

**THE INFLUENCE OF CURRENT RATIO, DEBT TO ASSET
RATIO AND TOTAL ASSET TURNOVER ON PROFIT CHANGES
AT PT. UNILEVER TBK PERIOD 2014-2021**

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Abstract

This study examines the impact of the Current Ratio, Debt to Asset Ratio, and Total Asset Turnover variables on earnings changes at PT. Unilever Tbk for the period of 2014-2021. The study utilizes secondary data from 32 samples. The analysis involves descriptive analysis, classical assumption tests, multiple linear regression, and hypothesis testing. The findings indicate that the Debt to Asset Ratio variable has no significant partial effect, whereas the Current Ratio and Total Asset Turnover exhibit a significant impact on earnings changes. However, the F test reveals that when considered together, the Current Ratio, Debt to Asset Ratio, and Total Asset Turnover do not have a significant effect on earnings changes. The analysis demonstrates that the Debt to Asset Ratio has no significant impact on changes in earnings, contradicting (H2), which suggests a positive and significant relationship between the two. Conversely, Total Asset Turnover demonstrates a positive and significant effect on earnings changes, supporting (H3) which states a partial and significant influence. Simultaneously, the Current Ratio, Debt to Asset Ratio, and Total Asset Turnover do not significantly affect earnings changes, contrary to (H4) which assumes a significant combined effect. Overall, the results indicate that the Current Ratio partially influences earnings changes, while the Debt to Asset Ratio and Total Asset Turnover do not significantly affect them.

Keywords: Current Ratio, Debt to Asset Ratio, Profit Changes, Total Asset Turnover

1. INTRODUCTION

Companies strive to achieve their ultimate goal of maximizing profit, which requires them to adapt to changing circumstances. They employ various strategies to perform well, ensuring their survival and success in the competitive market. Effective management of wealth, capital, and liabilities is crucial for companies to remain competitive (Edelia & Aslami, 2022).

Investors need to analyze the financial statements of companies in order to make informed investment decisions and mitigate the risk of loss (Christanti & Mahastanti, 2011; Nofsinger, 2014). Financial statements provide valuable information for potential investors and creditors, allowing them to predict, compare, and evaluate cash flow potential in terms of amount, timing, and uncertainty (Hery, 2015). By examining a company's financial statements, stakeholders can gain insights into its financial position, performance, cash flow, and other relevant factors, including profitability (Gustina & Wijayanto, 2015). Profit serves as the basis for tax calculations, guides investment

policies (Suwardjono, 2005), and facilitates decision-making processes (Ismail et al., 2020).

Profit is commonly used as a measure of a company's achievements, providing a foundation for investment decisions and predictions about future profit changes (Faisal et al., 2018). However, predicting future profits can be challenging, as the exact amount of profit a company will earn in the upcoming year cannot be determined with certainty (Jumingan, 2006).

Financial ratios are analytical tools that connect balance sheet estimates and income statements, offering an overview of a company's history and an assessment of its current condition. By analyzing financial ratios, financial managers can anticipate the reactions of potential investors and creditors, and use this information to secure additional funds (Manurung & Silalahi, 2016).

According to Financial Accounting Concept No. 1, the objective of financial reporting for business enterprises is to provide information about a company's performance, as measured by earnings and its components. Profit, as part of accounting information, is commonly used to evaluate company performance, with higher profit levels generally associated with a more favorable assessment (Belkaoui, 2012). Profit also serves as an indicator of changes in shareholder wealth (i.e., value fluctuations) and provides estimates for future profitability (Husnan, 2016).

Within the manufacturing sector, PT. Unilever Indonesia Tbk is one of the prominent companies listed on the Indonesia Stock Exchange (IDX). As a manufacturer of beauty and household products, PT. Unilever Indonesia Tbk has a strong presence in the Indonesian market, operating since 1993 and serving the local community for 78 years. The company produces and distributes a wide range of consumer goods, including soap, detergent, margarine, food, milk, ice cream, beverages, cosmetics, and many other products. These products have gained widespread popularity among Indonesian consumers, and their quality has been widely recognized.

