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EFFECT OF DEBT TO EQUITY RATIO, CURRENT RATIO AND DEBT TO ASSET RATIO ON RETURN ON ASSET AT KUD TANI BAHAGIA, INDRAGIRI HULU REGENCY

Angga Hapsila [1], Ivalaiana Astarina [2], Agus Supriyadi [3], Yudha Remofa [4], Puspa Dewi[5]
[1)2)3)4)5)]Management Study Program, Economics College of Indragiri Rengat
14, R. Soeprapto St., Rengat, Indragiri Hulu, Riau
anggahapsila@stieindragiri.ac.id [1] ivalainaastarina@stieindragiri.ac.id [2]
agussupriyadi@stieindragiri.ac.id[3] yudharemofa@stieindragiri.ac.id[4]
puspadewi@stieindragiri.ac.id[5]
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ABSTRACT

This research was conducted forknow the effectDebt to Equity Ratio, Current Ratio and Debt to Assets Ratio to Return on Assets at KUD Tani Bahagia, Indragiri Hulu Regency. This study uses secondary data by looking at the financial statements at KUD Tani Bahagia. The researcher processed the data using multiple linear regression which processed it using SPSS (statistical package for social science) version 21 to get the output to conclude the results of this study. From research resultsthat isDebt to Equity Ratio, Current Ratio and Debt to Assets Ratio partially effect toReturn on Assets at KUD Tani Bahagia.

Keywords: Debt to Equity Ratio, Current Ratio, Debt to Assets Ratio, Return on Assets.

INTRODUCTION

Cooperatives aim to promote the welfare of members in particular and society in general and to participate in building the national economic order in order to create an advanced, just and prosperous society based on Pancasila and the 1945 Constitution. To achieve this goal, every cooperative is required to always improve its performance from time to time by managing the resources owned effectively and efficiently.

To see the progress and development of cooperative performance in the field of finance, it is necessary to have financial reports that can be used by interested parties to; 1) means of information to find out the situation and condition of the cooperative without having to go directly to the field, 2) predicting the condition of the cooperative in the future, 3) analyzing, assessing and evaluating the achievement of the goals set by the cooperative. Therefore, cooperatives must have financial reports in order to be able to make the right decisions and be able to run each of their businesses effectively and efficiently.

According to Bringham and Houston (2006:44) financial statements are several pieces of paper with numbers written on it, but it is also important to think about the assets that underlie these figures. Financial Statement Analysis often includes activities to make various transformations of financial statements. If the analysis only analyzes items or accounts contained in the financial statements, the analyst has difficulty assessing how

well the company is operating. The analysis technique used is ratio analysis, percentage analysis that allows to identify. The types of financial ratio analysis used to analyze company performance according to Darsono and Ashari (2005:51) are balance sheet ratios (liquidity and solvency), profit and loss ratios (profitability), activity balance ratios.

Return on Assets is the profitability ratio describes the company's ability to generate profits from every one rupiah of assets used. Through the ratio of *Return on Assets* we can determine the efficiency of cooperatives in carrying out operational activities. *Return on Assets* at the KUD Tani Bahagia Cooperative can be seen in the table below:

Table 1:*Return on Assets* KUD Tani Bahagia Indragri Hulu Regency 2015 to 2019

No	Year	Net profit	Total assets	*Return on Assets*
1	2015	273,055.882	6,195,193,924	0.044
2	2016	312,826,427	7,389,027,916	0.042
3	2017	165.000,746	5,025,993,364	0.033
4	2018	198,283,425	4,742,630,146	0.042
5	2019	57,072,305	9,259,833,855	0.006
Average				**0.0334**

Source: KUD Tani Bahagia

From the table above it can be seen that *Return on Assets* tends to decrease every year. *Return on Assets*the lowest in KUD Tani Bahagia occurred in 2019 which was 0.006 or 0.6%. AThere are several factors that can affect the *Return on Assets*, including the *Debt to Equity Ratio, Current Ratio* and *Debt to Asset Ratio*.

