

# THE INFLUENCE OF TOTAL ASSETS TURNOVER, CURRENT RATIO AND WORKING CAPITAL ON PROFITABILITY IN PT. ASTRA AGRO SUSTAINABLE

Irawati<sup>1\*</sup>, Augusted<sup>2</sup>

<sup>1</sup> Indonesia School of Economics (STIESIA) Surabaya, Indonesia

<sup>2</sup> Universitas Muhammadiyah Riau, Pekanbaru, Indonesia

\*Corresponding Author: [irawati@stieindragiri.ac.id](mailto:irawati@stieindragiri.ac.id)

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**Abstract:** This study aims to determine the effect of *Total Assets Turnover*, *Current Ratio* and *Working Capital* on the profitability of PT. Astra Agro Lestari (Persero). The researcher uses a quantitative approach, the analytical tool used is SPSS 21. This type of research uses secondary data. The analysis technique used in this study is multiple linear regression and Simultaneous hypothesis testing (F test) where Total Asset Turnover, Current Ratio and Working Capital simultaneously have no effect on Profitability. Then the partial hypothesis test (t test) where Total Asset Turnover has no effect on Profitability, Current Ratio has no effect on Profitability and Working Capital also has no effect on profitability. Then the relationship between *Total Assets Turnover*, *Current Ratio* and Working Capital to Profitability is very strong.

**Keywords:** Total Assets Turnover, Current Ratio, Working Capital, and Profitability

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## 1. Introduction

A company usually has a goal to get the maximum profit. When viewed from the development of increasingly fierce competition between companies, it requires a company to be able to increase their business in order to survive. In increasing their business, of course, the company requires a lot of additional funds. The more funds used, the greater the operational activities they carry out. Vice versa, the less funds used, the lower the operational activities.

The financial activities of a company are integrated with each other to achieve the level of profitability that has been targeted by the company. These activities are usually related to activities using funds, obtaining funds and also profit sharing (dividend policy).

In today's digital era, it is easy for the public, both investors and creditors, to access this financial information. For example, information about company profitability.

Competition between companies usually makes every company try to be more competitive so as not to lose to compete with other companies. Companies must be able to manage their finances well, meaning that financial management policies must be able to ensure the continuity of the company's business. The purpose of the establishment of the company is to gain profits and maintain the existence of the company, by increasing all company activities and optimizing the resources owned so that the company achieves maximum profit. To measure the efficiency of a company's activities in obtaining profits, it can be measured using a profitability ratio (Dwiyanthi and Sudiarta, 2017).

Profitability has a very important role with business activities to maintain the survival of the company going forward. Thus, profitability can be a picture of the company having good prospects in economic development in the future. In addition, one way that can be used is to use the rate of return on assets or usually called *Return on Assets (ROA)* (Barus, Caroline, & Leliani, 2013).

**Table 1. An overview of the Return On Assets of PT. ASTRA AGRO LESTARI (Persero), 2016 – 2020 period**

Year	Earnings After Tax	Total Assets	ROA
2016	2213385.00	24226122.00	0.0914
2017	2069786.00	24435426.00	0.0830
2018	1520723.00	26856987.00	0.0566
2019	243629,00	26974124,00	0.0090
2020	893779.00	27781231.00	0.0322

Source: Processed data for 2021

Based on the table above that the *Return on Assets* of PT. Astra Agro Lestari for the 2016 – 2020 period, the data fluctuated. Starting in 2016 it was 0.0914 then decreased until 2019 to 0.0090 then rose again in 2020 to 0.0322.

From the background of the problem, the researcher raised the research with the title: Effect of *Total Assets Turnover*, *Current Ratio* and working capital to profitability at PT. astra agro lestari (Persero).

The research variables are:

The independent variables are:

- $X_1$  is *Total Assets Turnover*
- $X_2$  That is *Current Ratio*
- $X_3$  That is Working Capital

The dependent variable is:

Y is Profitability

### Formulation of the problem

Based on the description of the problem above, the formulation of the problem that the writer will examine is:

- Does *Total Assets Turnover*, *Current Ratio* and Working Capital simultaneously affect Profitability at PT. Astra Agro Lestari (Persero)?
- Does *Total Assets Turnover* partially affect profitability at PT. Astra Agro Lestari (Persero)?
- Does the *Current Ratio* partially affect profitability at PT. Astra Agro Lestari (Persero)?
- Does working capital partially affect profitability at PT. Astra Agro Lestari (Persero)?