Table 1. Financial Report Data of PT. Unilever Tbk for the Period 2014-2021

Year	Total assets (Millions IDR)	Current asset (Million IDR)	Total Debt (Million IDR)	Sale (Million IDR)	Net profit (Million IDR)
2014	14,280,670	6,337,170	9,681,888	34,511,531	5,737,739
2015	15,729,945	6,625,114	10,902,585	36,484,030	5,851,805
2016	16,745,695	6,588,109	12,041,437	40,053,732	6,390,672
2017	18,906,413	7,941,635	13,733,025	41,204,510	7,004,462
2018	19,522,970	8,325,029	11,944,837	41,802,037	9,109,445
2019	20,649,371	8,530,334	15,367,509	42,922,563	7,392,837
2020	20,543,632	8,829,360	15,597,264	42,972,474	7,163,536
2021	19,068,532	7,642,208	14,747,263	39,545,959	5,758,148

Source: PT.UNILEVER Tbk annual report, 2023

Based on the table above, it is evident that PT. Unilever Tbk's assets have exhibited fluctuations, which have subsequently impacted its net profit. Overall, the company's assets experienced various changes during the period from 2014 to 2021. In 2015, there was a 10% increase in assets, followed by a 6% decrease in 2016. However, there was a 13% growth in 2017, and a subsequent 3.2% decrease in 2018. In 2019, assets grew by 5.7%, but there was a slight decrease of -0.5% in 2020, and a significant decrease of -7% in 2021, indicating a substantial decline compared to the previous year.

Similarly, the net profit of PT. Unilever Tbk, as shown in the data above, has also experienced fluctuations from 2014 to 2021. In 2015, the net profit was 2%, and it grew by 9% in the years 2016 and 2017. The highest growth rate was recorded in 2018, with a remarkable increase of 30% compared to other periods. However, in 2019, there was a significant decrease of -18% in net profit. In 2020, there was a slight growth of -3%, but in 2021, the net profit experienced the highest decrease of -19% compared to other periods.

2. RESEARCH METHODS

This study utilizes a quantitative research approach, which involves the collection and analysis of numerical variables. According to Sugiono (Sugiyono, 2017), quantitative research is based on the positivist philosophy and aims to examine specific populations or samples by collecting data through research instruments and analyzing it using quantitative/statistical methods to test established hypotheses.

The data for this study is sourced from secondary data, specifically the financial statements of PT. Unilever Tbk obtained indirectly through the Indonesian Stock Exchange website (www.idx.co.id). The financial statements cover the period from 2014 to 2021. Descriptive statistical techniques, classical assumption tests, multiple linear regression analysis, and hypothesis testing will be employed to analyze the collected data (Arikunto, 2010).

These analyses will be used to collect, process, and present the data. The findings can be presented using tables, charts, and figures. Multiple linear regression analysis will be used to determine the direction and magnitude of the influence of independent variables on the dependent variable (Ghozali, 2021).

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Information :

Y	= dependent variable
α	= constant
$\beta_1, \beta_2, \beta_3$	= regression coefficient
X1	= independent variable Current Ratio
X2	= Debt to Asset Ratio independent variable
X3	= independent variable Total Asset Turnover
E	= distraction

3. RESULTS AND DISCUSSION

3.1. Research Results

This study aimed to investigate the impact of independent variables, namely Current Ratio, Debt to Asset Ratio, and Total Asset Turnover, on changes in earnings using secondary data obtained from the Indonesia Stock Exchange. The dependent variable in this study is the change in profit, which represents the percentage increase in net profit achieved by the company in managing its assets.

The Current Ratio is an important measure in evaluating the effectiveness and efficiency of management in a company's business, as higher values indicate better efforts in generating profits (Kasmir, 2010). The profitability or return on assets (ROA) can be calculated by dividing the net profit before tax by the total assets owned (Angkoso, 2006). The following are the results of the profitability analysis for PT. Unilever Tbk:

In 2015, there was a 6% increase in profits compared to the previous year. This positive trend continued in 2016, with a profit increase of 8%. In 2017, the company experienced a significant profit increase of 13%. The upward trend persisted in 2018, with a further increase of 15%. However, in 2019, there was a decrease of -10% in profits. This decline continued in 2020, with a decrease of -15%, and persisted in the following year, 2021.