*Debt to Equity Ratio*shows the *debt to equity ratio* is used to measure the ability of the cooperative company's own capital to pay all of its debts Hendar (2010:200). Bringham and Houston, 2011:165) state that the higher the Leverage ratio represented by the *Debt to Equity Ratio*, the greater the company's profit, this is because the company has large working capital and is accompanied by the company's ability to manage the large working capital by effective, resulting in large profits. Research on the *Debt to Equity Ratio* on *Return on Assets* has been conducted by Akbar, et al (2017); Pidu (2015) and Gultom, et al (2020) with research results *Debt to Equity Ratio* has an effect on *Return on Assets*. Different results were presented by Setyaningsih and Cunengsih (2018); Felicia,

The next factor that affects *Return on Assets* is the *Current Ratio*. According to Kasmir (2015:134) *Current Ratio* is a ratio to measure the company's ability to pay short-term obligations or debts that are due immediately when billed in their entirety. Cooperatives must be able to maintain short-term liquidity so that cooperative operations are not disrupted and the value of this ratio which is too large shows that the cooperative management has poor management of liquidity sources. Research on *Current Ratio to Return on Assets* has been conducted by Aulia, et al (2020); Zaman (2020) and Sitinjak, et al (2019) with the results of research that *Current Ratio* has an effect on *Return on Assets*. Different results were presented by Innawati (2018);

Debt to Assets Ratio is a variable that can also affect *Return on Assets, Debt to Assets Ratio* is the comparison between the amount of current assets and current liabilities (Munawir (2007:72).The high value of the ratio informs the risk of the cooperative's inability to pay off all obligations. Research on the *Debt to Asset Ratio to Return on Assets* has been conducted by Sanjaya and Sipahutar (2019); Astutik and Anggraeny (2019) and Ariani and Bati (2020) with the results of research that *Debt to Asset Ratio* has an effect on *Return on Assets*. Different results were presented by Zulkarnaen (2018) and Harjayanti

and Pujianti (2020) who obtained the results that the *Debt to Asset Ratio* had no effect on *Return on Assets*.

Based on the background that the researchers have described, it can be seen that the problem of this research is related to the tendency to decrease the value of *Return on Assets* from year to year experienced by KUD Tani Bahagia and the researchers also see that the results of research conducted by previous researchers related to *debt to Equity Ratio, Current Ratio and Debt to Asset Ratio to Return on Assets*. The phenomenon that occurs and the existence of a research gap has become a gap for researchers to re-do research by changing the object of research with the title "The Effect of *Debt to Equity Ratio, Current Ratio* and *Debt to Asset Ratio on Return on Assets* at KUD Tani Bahagia, Indragiri Hulu Regency".

RESEARCH PROBLEM FORMULATION

Based on the above background where there is a decrease in *Return on Assets* from KUD Tani Bahagia and there is a research gap, then the research questions are prepared awhether *Debt to Equity Ratio, Current Ratio* and *Debt to Asset Ratio* partially affect *Return on Assets* at KUD Tani Bahagia Indragiri Hulu Regency

RESEARCH PURPOSES

Based on the above background where there is a decrease in *Return on Assets* from KUD Tani Bahagia and there is a research gap, so the purpose of this research is to find out and analyze the effect of *Debt to Equity Ratio, Current Ratio* and *Debt to Asset Ratio on Return on Assets* at KUD Tani Bahagia Indragiri Hulu Regency

LITERATURE REVIEW

1. *Return on Assets*

According to Hery (2016: 193) the return on assets is a ratio that shows how big the contribution of assets is in creating net income. In other words, this ratio is used to measure how much net profit will be generated from each rupiah of funds embedded in total assets. *Return on Assets* looks at the extent to which investments that have been invested are able to provide a return of profits as expected and the investment is actually the same as the company's assets that are invested or placed. (Fahmi, 2017: 137)

2. *Debt to Equity Ratio*

According to Raharjaputra (2009:201) *Debt to Equity Ratio* is a ratio that measures the amount of debt or funds from outside the company to its own capital. The purpose of the DER analysis is to measure the mix of funds in the balance sheet and make a comparison between the funds provided by the owners of equity and the funds borrowed (debt). (Walsh, 2003:118)

3. *Current Ratio*

According to Horne, et al (2016: 190) the *Current Ratio* is a ratio that measures the ability to meet short-term debt with current assets. According to Jumingan (2009:124) explains that there are many factors that affect the size of the *Current Ratio* (CR), namely: 1) The securities owned can be immediately cashed; 2) What is the level of collection of receivables; 3) What is the inventory turnover rate; 4) Comparing between current assets and current liabilities; 5) Mention each post and its rupiah amount; 6) Comparing with industry ratios.