## 2. Literature Review

### Profitability

Profitability is one of the indicators used to measure the company's financial performance. Profitability ratios will show the combined effects of liquidity, asset management and debt on operating results (Brigham & Houston, 2006).

Profitability is the company's ability to earn profits in relation to sales, total assets, and own capital (Sartono, 2012:122).

Meanwhile, according to Fahmi (2015: 80), the profitability ratio is a measure of the overall management effectiveness which is indicated by the size of the level of profit obtained in relation to sales and investment.

Profitability indicators in this study use the return on total assets ( *Return on Assets* or ROA) according to Brigham (2014; 148), while the formula is

$$ROA = \frac{\text{Net Income After Tax}}{\text{Total Aset}}$$

Source: Gitman and Zutter

### Factors Affecting Profitability

Factors that affect profitability include: (Pontoh, 2016: 45)

- a. *Current Ratio*
- b. *Total Asset Turnover*
- c. *Cash Turnover*
- d. *Working Capital Turnover*

### Total Assets Turn Over

According to Rangkuti (2004), the activity ratio aims to measure the extent to which the company's activities use their funds effectively and efficiently.

The activity ratio should assume that there is a balance between the different elements of the sale and inventory of assets, assets and other low fixed assets.

The ratio used here is *Total Asset Turnover*. *Total Asset Turnover* is to measure the efficiency of asset use to generate sales comparisons and is the company's total assets where this relationship describes the overall asset turnover rate within a certain period of time. The formula used is:

$$\text{Total Asset Turnover} = \frac{\text{Penjualan}}{\text{Total Aset}}$$

Source: Gitman and Zutter

### Current Ratio

Liquidity is the ability of a company to pay off its financial obligations that must be paid off immediately. The level of measure of this liquidity is the *Current ratio*. *Current Ratio* is obtained by dividing current assets with current liabilities (Jumingan, 2009; 123)

$$\text{Current Ratio} = \frac{\text{Aktiva Lancar}}{\text{Hutang Lancar}}$$

Source: Gitman and Zutter

### Working capital

According to Sunyoto (2013, 140), excessive working capital indicates unproductive funds, and this will cause losses for the company because the opportunity to earn profits has been wasted.

According to Utari (2014: 90), working capital is a company's investment in the short term: cash, securities, receivables and inventories.

Meanwhile, according to Harmono (2018: 193), working capital is current assets, while the components of current assets include cash and cash equivalents, receivables, inventories, and other current assets.

Working Capital = current Assets – current Liabilities

Source: Utari at all

### Previous Research Journal

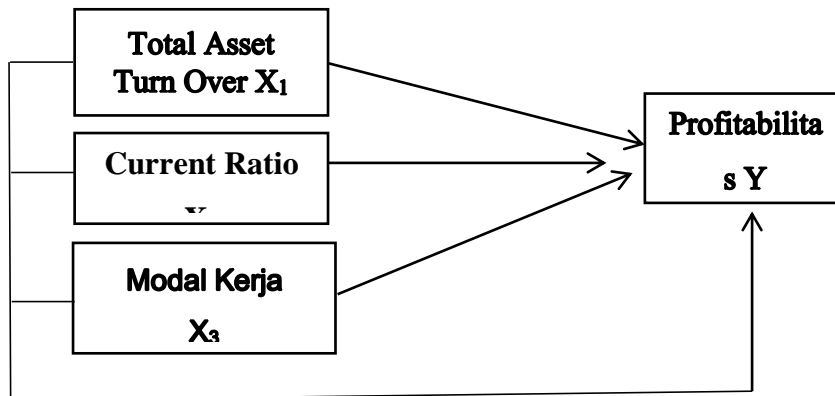
The previous research aimed to obtain comparison and reference material. In addition, it is also useful to avoid the assumption of similarity with this study. The previous research journals are as follows:

**Table 2. Previous research journals**

No	Name of researcher and year of research	Research Title	Research variable	Research result
1.	Widodo (2018)	Analysis of the effect of <i>Current Ratio, Total Asset Turnover and Debt to Asset Ratio on Return On Asset Ratio.</i>	$X_1 = \text{Total Asset Turnover}$ $X_2 = \text{Current Ratio}$ $Y = \text{Return on Assets}$	$X_1 Y \rightarrow$ Influential (+) $X_2 Y \rightarrow$ Influential (+)
2.	Saragih (2015)	Effect of <i>Current Ratio on Return on Assets</i> in the company Miscellaneous Industry Sector on the IDX.	$X_2 = \text{Current Ratio}$ $Y = \text{Return on Assets}$	$X_2 Y \rightarrow$ Influential (+)
3.	Herliana (2021)	Effect of <i>Current Ratio and Debt to Equity Ratio on Return on Assets</i> in Coal sub-sector mining companies listed on the IDX in 2016 - 2018	$X_2 = \text{Current Ratio}$ $Y = \text{Return on Assets}$	$X_2 Y \rightarrow$ Influential (+)
4.	Adiko (2017)	Effect of <i>Current Ratio and Total Asset Turnover on Roa</i> in Pharmaceutical Sector companies listed on the IDX 2009 - 2013	$X_1 = \text{Total Asset Turnover}$ $Y = \text{Return on Assets}$	$X_1 Y \rightarrow$ Influential (+)
5.	Indriyani, et. all. (2017)	Analysis of the Effect of <i>Current Ratio and Total Asset Turnover on Return On Assets</i> (Case Study at PT. Pelabuhan Indonesia II (Persero) Pangkal Balam Branch.	$X_1 = \text{Total Asset Turnover}$ $Y = \text{Return on Assets}$	$X_1 Y \rightarrow$ Influential (+)
6.	H. Alimudin (2016)	Effect of Working Capital on Profitability	$X_3 = \text{Working Capital}$ $Y = \text{Profitability-bag}$	$X \rightarrow_3 Y$ No Influence
7.	N. Nurlela (2018)	<i>Analysis of the Effect of Working Capital on Profitability</i> , Journal of Mulawarman Scientists.	$X_3 = \text{Working Capital}$ $Y = \text{Return On Assets}$	$X \rightarrow_3 Y$ Influential (+)

### Framework

The Thinking Framework is to describe a research paradigm as an answer to a research problem. The following is the framework of thought in this study that illustrates the hypothesis in this study:



**Research Hypothesis**

The hypothesis according to Good and Scates in (Suharyadi, 2016) is an assumption or a temporary accepted reference, which can explain the empirical facts observed in the research process, namely as a guide in decision making. Based on the research formulation, the research hypothesis is assumed as follows:

- H 1: *Total Assets Turn Over, Current Ratio* and Working Capital simultaneously affect profitability.
- H 2: *Total Assets Turn Over* partially affects profitability.
- H 3: *Current Ratio* partially affects profitability.
- H 4: Working capital partially affects profitability.

**3. Method**

This research was conducted at PT. Astra Agro Lestari (Persero). The author examines profitability from 2016-2020. The type of data used in this study is secondary data obtained from the financial report data of PT. Astra Agri Lestari (Persero) which the author obtained from the Indonesia Stock Exchange. The data analysis technique is quantitative method. Data analysis used classical assumption test analysis, normality test, multicollinearity test, heteroscedasticity test, autocorrelation test. Multiple linear regression analysis using the equation

$$Y = \alpha + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + e$$

Furthermore, the authors conducted a hypothesis test, namely the simultaneous test and partial test.

**4. Result and Discussion**

**Classic assumption test  
Normality test**

Normality test was conducted to see whether in the regression model the dependent variable and the independent variable were both normally distributed or not. A good regression model is a regression model that has normally distributed data.

**Tabel 2. Uji Normalitas menggunakan sample Kolmogorov Smirnov**

One-Sample Kolmogorov-Smirnov Test			
			Unstandardized Residual
<b>N</b>			5
<b>Normal Parameters<sup>a,b</sup></b>	Mean	.0000000	
	Std. Deviation	.01938931	
	<b>Most Extreme Differences</b>	Absolute	.225
		Positive	.157
		Negative	-.225
<b>Kolmogorov-Smirnov Z</b>			.504
<b>Asymp. Sig. (2-tailed)</b>			.961
<b>a. Test distribution is Normal.</b>			
<b>b. Calculated from data.</b>			

Source: SPSS 21 processed data

Based on the results of the Kolmogorov Smirnov normality test, it is known that the significance value is  $0.961 > 0.05$ , so it can be concluded that the residual value is normally distributed. Thus the assumption or normality requirement to continue the analysis can be continued to multiple linear analysis.