Table 2. Calculation of changes in PT. Unilever Tbk for the 2014-2021 period

Year	Q	Profit for the current year (Million RP)	Previous year's profit (Million RP)	Profit changes	Average
2014	Q1	1,360,981	1,431,983	-0.05	0.005
	Q2	2,847,991	2,823,890	0.01	
	Q3	4,048,929	4,090,499	-0.01	
	Q4	5,738,523	5,352,625	0.07	
2015	Q1	1,591,699	1,360,981	0.17	0.00625
	Q2	2,930,640	2,843,991	0.03	
	Q3	4,183,173	4,048,929	0.03	
	Q4	5,851,805	5,738,523	0.02	
2016	Q1	1,570,040	1,591,699	-0.01	0.0825
	Q2	3,298,207	2,930,640	0.12	
	Q3	4,750,551	4,183,173	0.13	
	Q4	6,390,672	5,851,173	0.09	
2017	Q1	1,960,841	1,570,040	0.25	0.1325
	Q2	3,623,958	3,298,207	0.09	
	Q3	5,229,400	4,750,551	0.10	
	Q4	7,044,562	6,390,672	0.09	

2018	Q1	1,839,131	1,960,841	-0.06	0.1525
	Q2	3,529,869	3,623,958	-0.02	
	Q3	7,303,493	5,229,400	0.39	
	Q4	9,109,445	7,004,562	0.30	
2019	Q1	1,748,520	1,839,131	-0.05	-0.1075
	Q2	3,697,232	3,529,869	0.05	
	Q3	5,509,603	7,303,493	-0.24	
	Q4	7,397,837	9,109,445	-0.19	
2020	Q1	1,862,681	1,748,520	0.06	0
	Q2	3,619,635	3,697,232	-0.02	
	Q3	5,438,339	5,509,603	-0.01	
	Q4	7,163,536	7,392,837	-0.03	
2021	Q1	1,698,080	1,862,681	-0.08	-0.1575
	Q2	3,045,892	3,619,635	-0.16	
	Q3	4,378,794	5,438,339	-0.19	
	Q4	5,758,148	7,163,536	-0.20	

Source: IDX published financial reports, data processed in 2023

Based on the table above, the fourth quarter of 2018 displayed the highest profit change value of 0.30, while the lowest profit change occurred in the third quarter of 2019 with a value of -0.24. To provide further insights, the average value of profit changes is illustrated in the following graph:

