakan untuk menilai seberapa besar margin keuntungan yang diperoleh dari setiap aset yang dimiliki perusahaan (Harmono, 2022).	$ROA = \frac{Laba\ Bersih}{Total\ Aset}$
Current Ratio (X1)	Current Ratio adalah ukuran yang digunakan untuk menilai sejauh mana suatu perusahaan mampu memenuhi kewajiban jangka pendeknya dengan menggunakan aset lancar yang dapat segera dicairkan menjadi uang tunai (Fahmi, 2020).	$CR = \frac{Total\ Aset\ Lancar}{Total\ Kewajiban\ Lancar}$
Total Asset Turnover (X2)	TATO adalah rasio yang digunakan untuk menilai sejauh mana seluruh aset perusahaan dimanfaatkan secara efisien dalam menghasilkan pendapatan penjualan. Dengan kata lain, rasio ini mengukur seberapa besar penjualan yang dapat diperoleh dari setiap satu rupiah aset yang dimiliki perusahaan (Munawir, 2004).	$TATO = \frac{Penjualan}{Total\ Aktiva}$
Debt Equity Ratio (X3)	DER merupakan indikator solvabilitas yang mencerminkan kemampuan perusahaan dalam melunasi kewajiban utangnya dengan memanfaatkan aset dan sumber daya yang dimilikinya (iaiglobal, 2022).	$DER = \frac{Total\ Utang}{Ekuitas}\ x\ 100\%$
Net Profit Margin (X4)	Net Profit Margin adalah rasio yang digunakan untuk menilai seberapa efektif perusahaan dalam menghasilkan laba bersih dari total penjualan yang diperoleh selama satu periode akuntansi (Hery, 2016).	$NPM = \frac{Laba\ bersih\ setelah\ pajak}{penjualan\ bersih}\ x\ 100\%$

RESULTS AND DISCUSSION

Multiple Regression Analysis

Starting in 2021-2023, manufacturing companies listed on the Indonesia Stock Exchange (IDX) will analyze Return on Assets (ROA) using multiple regression analysis. The variables to be included are Current Ratio (CR), Total Asset Turnover (TATO), Debt to Equity Ratio (DER), and Net Profit Margin (NPM). Model selection is done before further analysis begins, and involves many tests, as seen below:

Panel Data Model Selection

The optimal method for estimating panel data regression is examined using three different tests. First, to determine whether the common effect or fixed effect model is more suitable, a Chow test is conducted first. Second, to determine whether the model is more

efficient and consistent in its estimation, the Hausman test compares the fixed effect model with the random effect model. Third, to compare the two models, random effect and common effect, is through the Lagrange Multiplier (LM) test.

Common Effect Model and *Fixed Effect Model*

The common effect model uses the Ordinary Least Squares (OLS) estimation approach without considering heterogeneity, which means ignoring individual and temporal variations. To account for variation in individuals at each point in time, the fixed effects model states that each person has traits that remain constant over the observation period.

The hypothesis is as follows:

H_0 : *Common Effect* model

H_1 : *fixed effect* model

The following is a *Chow* test using Eviews 12:

Table 2. Chow Test

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	4.813265	(9,16)	0.0031
Cross-section Chi-square	39.310421	9	0.0000

Source: Secondary Data Processing Results Eviews 12, 2025

The result of the Chow test regression analysis, which compares the common effects model with the fixed effects model, gives an F-statistic value of 0.000, which is much lower than the significance level of 0.05. As a result, H0 is rejected and H1 is accepted, indicating that the fixed effect model is most suitable for this study.

Fixed Effect Model and *Random Effect Model*

Now that we know that the pool model is a popular strategy, we can compare the fixed-effects and random-effects approaches to panel data modeling to learn more. Once the regression calculations are completed, the Hausman test is used to compare the random effects model with the fixed effects model and determine which one is more appropriate. By presupposing the existence of a relationship between residual errors over time periods and among individual entities, the random effects model estimates panel data.