#### Autocorrelation Test

The autocorrelation test usually aims to determine whether there is a correlation between the confounding variables on certain variables and the previous variables.

**Table 3. Autocorrelation Test Results**

Model	Model Summary <sup>b</sup>				
	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.956 <sup>a</sup>	.913	.653	202.82226	3.054
<b>a. Predictors: (Constant), MK, TATO</b>					
<b>b. Dependent Variable: PROFITABILITY</b>					

Source: Data processed with SPSS 21, 2021

Based on the results of the autocorrelation test, it can be seen that the Durbin Watson value is 3.054, meaning that in this study there was no autocorrelation because Darbin Watson was  $3.054 > 0.05$ , so it was concluded that in this study there was no autocorrelation.

#### Multicollinearity Test

**Table 4. Multicollinearity Test Results**

Model	Collinearity Statistics	
	Tolerance	VIF
1	(Constant)	
	TATTOO	.187
	CR	.101
	WC	.109

Source: Processed data with SPSS 21 in 2021

Based on the table of collinearity test results, it can be concluded that there is no multicollinearity in the data in this study. This statement is based on the test results above where it is known that:

- a. The Tolerance Value of the *Total Asset Turnover*, *Current Ratio* and Working Capital variables is  $0.101 > 0.10$
- b. Value of VIF Variable *Total Asset Turnover*, *Current Ratio*, and Working Capital is  $9.757 < 10.00$

**Heteroscedasticity Test**

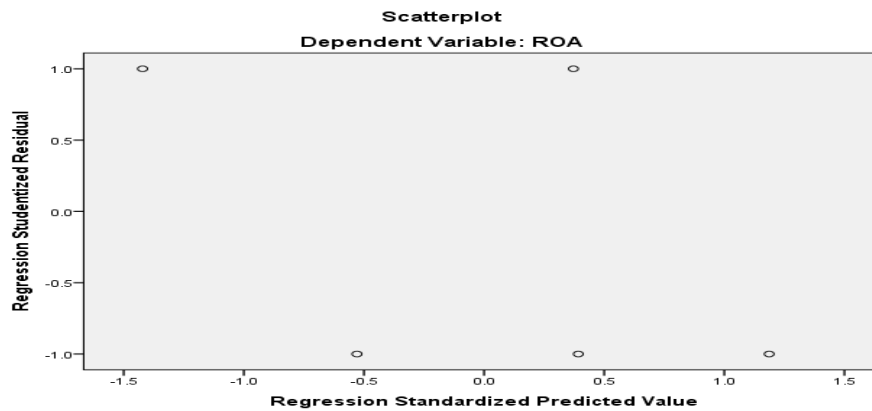


Figure 1. Heteroscedasticity Test Results  
Source: SPSS 21 year 2021 processed data

Based on the picture above, it can be concluded that there is no heteroscedasticity in the data in this study. Because it is proven from the figure that the dots spread randomly and do not form a certain pattern. And spread both above and below zero on the Y axis.

**1. Multiple Linear Regression Analysis**

**Table 5. Multiple Linear Regression Analysis**

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	6544,979	3564,218	
	TATTOO	-.655	.452	-.988
	CR	-.190	.101	-5,273
	WC	,001	.000	4.849

Source: SPSS 21 year 2021 processed data

Based on the table above, the Linear Regression equation can be made as follows:

$$Y = 6544,979 - 0.655 X_1 - 0.190 X_2 + 0.001 X_3$$

Based on the regression equation can be explained as follows:

- a. If Total Asset Turnover, Current Ratio and Working Capital are zero, the profitability is 6544,979 at PT. Astra Agro Lestari (Persero) for the 2016-2020 period.
- b. If the Total Assets Turnover increases by one unit while the Current Ratio and working capital are zero or fixed, the profitability will decrease by 0.655 at PT. Astra Agro Lestari (Persero) for the 2016-2020 period.

