The Effect Of CR, DER, And DAR On Profitability On Cigarettes Listed On The Indonesia Stock Exchange Period 2015-2017

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ABSTRACT

This study aims to determine the extent of the influence of the current ratio (CR), Debt to asset ratio (DAR), and Debt to equity ratio (DER) on profitability. This research was conducted on cigarette companies listed on the Indonesia Stock Exchange for 2015-2017. The sampling method used was the purposive sampling method with a total sample of 4 observations. The data used is secondary data in the form of audited financial reports registered and published by the Indonesia Stock Exchange through the website www.IDX.co.id. The analytical method used in this research is multiple linear regression analysis with the SPSS Statistics 24 tool. The descriptive statistical test is used to describe the data in the study; the classical assumption test is used to test the existence of bias estimates. The results of this study indicate that partially DAR and DER do not affect profitability while CR somewhat affects profitability. Simultaneous effects, namely CR, DAR, and DER, affect profitability. CR, DAR, and DER affect profitability by 0.541 or 54.1%, while the remaining 45.9% is influenced by other variables not examined.

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INTRODUCTION

In the current era of free-market competition, a company's survival depends on the company's ability to generate profits. Profitability ratios are significant for all users of financial statements, especially investors and creditors. Profitability is a factor that should get considerable attention because to carry on its life; a company is in good condition (profitable).

The liquidity ratio is a ratio that describes the company's ability to meet its short-term financial obligations (debt). The liquidity ratio used in this study is the current ratio (CR). The current ratio (current ratio) is used to measure the company's ability to pay its existing debts using existing assets.

The use of debt in financing operational activities is considered unhealthy because it can reduce profits. After all, the use of debt will cause interest expenses. Leverage is a tool to measure how much the company is financed by debt. Debt to Asset Ratio (DAR) is the leverage indicator used in this study, where DAR is the ratio used to assess debt to assets.

The object in this study is a cigarette company listed on the Indonesian stock exchange. The sampling technique used is purposive sampling. The following is the research sample selection process used based on the criteria:

Table 1. Research Sample Selection Process

No	Criteria	Amount
1	Cigarette companies listed on the Indonesia Stock Exchange during 2015-2017.	4
2	The company has never been delisted during the 2015-2017 period	4
3	Cigarette companies that publish complete financial statements for the 2015-2017 period	4
Observation Year		3
Number of observations sampled during the study period		12

Source: Processed primary data (2020)

LITERATURE REVIEW

A. Financial statements

Financial reports on is the end result of accounting activities. Financial statements are not only as a testing tool but also as a basis for determining and assessing the financial position of a company by analyzing its financial statements. Financial statements are information for users, especially company owners, investors, creditors, and also management to make decisions regarding the company in the future [1].

Financial statements report what actually happened to assets, profits and dividends over the last few years [2]. The purpose of financial statements is to provide information regarding the financial position, performance and changes in the financial position of a company that is useful for a number of people users in making economic decisions [3].

B. Financial Ratio

One way to obtain useful information from the company's financial statements is to perform financial ratio analysis. Financial ratios are activities to compare the numbers in the financial statements by dividing one number by another [4]. There are several ways that can be used to analyze a company's financial statements, but ratio analysis is a very commonly used thing, which connects two financial data (balance sheet or income statement), either individually or a combination of both, by dividing one data with other data [5]. Meanwhile, there are 5 types of financial ratios [2], namely:

    a. Liquidity Ratio
    b. Leverage Ratio
    c. Activity Ratio
    d. Profitability Ratios
    e. Market Value Ratio

C. Current Ratio

One of the liquidity ratio measurements is the Current Ratio (CR) which is a ratio used to measure the company's ability to meet its short-term obligations [6]. Meanwhile, according to Prayudita Maulita & Mujino, (2019) the current ratio shows the company's ability to meet its current obligations, namely operating costs [7].

The current ratio shows the company's ability to meet the obligations of the company [8]. Where the high current ratio can indicate a good company performance in increasing the value of the company will be followed by an increase in stock prices. Low current ratio indicates risk, while a high current ratio indicates an excess of current assets, which will have an adverse effect on company performance. Current assets generally produce lower returns than fixed assets [9].

D. Debt to Equity Ratio (DER)

Debt to Equity Ratio is one of the ratios used to measure the company's solvency level. This relates to financing decisions and calculates the share of each rupiah of own capital which is used as collateral for the entire debt [10]. DER is the ratio between the total long-term debt with equity or equity in the company's financing. This ratio shows the company's ability to fulfill all its responsibilities with its own capital. The greater the value of this ratio means that the own capital is smaller than the debt.