The hypothesis is as follows:

H_0 : *Random Effect Model*

H_1 : *Fixed Effect Model*

Based on Eviews 12 output, *the Hausman* test results are as follows:

Table 2. Hausman Test

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	16.395059	4	0.0025

Source: Secondary Data Processing Results Eviews 12, 2025

The cross-section probability value of 0.0025, which is smaller than the significance level α = 5%, is given by the Hausman test results comparing the Random Effect and Fixed Effect models. This proves that the Fixed Effect Model is the best choice, as we can rule out the null hypothesis (H0 is rejected).

Classical Assumption Test

Normality Test

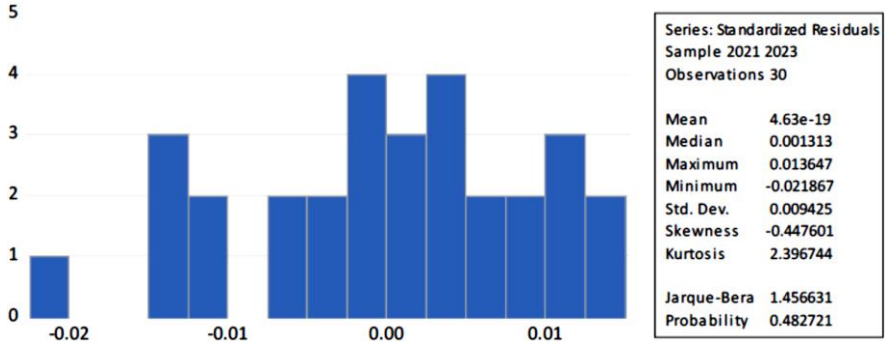


Figure 3. Histogram of Data Normality

Source: Secondary Data Processing Results Eviews 12, 2025

The findings of the E-Views analysis in Figure 3 indicate that the residual data follow a normal distribution. This conclusion is reached because the significance value of the normality test, which uses the Jarque-Bera approach, exceeds the alpha level (0.482721 > 0.05).

Multicollinearity Test

Table 3. Multicollinearity Test

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.006266	1167.589	NA
CR	0.000109	103.3601	4.300799
TATO	0.002487	365.0059	2.912401
DER	1.56E-07	137.7077	1.987713
NPM	0.007851	13.73888	1.130722

Source: Secondary Data Processing Results Eviews 12, 2025

In Table 3, we can see that none of the four independent variables have a multicollinearity score higher than 0.8. The lack of multicollinearity is indicated by this.

Autocorrelation Test

Table 4. *Durbin Watson*

R-squared	0.984201	Mean dependent var	0.074769
Adjusted R-squared	0.971365	S.D. dependent var	0.074982
S.E. of regression	0.012688	Akaike info criterion	-5.591537
Sum squared resid	0.002576	Schwarz criterion	-4.937645
Log likelihood	97.87306	Hannan-Quinn criter.	-5.382352
F-statistic	76.67269	Durbin-Watson stat	3.045521
Prob(F-statistic)	0.000000		

Source: Secondary Data Processing Results Eviews 12, 2025

The Durbin-Watson statistic of 2.1178 was generated by the Durbin-Watson Test, which was performed using the Eviews 12 program. The data shows no correlation between errors if the value falls between the range of 1.6830 and 2.317. With this data, we can conclude that the autocorrelation assumption is not broken.

Heteroscedasticity

Table 5. Heteroscedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.032750	0.029725	-1.101755	0.2869
CR	0.002912	0.003920	0.742909	0.4683
TATO	0.028452	0.018727	1.519298	0.1482
DER	0.000128	0.000148	0.861775	0.4015
NPM	0.000531	0.033273	0.015963	0.9875

Source: Secondary Data Processing Results Eviews 12, 2025

There appears to be no problem with heteroscedasticity, as the table reveals that the probability values for Profitability, Dividend Policy, and Managerial Ownership are more than the 0.05 significance level.

Panel Data Regression Estimation Model

Panel Data Regression Analysis is intended to determine the influence between Profitability on Dividend Policy and Managerial Ownership as a Moderating variable.