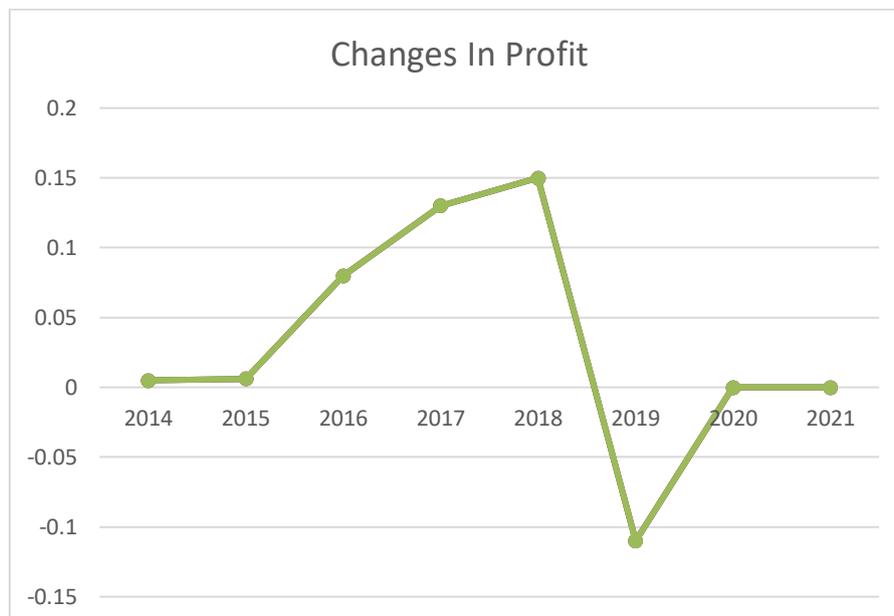


Figure 1. Profit Growth

PT. Unilever Tbk recorded a profit of 6% in 2015, followed by a profit increase of 8% in 2016 compared to the previous year. The positive trend continued in 2017 with a profit increase of 13%. In 2018, there was a further increase of 15% in profits. However, in 2019, there was a decrease of -10% in profits. This downward trend persisted in 2020 and 2021, with a decrease of -15% in both years.

3.2. Discussion

The discussion in this study focuses on the research results and findings, assessing their alignment with relevant theories, expert opinions, and previous research. The discussion is divided into three main parts: Current Ratio, Debt to Asset Ratio, and Total Asset Turnover Ratio.

Starting with the Current Ratio, the hypothesis testing results indicate a significant positive effect on changes in earnings. The t-value of 2.341 is greater than the critical t-table value of 1.699, with a significance level of 0.027, which is less than 0.05. This suggests that a higher Current Ratio positively impacts the company's earnings.

On the other hand, the hypothesis testing results reveal that the Debt to Asset Ratio variable does not have a significant effect on earnings changes. The calculated t-value of 0.832 is lower than the critical t-table value of 1.699, and the significance level is 0.384, which is greater than 0.05. A high Debt to Asset Ratio indicates increased debt levels, which may hinder the company's ability to obtain additional loans and negatively impact its operational activities and profits.

Regarding the Total Asset Turnover variable, the hypothesis testing results demonstrate a significant positive effect on changes in earnings. The t-value of 1.946 exceeds the critical t-table value of 1.699, with a significance level of 0.042, which is less than 0.05. This indicates that the company effectively utilizes its assets to generate higher sales and, consequently, higher profits.

Overall, the findings suggest that the Current Ratio and Total Asset Turnover have a significant partial effect on changes in earnings. However, the Debt to Asset Ratio does not show a significant impact on earnings changes. These results align with the hypotheses tested and provide insights into the relationship between these financial ratios and earnings at PT. Unilever Tbk.

4. CONCLUSION

In conclusion, the findings of this study indicate that the Current Ratio variable has a positive and significant partial effect on changes in earnings at PT. Unilever Tbk. This means that an increase in the Current Ratio is associated with an increase in the company's profits. On the other hand, the Debt to Asset Ratio variable shows a negative and partially insignificant effect on changes in profits at PT. Unilever Tbk. This implies that the Debt to Asset Ratio does not have a significant impact on earnings changes.

Furthermore, the Total Asset Turnover variable demonstrates a partial positive and significant effect on changes in profits at PT. Unilever Tbk. This suggests that an increase in Total Asset Turnover is associated with an increase in the company's profits. However, when considering all variables simultaneously, the results indicate that there is a negative

and insignificant effect between the Current Ratio, Debt to Asset Ratio, and Total Asset Turnover variables on changes in profits at PT. Unilever Tbk.

Based on the research findings, several recommendations can be suggested for PT. Unilever Tbk to enhance its financial performance. Firstly, the company should focus on effective management of its Current Ratio to maintain a healthy balance between current assets and liabilities. Secondly, while the Debt to Asset Ratio was found to have no significant impact on profits, careful evaluation of debt levels and borrowing practices is still important. Thirdly, efforts should be made to improve Total Asset Turnover by optimizing asset utilization and increasing sales turnover. Regular monitoring and analysis of financial ratios, along with further research on additional variables, would also support informed decision-making. By implementing these recommendations, PT. Unilever Tbk can strengthen its financial position and drive sustainable growth in the market.

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