E. Debt Asset Ratio (DAR)

Debt Asset Ratio shows the amount of total debt that can be guaranteed by total assets. The higher the debt ratio, the higher the financial risk faced by the company is higher because debt carries the consequence of a fixed interest expense. Debt Ratio is the ratio between total debt and total assets. Debt to Asset Ratio has a negative effect on Return on Assets. Which means if the Debt to Asset Ratio increases, the profitability will decrease [11].
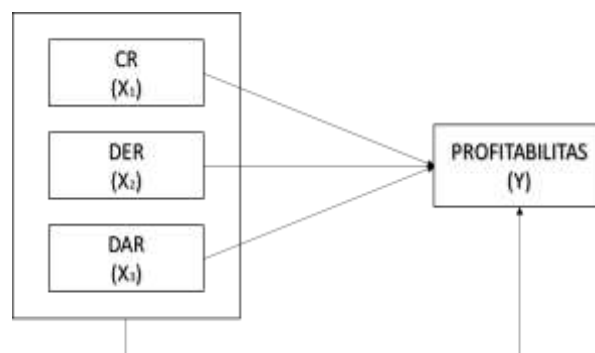
F. Profitability Ratio

The most important goal of a company is to be able to generate maximum profit or profit. The ultimate goal to be achieved by a company is the most important is to obtain maximum profit or profit. The profitability ratio is a ratio to have the company's ability to seek profit [4]. That profitability is the net result of a series of policies and decisions. This ratio also provides the level of management effectiveness of a company [2]. This is indicated by the profit generated from sales and investment income. The point is that the use of this ratio shows the efficiency of the company.

G. Hypothesis

Based on the theoretical framework of the relationship between the variables above, the proposed research hypothesis is as follows:
H_1: CR affects the profitability of cigarette companies listed on the IDX.

H_2: DER affects the profitability of cigarette companies listed on the IDX.
H_3: DAR affects the profitability of cigarette companies listed on the IDX.

H_4: CR, DER and DAR affect the profitability of cigarette companies listed on the IDX.

Figure 1. Researcher's framework

METHODS

a. Population and Sample

The population of this research is cigarette companies that are listed on the Indonesia Stock Exchange (IDX). The sample companies are cigarette companies that are listed on the Indonesia Stock Exchange with the research period being conducted in 2015-2017. The sampling technique used is purposive sampling.

Based on this method, the criteria for determining the sample used in this study are as follows:

a) Cigarette companies listed on the Indonesia Stock Exchange during 2015-2017.
b) The company has never been delisted during the 2015-2017 period.
c) The cigarette company publish complete financial statements for the 2015-2017 period.

b. Data source

Sources of data used are also secondary data. Secondary data sources come from published studies (usually focusing on survey results or case studies featuring one or more incidents), document analysis, and retrieval of

information from organizational databases [12]. The data is the financial statements of cigarette companies listed on the Indonesia Stock Exchange (IDX) and published by the Indonesian Capital Market Directory (ICMD) sourced from the website www.idx.co.id.

c. Data Analysis Techniques

In order to test the formulated hypothesis, the regression model used is multiple linear regression with the help of SPSS (Statistical Product Service Solution). Multiple regression analysis is used by researchers, with the aim of predicting how the condition (up and down) of the dependent variable will be, if two or more independent variables as predictor factors are manipulated (increase in value) [13]. So, this analysis was carried out because the number of independent variables studied was more than one variable.

RESULTS AND DISCUSSION

Based on the scope of the language descriptive statistics include measures of central values (mean, median, mode, quartile and so on); size dispersion (range, deviation, average, variation, standard deviation, and so on) and other sizes [14]. The following are the results of descriptive statistical tests.

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Profitabilitas	12	-128.868	314.336	90.100	1.498.451
CR	12	-1.685.280	1.238.979	3.407.308	17.198.550
DAR	12	-1.790	1.833	.3667	.28959
DER	12	-1.661	1.221	-.0367	157.757

Source: Processed primary data (2020)

Table 2 shows the results that the research variable has the amount of data that became the research sample as many as 12 companies with a minimum value on profitability, namely Rp. -1,661 and a maximum value of Rp. 314,336. The minimum CR value owned by the company is -1,685,280 and the maximum is 1,238,979. The minimum DAR value owned by the company is -1,790 and the maximum is 1,833. The minimum value of DER owned by the company is -1,661. and a maximum of 1,221.

1. Autocorrelation Test Results

This test aims to test whether in the regression modal there is a correlation between the confounding error in period t and the error in period t-1 (previous). This test was conducted because the study used time series data. A good regression model is a regression that is free from autocorrelation which can be tested through the Durbin-Watson test (DW Test) with the condition that if the DW number is below -2 it means there is a positive autocorrelation, if the DW number is between -2 to +2 then there is no autocorrelation and if the DW number is above +2 then there is a negative autocorrelation.

Table 3. Descriptive Statistics

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.816[a]	.666	.541	1.014.712	1.697

Based on table 3, it can be seen that the Durbin Watson value is 1.697 where the value is between the values of -2 to +2 so it can be concluded that in the regression model there is no autocorrelation symptom.

2.   Multicollinearity Test Results

The multicollinearity test aims to test whether in the regression model there is a correlation between the independent variables or not. A good regression model should not have a correlation between the independent variables. Orthogonal variables are independent variables equal or zero, to detect the presence or absence of multicollinearity is to analyze the correlation of the independent variables or can also look at the tolerance value and the value of the variance inflation factor (VIF). The values commonly used to indicate the presence of multicollinearity are tolerance values > 0.10 or VIF values < 10 [14].