Table 6. *Common Effect Model* Estimation Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.064074	0.079157	-0.809453	0.4301
CR	-0.022124	0.010438	-2.119468	0.0500
TATO	0.169162	0.049870	3.392091	0.0037
DER	-0.000134	0.000395	-0.338903	0.7391
NPM	0.509817	0.088605	5.753821	0.0000

Source: Secondary Data Processing Results Eviews 12, 2025

In table 6, we can see the results of the regression analysis that tests the relationship between profitability and dividend policy, controlling for managerial ownership.

Y_{it}= - 0.064074 - 0.022124X_{1it}+ 0.169162$X_{(2it)}$ -0.000134$X_{(3it)}$ + 0.509817$X_{(4it)}$

F Test Results

The overall regression coefficient and the combined effect of the independent variables on the dependent variable are evaluated for significance using the F test (Ghozali, 2018).

Table 7. F Statistical Test Results

R-squared	0.984201	Mean dependent var	0.074769
Adjusted R-squared	0.971365	S.D. dependent var	0.074982
S.E. of regression	0.012688	Akaike info criterion	-5.591537
Sum squared resid	0.002576	Schwarz criterion	-4.937645
Log likelihood	97.87306	Hannan-Quinn criter.	-5.382352
F-statistic	76.67269	Durbin-Watson stat	3.045521
Prob(F-statistic)	0.000000		

Source: Secondary Data Processing Results Eviews 12, 2025

The calculated F value is 76.67, which is less than 0.05, at a significance level of 0.000000, according to Table 4.8. There seems to be a synergistic effect between ROA and DER, Net Profit Margin (NPM), Total Asset Turnover (TATO), and Current Ratio (CR).

Results of the t-test

In this study, the t statistic is used by evaluating the regression coefficient for each variable and checking its significance value at the 5% significance level. The results of hypothesis testing in this study are shown in table 4.33 and can be summarized as follows:

Table 8. T Statistical Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.064074	0.079157	-0.809453	0.4301
CR	-0.022124	0.010438	-2.119468	0.0500
TATO	0.169162	0.049870	3.392091	0.0037
DER	-0.000134	0.000395	-0.338903	0.7391
NPM	0.509817	0.088605	5.753821	0.0000

Source: Secondary Data Processing Results Eviews 12, 2025

Table 4.33 shows that Current Ratio has a regression coefficient of -0.022124 and a significance level of 0.0500. The negative value of Current Ratio (CR) has an impact on Return on Assets (ROA), because the significance value is 0.05. As a result, it can be stated that H1, which states that Current Ratio (CR) significantly affects Return on Assets (ROA), is accepted.

The Total Asset Turnover (TATO) variable has a regression coefficient of 0.169162 and a significance level of 0.0037. This shows that Total Asset Turnover (TATO) has a positive value and affects Return on Assets (ROA), because the significance value is less than 0.05. As a result, it can be said that Hypothesis 2, which states that Total Asset Turnover (TATO) significantly affects Return on Assets (ROA), is accepted.

Debt to Equity Ratio (DER) has a regression coefficient of -0.000134 and a significance level of 0.7391. Debt to Equity Ratio (DER) has a negative value, but does not affect Return on Assets (ROA) because its significance value exceeds 0.05. Therefore, it can be said that H3 which states that Debt to Equity Ratio (DER) significantly affects Return on Assets (ROA) is rejected.

The Net Profit Margin (NPM) variable has a regression coefficient of 0.509817 and a significance level of 0.0000. This shows that Net Profit Margin (NPM) has a positive value and affects Return on Assets (ROA) because the significance value is less than 0.05. Therefore, it can be said that Hypothesis 2 which states that Net Profit Margin (NPM) significantly affects Return on Assets (ROA) is accepted.

Test Results of the Coefficient of Determination (R2)

The ability of the independent variables to explain the dependent variable is evaluated using the coefficient of determination test. The ability of the independent variables to explain the dependent variable is limited if R2 is low; conversely, if it is close to one, the independent variables provide almost all the information needed to predict the dependent variable (Ghozali, 2018).