- c. If the Current Ratio increases by one unit, while the total asset turnover and working capital are zero or fixed, the profitability will decrease by 0.190 at PT. Astra Agro Lestari (Persero) for the 2016-2020 period.
- d. If the working capital increases by one unit, while the Total Asset Turnover and Current Ratio are zero or fixed, the profitability will increase by 0.001 at PT. Astra Agro Lestari (Persero) for the 2016-2020 period.

## 2. Correlation Coefficient and Determination Coefficient

From table 3 above, it can be seen that the correlation coefficient ( $r$ ) is 0.956, this indicates that the relationship between *Total Asset Turnover*, *Current Ratio* and Working Capital with Profitability is very strong. Then the Coefficient of Determination shows a number of 0.653 or 65.3% meaning that *Total Asset Turnover*, *Current Ratio* and Working Capital are able to explain Profitability of 65.3% while the remaining 34.7% can be explained by other variables not discussed in this study.

## 3. Hypothesis testing

The hypothesis to be tested is a simultaneous test and a partial test as follows:

### Simultaneous Test (F Test)

This simultaneous test shows whether all the independent variables included in this study have a joint effect on the dependent variable (dependent).

**Table 6. Model Feasibility Test**

		ANOVA <sup>a</sup>				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	433442.330	3	144480,777	3,512	.369 <sup>b</sup>
	Residual	41136,870	1	41136,870		
	Total	474579.200	4			

a. Dependent Variable: PROFITABILITY

b. Predictors: (Constant), MK, TATO

Source: SPSS 21 year 2021 processed data

Based on the table above, it can be seen that the significance is  $3.512 > 0.05$ , meaning that the *Total Asset Turnover*, *Current Ratio* and Working Capital variables are not significant to the Profitability variable.

### Partial Test (t Test)

**Table 7. Partial Test**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6544,979	3564,218		1,836	.317
	TATTOO	-.655	.452	-.988	-	.384
	CR	-.190	.101	-5,273	1,450	.311
					-	
					1,880	
	WC	,001	.001	4.849	1.595	.357

Source: SPSS 21 year 2021 processed data

Based on the table t test results can be seen that:



### Variable Total Asset Turnover

The partial test results show that Total Asset Turnover has no significant effect on the Profitability variable because the significance is  $0.384 > 0.05$ , meaning that  $H_2$  is rejected, which means that *Total Asset Turnover* has no significant effect on Profitability.

This shows that this research is not in line with research by Djakia and Kisman (2021), Nia Agustina Dewi (2020), Amrita Maulidia Rahmah (2016), which states that *Total Assets Turnover* has an effect on profitability.

### Variable Current Ratio

The results of the partial test show that the Current Ratio has no significant effect on the Profitability variable because its significance is  $0.311 > 0.05$ , meaning that  $H_3$  is rejected, which means that the *Current Ratio* has no significant effect on Profitability.

This shows that this research is in line with research by Djakia and Kisman (2021), Nia Agustina Dewi (2020), Herman Supardi (2016), which states that the *Current Ratio* has no effect on profitability. However, this is contrary to the results of research by Amrita Maulidia Rahmah (2016) which states that the *Current Ratio* has an effect on *Return on assets*.

### Working Capital Variable

The working capital variable is not significant to the profitability variable because its significance is  $0.357 > 0.05$ , meaning that  $H_4$  is rejected, meaning that working capital has no significant effect on profitability.

This means that the results of this study are in line with the research of H. Alimudin (2016) which states that working capital has no significant effect on profitability. However, it is not in line with the results of research from N. Nurlala (2018) which states that Working Capital has a positive and significant effect on Return on Assets.

## 5. Conclusions

1. *Total Asset Turnover*, *Current Ratio* and Working Capital simultaneously have no significant effect on the profitability of PT. Astra Agro Lestari (Persero)
2. *Total Asset Turnover* partially has no significant effect on the profitability of PT. Astra Agro Lestari (Persero).
3. *Current Ratio* partially does not have a significant effect on the profitability of PT. Astra Agro Lestari (Persero).
4. Working capital partially has no significant effect on the profitability of PT. Astra Agro Lestari (Persero).

### Suggestion

1. It is hoped that PT. Astra Agro Lestari (Persero) in order to increase the company's profit so that its profitability increases. Because the level of company profitability is classified as very low.
2. For further researchers, it is recommended that if you examine the profitability of this company, you can use other variables, because there are still big opportunities.

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