Table 4. Multicollinearity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constnt)	125.075	65.698		-1.904	.093		
	CR	.178	.073	2.045	2.450	.040	.060	16.721
	DAR	203.699	114.561	3.937	1.778	.113	.009	117.582
	DER	36.196	18.646	3.811	1.941	.088	.011	92.440

Table 4 shows the results, namely the independent variable has a VIF value of CR variable of 16,721, the value of the DAR variable is 117,582, and the value of the DER variable is 92,440. The value is less than 10. Then the independent variable has a tolerance value for the CR variable of 0.060, the DAR variable value is 0.009, and the DER variable value is 0.011, and where the value is less than 0.1. Based on these results, it can be concluded that the regression model can correlate between independent variables or the independent variables contain multicollinearity.

3.   Multiple Linear Regression Test Results

Hypothesis testing is done by using multiple linear analysis model is a linear relationship between two or more independent variables (X_1, X_2) with the dependent variable (Y). The regression model used to test the hypothesis in this study are:

Table 5. Multiple linear regression test results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.

		B	Std. Error	Beta		
1	(Constant)	-125.075	65.698		-1.904	.093
	CR	.178	.073	2.045	2.450	.040
	DAR	203.699	114.561	3.937	1.778	.113
	DER	36.196	18.646	3.811	1.941	.088

Source: Processed primary data (2020)

Y = -125.075 + 0.178x1+203.699x2+36.196x3+ ε

Information:

Y: Profitability

α: Constant

β: Reg . coefficient

X_1: CR

X_2: DAR[1]

X_3: DER[1]

ε: Error

4. Partial test results

This test is intended to partially test the effect of the independent variables on the dependent variable and with other variables considered constant and with a 95% confidence level (= 0.05). This test is carried out by comparing the significance of t arithmetic with the following provisions:

a) If the significance of t count < 0.05 then Ha is accepted

b) If the significance of t count > 0.05 then Ha is rejected

Based on table 5 shows the results that the CR variable has a significant value of 0.040 where the value is smaller than 0.05 (0.040 > 0.05) so it can be concluded that H1 is accepted or CR has an effect on profitability. The DAR variable has a significant value of 0.113 where the value is greater than 0.05 (0.113 > 0.05) so it can be concluded that H2 is rejected or DAR has no effect on profitability. The DER variable has a significant value of 0.088 where the value is greater than 0.05 (0.088 > 0.05) so it can be concluded that H_3 is rejected or DER is not effect on profitability.

5. Multiple Linear Regression Test Results

Hypothesis testing is done by using multiple linear analysis model is a linear relationship between two or more independent variables (X_1, X_2) with the dependent variable (Y). The regression model used to test the hypothesis in this study are:

This test is intended to partially test the effect of the independent variables on the dependent variable and with other variables considered constant and with a 95% confidence level (= 0.05). This test is carried out by comparing the significance of t arithmetic with the following provisions:

a) If the significance of t count < 0.05 then Ha is accepted

b) If the significance of t count > 0.05 then Ha is rejected

Based on table 5 shows the results that the CR variable has a significant value of 0.040 where the value is smaller than 0.05 (0.040 > 0.05) so that it can be concluded that H1 is accepted or CR has an effect on profitability. The DAR variable has a significant value of 0.113 where the value is greater than 0.05 (0.113 > 0.05) so it can be concluded that H2 is rejected or DAR has no effect on profitability. The DER variable has a significant value of 0.088 where the value is greater than 0.05 (0.088 > 0.05) so it

can be concluded that H3 is rejected or DER is not effect on profitability.

6.   Simultaneous Test Results

This test is used to determine whether the coefficients of all independent variables have a significant effect or not on the dependent variable. The level of significance (α) used in this test is 5%. The decision making in this test is if the significance (α) < 0.05 then Ha is accepted and if the significance (α) > 0.05 then Ha is rejected.

Table 6. Simultaneous Test Results

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.646.180	3	548.727	5.329	.026[b]
	Residual	823.712	8	102.964		
	Total	2.469.892	11			

Source: Processed primary data (2020)

Table 6 shows the results that the significant value is 0.026 where the value is smaller than 0.05 (0.026 < 0.050). Based on these results, it can be concluded that H4 is accepted, namely, CR, DAR and DER have an effect on profitability.

CONCLUSION

Departing from the results of hypothesis testing with SPSS version 23 analysis tools and the results of the discussion and analysis, it can be concluded that this research is as follows: Current Ratio partially affects the profitability of cigarette companies listed on the IDX, Debt to Asset Total Ratio partially has no effect on profitability in cigarette companies listed on the BEI, Debt to Equity Ratio partially has no effect on profitability in cigarette companies listed on the IDX, CR, DAR and DER simultaneously affect the profitability of cigarette companies listed on the IDX.

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