Table 9. Determination Coefficient Test Results

R-squared	0.984201	Mean dependent var	0.074769
Adjusted R-squared	0.971365	S.D. dependent var	0.074982
S.E. of regression	0.012688	Akaike info criterion	-5.591537
Sum squared resid	0.002576	Schwarz criterion	-4.937645
Log likelihood	97.87306	Hannan-Quinn criter.	-5.382352
F-statistic	76.67269	Durbin-Watson stat	3.045521
Prob(F-statistic)	0.000000		

Source: Secondary Data Processing Results Eviews 12, 2025

The Adjusted R ^{2}value in this study is 0.971365, which indicates that 97.13% of the Return on Assets (ROA) variable can be explained by the Current Ratio (CR), Total Asset Turnover (TATO), Debt to Equity Ratio (DER), and Net Profit Margin (NPM) variables. This can also show that other factors other than those included in this study have an influence of 2.87%.

Discussion

Effect of Current Ratio on Return on Asset

Current Ratio (CR) has a regression coefficient of -0.022, a t-value of -2.119, and a significance value right at the 0.05 threshold, according to the regression analysis results. At a significance level of 5%, this indicates that CR has a significant effect on Return on Assets (ROA). This adverse effect indicates that a company's ability to generate profit from its assets is negatively correlated with the amount of its liquidity.

The interpretation of this finding leads to the understanding that excess current assets, reflected in high CR, can actually be an indication of funds that are not being utilized productively. In other words, too high liquidity has the potential to reduce the rate of return on assets because assets are not fully allocated to profit-generating operational activities. Thus, maintaining optimal financial performance requires balanced liquidity management.

The results of previous research by Junaedi et al. (2021) which also shows that CR has a significant effect on ROA, is in line with the results of this study. In their research, CR (X1) is proven to be one of the factors that affect the efficiency of managing company assets in creating profits. This strengthens the evidence that liquidity is a variable that needs to be closely monitored by company management so that it does not become an obstacle to asset productivity.

The Effect of Total Assets Turnover on Return on Asset

Total Asset Turnover (TATO) has a regression coefficient of 0.169, a t-value of 3.392, and a significance level of 0.0037, according to the regression analysis results. The significance value of less than 1% indicates that TATO has a positive and statistically significant effect on ROA. Therefore, the higher the TATO value, which shows how well a business uses all its resources to generate sales, the greater the ROA the business achieves.

The implications of these findings emphasize the importance of effective asset management. When a company is able to optimize the use of assets for operational and sales activities, it has the potential to earn a higher rate of return on its assets. This suggests that

improving asset turnover efficiency is an important tactic to support increased profitability and general competitiveness of the firm.

However, this result differs from the results of the study by Gozali et al. (2023), who found that TATO has a negligible and adverse impact on ROA. Different sample characteristics, industry sectors, or time periods used for the study may be the explanation for the differences in these findings. Therefore, when assessing how asset efficiency affects profitability, academics and practitioners should consider a company's unique environment.

Effect of Debt to Equity Ratio on Return on Asset

Debt to Equity Ratio (DER) has a regression coefficient of -0.000134, a t-value of -0.3389, and a significance level of 0.7391, according to the regression findings. DER has no discernible impact on Return on Assets (ROA), as indicated by the significance value that is well above the 5% threshold. In other words, a company's return on assets is not statistically affected by changes in debt-to-equity balances in the context of this study.

While the regression results show a negative direction of the relationship, this suggests that an increase in DER tends to decrease ROA, but not dramatically, according to the regression findings, which show a negative relationship. This adverse impact can be seen as follows: the more a company relies on debt funding, the more commitments and interest it has to pay, which can lower profitability. However, since the effect is not significant, this relationship cannot be generalized without considering the context or other variables that may be more dominant (Ahyar & Rimawan, 2023; Hadi et al., 2021).