4. *Debt to Asset Ratio*

According to Sudana (2015: 95) *Debt to Asset Ratio* is the ratio used to measure the proportion of funds sourced from debt to finance company assets. *Debt to Asset Ratio* is a ratio used to measure the ratio between total debt and total assets. In other words, this ratio is used to measure how much the company's assets are financed by debt or how much the company's debt affects asset financing. (Hery, 2016:75)

RESEARCH METHODS

This research was conducted on KUD Tani Bahagia, while the time needed to carry out the research was 7 months. This study uses secondary data, secondary data, namely data that is already available in an organization or agency. The source of the data is the financial statements of KUD Tani Bahagia.

Multiple Linear Regression Analysis is used to measure the effect of more than one independent variable *Debt to Equity Ratio* (X1), *Current Ratio* (X2), and *Debt to Asset Ratio* (X3) to the dependent variable *Return on Assets* (Y)

Regression Equation

$$\mathbf{Y = a + + + }\boldsymbol{b_1\, x_1 b_2\, x_2 b_3\, x_3 + e}$$

Where**:**

Y	=*Return on Assets*
a	**=** Constant
b_1, b_2, b_3	= Regression coefficient
x_1	= *Debt to Equity Ratio*
x_2	= *Current Ratio*
x_3	= *Debt to Asset Ratio*

The F test is used to see whether the model used is fit in a study. The t test is used to test the regression coefficient partially or separately from other independent variables.

RESULTS AND DISCUSSION

RESULTS

1. Multiple Linear Regression

Table 1: Coefficients

Coefficientsa

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.275	.029		9.523	.067
	X1	.027	.005	2,033	5.751	.110
	X2	-.032	.002	-.961	-18,799	.034
	X3	-.358	.058	-2,186	-6,199	.102

a. Dependent Variable: Y

Source: SPSS Processed Data

From the table above, we can see that the multiple linear regression becomes:
Y = 0.275 +0.027X1 – 0.032 – 0.358X3

The interpretation of the regression model above is:

a. = 0.275
If *Debt to Equity Ratio*, *Current Ratio* and *Debt to Asset Ratio* equal to 0 (zero) or constant (no increase or decrease) then the magnitude of *Return on Assets* of 0.275.

b. = 0.027
If *Debt to Equity Ratio* increased by 1 (one unit) while *Current Ratio* and *Debt to Asset Ratio* stay then *Return On Assets* will increase by 0.027.

b. = -0.032
If *Current Ratio* increased by 1 (one unit) while *Debt to Equity Ratio* and *Debt to Asset Ratio* stay then *Return On Assets* will experience a decrease of 0.032.

b**3. = -0.358**
If *Debt to Asset Ratio* increased by 1 (one unit) while *Debt to Equity Ratio* and *Current Ratio* stay then *Return On Assets* will experience a decrease of 0.358.

2. Correlation Coefficient and Determination
To see the correlation and determination of the variables *Debt to Equity Ratio*,*Current Ratio* and *Debt to Asset Ratio* to the dependent variable *Return on Assets*, can be seen in the table below:
Table 2: Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.999a	.997	.990	.00160

a. Predictors: (Constant), X3, X2, X1
Source: SPSS Processed Data

Table 3: Guilford Kategori Category Standards

Coefficient Correlation/Path	Category
< 0.20	Very low relationship closeness or very weak influence
0.20 < 0.40	Low relationship closeness or weak influence
0.40 < 0.70	Medium relationship or moderate influence
0.70 < 0.90	High relationship closeness or high influence
>0.90	Very high relationship or very high influence

The value of r or correlation that can be seen from the Model Summary table is 0.99 means that there is a very high relationship between *Debt to Equity Ratio*,*Current Ratio*, and *Debt to Asset Ratio* to the dependent variable *Return on Assets*.

From the model summary table, it can be seen that the value of R Square is 0.997. So, the contribution of the influence of the independent variable is 99.70%, while the remainder is 0.30% influenced by other factors not examined in this study such as total asset turnover and non-performing loans.