This result is consistent with research by Arimby & Astuti (2023), which also shows that DER has no noticeable impact on ROA. The similarity of these results reinforces the notion that under certain conditions, a company's leverage level is not always the main determining factor in asset profitability performance. This may be influenced by the efficiency of debt management, industry structure, or financing strategies implemented by each company.

The Effect of Net Profit Margin on Return on Asset

The regression analysis findings show that Net Profit Margin (NPM) has a coefficient of 0.51, a t-value of 5.753, and a significance level of 0.000. The fact that this significance value is well below the 1% threshold indicates that NPM significantly and positively affects return on assets (ROA). This implies that a company will earn a greater return on assets if it achieves a higher net profit margin. This suggests that the performance of a company's assets is significantly affected by the efficiency of net profit generation from sales.

The strong positive effect of NPM on ROA illustrates that the company's ability to manage operating expenses, taxes, and other costs efficiently, will have a direct impact on increasing asset profitability. This suggests that businesses with high net margins are often better equipped to convert sales into profits that can be used to maximize the efficient use of resources. As such, NPM is a very important indicator in assessing the effectiveness of a company's operations and financial management strategies.

The findings also indicate that NPM (X4) significantly affects Return on Assets (Y), confirming the importance of maintaining stable and increasing net profitability in the long run. In a managerial context, this means that cost efficiency policies, revenue management, and control of operating expenses should be the main focus to achieve optimal financial performance.

Effect of Current Ratio, Debt to Equity Ratio, Total Assets Turnover and Net Profit Margin on Return on Asset

The calculated F value is 76.67 with a p value (significance) of 0.000, which is significantly below the 5% significance limit ($\alpha = 0.05$), according to the findings of the

simultaneous test (F test). The denominator has 27 degrees of freedom (n-k-1, with n = 30), while the numerator has 4 degrees of freedom (number of independent variables). At this level of significance, the F table value is 2.73. The alternative hypothesis (H5) is accepted and the null hypothesis (H0) is rejected because the calculated F is much higher than the F table. This shows that Return on Assets (ROA) is significantly influenced by the variables Current Ratio (CR), Total Asset Turnover (TATO), Debt to Equity Ratio (DER), and Net Profit Margin (NPM), either alone or in combination.

In addition, it can be concluded that the four independent variables in this model can explain the variance in changes in the dependent variable (ROA) of 98.42% based on the coefficient of determination (R2) value of 0.9842 or 98.42%. This shows that CR, DER, TATO, and NPM can explain almost all variations in Return on Assets. Other variables not included in this study model, such as external economic circumstances, corporate fiscal policy, and operational management, influence the remaining 1.58% (rounded from 100% to 98.42%).

CONCLUSION

This study shows that different financial ratios have different effects on Return on Assets (ROA). With a regression coefficient of -0.022 and a significance value of 0.05, current ratio (CR) has no discernible impact on ROA. However, with a regression coefficient of 0.169 and a significance value of 0.0037, Total Asset Turnover (TATO) has a positive and substantial impact on ROA, indicating the relevance of effective asset utilization in driving sales. With a coefficient of -0.000134 and a significance value of 0.7391, Debt to Equity Ratio (DER) shows an insignificant negative relationship with ROA, indicating that asset profitability is not significantly affected by the use of debt. With a coefficient of 0.51 and a significance value of 0.000, Net Profit Margin (NPM) had a highly significant positive impact on ROA, highlighting the important role played by net profitability in the financial success of businesses.

Overall, the findings of the analysis show that, taken together, CR, TATO, DER, and NPM have a significant impact on ROA, with a calculated F value of 76.67 and a p value of 0.000. This shows that H5 is accepted and H0 is rejected, indicating that ROA is significantly affected by the combination of these four factors. With an R Square value of 0.9842, it can be said that CR, TATO, DER, and NPM are responsible for 98.42% of ROA fluctuations, while the other components are responsible for 2.57%. As business managers make strategic choices to improve asset efficiency and profitability, this study offers valuable information.

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