3. F test and t test
a. F Test (Model Feasibility Test)
The F test is used to see whether the model used is feasible in a study. The following is the calculated F value in this study:
Table 4: F . Test Results

ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.001	3	.000	131,256	.064b
	Residual	.000	1	.000		
	Total	.001	4			

a. Dependent Variable: Y

b. Predictors: (Constant), X3, X2, X1

Source: SPSS Processed Data

In the table above, the calculated F value is 131.256, while the table F value is 19.16. Because the calculated F value > F table (131.256 > 19.16), so it can be concluded that the model used in this study is feasible/fit.

b. t test

Testing the influence of variables *Debt to Equity Ratio*, Current Ratio and *Debt to Asset Ratio* partially against *Return On Assets* can be seen in the table below:

Table 5: Partial Test Results

Coefficientsa

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.275	.029		9.523	.067
	X1	.027	.005	2,033	5.751	.110
	X2	-.032	.002	-.961	-18,799	.034
	X3	-.358	.058	-2,186	-6,199	.102

a. Dependent Variable: Y

Source: SPSS Processed Data

1. Effect Partial Test *Debt to Equity Ratio* To *Return On Assets*
   Based on the results of the SPSS analysis above, it shows that the value of tcount for the variable *Debt to Equity Ratio* is 5.751. Because the value of tcount ttable (5,751>3,182) so *Debt to Equity Ratio* effect on *Return On Assets*.
2. Effect Partial Test *Current Ratio* To *Return On Assets*
   Based on the results of the SPSS analysis above, it shows that the value of tcount for the variable *Current Ratio* is as big as -18,799. Because the value of tcount < ttable(-18,799 < -3,182)so *Current Ratio* effect on *Return On Assets*.
3. Effect Partial Test *Debt to Asset Ratio* To *Return On Assets*
   Based on the results of the SPSS analysis above, it shows that the value of tcount for the variable *Debt to Asset Ratio*is -6,199. Because the value of tcount < ttable (-6,199 < -3,182) so *Debt to Asset Ratio* effect on *Return On Assets.*

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DISCUSSION

Debt to Equity Ratio effect on *Return On Assets*.

*Debt to Equity Ratio*used to measure the amount of cooperative debt to its own capital. The purpose of the *Debt to Equity Ratio* is to measure the mix of funds in the balance sheet

and make a comparison between the funds provided by the owners of equity and the funds borrowed (debt).The results of the hypothesis test carried out show that *Debt to Equity Ratio* take effect to *Return On Assets*, hThe results of this study are in line with research conducted byAkbar, et al (2017); Pidu (2015) and Gultom, et al (2020) with research results *Debt to Equity Ratio* has an effect on Return on Assets.

***Current Ratio* partially affect *Return On Assets*.**

This ratio can be used to measure the company's ability to pay short-term obligations or debts that are due immediately when billed in their entirety. The greater the value of the *Current Ratio*, the greater the cooperative's ability to pay its short-term obligations. The results of the hypothesis test carried out show that *Current Ratio* significant effect on *Return On Assets*, the results of this study are in line with research conducted by Aulia, et al (2020); Zaman (2020) and Sitinjak, et al (2019) with the results of research that *Current Ratio* has an effect on *Return on Assets*.

***Debt to Asset Ratio* effect on *Return On Assets*.**

Debt to Asset Ratio is a ratio that can measure the ratio between total debt and total assets, so this ratio is usually used to measure how much cooperative assets are financed by debt or how much cooperative debt affects asset financing. The results of the hypothesis test carried out show that *Debt to Asset Ratio* effect on *Return On Assets*, the results of this study are in line with research conducted by Sanjaya and Sipahutar (2019); Astutik and Anggraeny (2019) and Ariani and Bati (2020) with the results of research that *Debt to Asset Ratio* has an effect on *Return on Assets*.

CONCLUSION

Based on the results of research and discussion in the previous chapter, conclusions can be drawn to answer the formulation of the problem. The conclusion is the variable *Debt to Equity Ratio*, *Current Ratio* and *Debt to Asset Ratio* partially affect *Return On Assets*, it can be seen from comparing the t count with the t table.

SUGGESTION

Based on the results of the research as a whole and the conclusions obtained, suggestions can be developed for interested parties in this study. The suggestions that can be given are:Upgrade *Return On Assets* cooperatives are very dependent on the size *Debt to Equity Ratio* owned by the cooperative. for that Cooperative administrators must be able to use debt from other parties effectively and efficiently in productive matters so as to assist cooperatives in increasing the profits earned. Management must be able to reduce or limit the value of the cooperative's *Current Ratio* by adding *current assets* without adding current liabilitiesso that the cooperative can run well. However, a *Current Ratio* that is too high is also not very good because it reflects poor management of liquidity sources. *Debt to Asset Ratio* The smaller the cooperative, the better for the cooperative because the debt burden of interest on third parties will decrease so that it will be able to increase cooperative profits and for further researchers to be able to lift other variables that can affect *Return On Assets* at KUD Tani Bahagia

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