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The Effect of Current Ratio and ROE on ROA in Property and Real Estate Companies Listed on the Indonesia Stock Exchange in 2020-2022

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Abstract

The aim of this research is to test how influential the Current Ratio and Return on Equity (ROE) are on Return on Assets (ROA) in Property and Real Estate sector companies on the Indonesia Stock Exchange. This type of research emphasizes the use of quantitative casuality. This research uses multiple linear regression techniques. The data used are the financial reports of 85 Property and Real Estate Companies in Indonesia on the Indonesia Stock Exchange with a sample of 16 companies selected using a purposive sampling method for the period 2020 to 2022. The research results found that the Current Ratio does not influence Return on Assets (ROA), but Return on Equity (ROE) influences Return on Assets (ROA). The value of the coefficient of determination (R) increases to a value of 0.240, which means that 24% of Return on Assets (ROA) can be explained by the Current Ratio and Return on Equity (ROE) variables, while the remaining 76% is explained by variables outside the model. The implication is that future researchers are expected to test different subjects so they can compare with this research.

Keywords: **current ratio, return on equity, return on assets.**

INTRODUCTION

SectorPropertyReal estate plays a vital role in the Indonesian economy, not only as a provider of residential and commercial space, but also as a source of job creation. Companies operating in this sector face complex and dynamic challenges, including fluctuating land prices, changing government policies, and uncertain market conditions.

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Therefore, evaluating the financial performance of companies in this sector is crucial to understanding their health and prospects.

Return on equity (ROE)is an important figure for measuring net profit generated from capital. A high ROE indicates a stronger managerial position, and conversely, a low ROE indicates a weaker manager (Musyarrofah, 2018). ROE can also be interpreted as a ratio aimed at evaluating a company's ability to generate profits for shareholders (Zulfikar, 2016).

Current Ratio As a measure of a company's current assets and liabilities, this ratio measures liquidity, meaning it can determine whether its short-term obligations will be met. An ideal current ratio is the percentage of liquid assets that can meet short-term obligations without compromising operational efficiency. On the other hand, a current ratio that is too high or too low can indicate liquidity or asset efficiency issues.

*Return on Equity (ROE)*ROE measures a company's profitability by relating net income to shareholders' equity. ROE is an important indicator for investors to evaluate how well a company manages invested capital to generate profits. A company's effective use of assets to generate profits is indicated by an increase in ROA. Two important factors believed to significantly influence ROA are the Current Ratio and Return on Equity (ROE).

RESEARCH METHODS

Research Data and Samples

CompanyProperty and real estate listed on the Indonesia Stock Exchange in the 2020-2022 period were the objects of this research. The information used in this research comes from secondary data from the Indonesia Stock Exchange's financial reports for 2020-2022, usingwww.idx.

TotalA population of 85 companies from the Property and Real Estate sector on the Indonesia Stock Exchange from 2020 to 2022. The population was taken using a targeted sampling method, resulting in a final sample of 16 companies over 3 years, with 48 data.

Research Model and Operational Variables

This study used a multiple linear regression model. Hypotheses were tested using partial (T) and simultaneous (F) tests. The following is the regression model for this study:

$$ROA = \alpha + \beta 1CR + \beta 1ROE + \varepsilon$$

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Information:

Y =*Return on Assets (ROA)*
α = Constant Entercept Value
$\beta 1 - \beta 2$ = Regression Coefficient of Independent Variable
CR =*Current Ratio*
ROE =*Return on Equity (ROE)*

There are two independent variables, namely*Current Ratio*and Return on Equity (ROE), and the dependent variable is*Return on Assets (ROA)*.

1. *Current Ratio*

$$\frac{Total\ Aset\ Lancar}{Total\ Hutang\ Lancar}$$

2. *Return on Equity (ROE)*

$$\frac{Laba\ Bersih\ Setelah\ Pajak}{Total\ Ekuitas} \times 100\%$$

3. *Return on Assets (ROA)*

$$\frac{Laba\ Bersih\ Setelah\ Pajak}{Total\ Aset} \times 100\%$$

RESULTS AND DISCUSSION

Descriptive Statistics

Descriptive statistical methods aim to analyze and present sample data without requiring generalizations or conclusions. These analyses provide an overview of the companies involved in the study and describe the variables examined, such as profit, quantity, and company value.

Table 1. Descriptive Statistics

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.522[a]	.272	.240	2.29302	1.493

a. Predictors: (Constant), ROE (X2), CURRENT RATIO (X1)

b. Dependent Variable: ROA (Y)

In Table 1, the results of the coefficient of determination test show a customized R-squared value of 0.240 (24%). This indicates that the independent variable explains

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3.9% of the variation in the dependent variable, while the remaining 76% is influenced by other factors. Based on the model summary results, 24% is explained by the dependent variable, and the remaining 76% is explained by other factors outside this study. It can be concluded that the ROE and Current Ratio variables have a 3.9% influence on the ROA variable.

Classical Assumption Test

Normality Test

Based on the QQ plot analysis, most of the residual points follow the diagonal line with a consistent distribution and do not show any significant deviation patterns. Although some points deviate from the line, this is considered normal in statistical analysis.

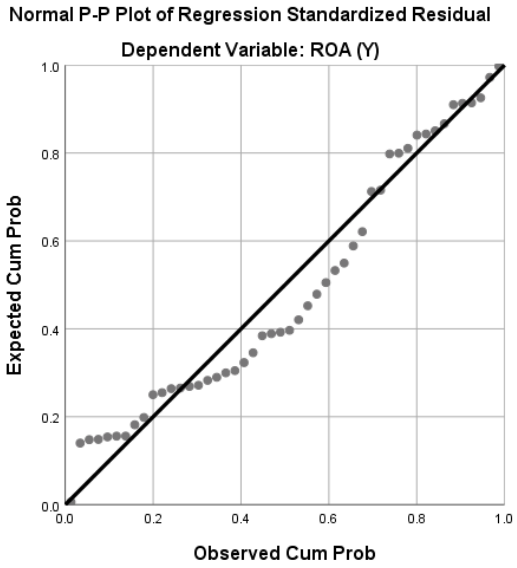


Figure 1. Normality Test with QQ Plot Analysis

In Figure 1, the results of the normality test for the residual data from the regression model show a normal distribution, consistent with the QQ plot analysis. This indicates that the normality assumption is met, which is crucial for the validity of statistical inference in linear regression. With the normality assumption met, we can be more confident that the parameter estimates and hypothesis tests performed on the regression model are valid and reliable.

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Multicollinearity Test

To determine whether there is a correlation between variables in a model using multicollinearity testing. The absence of correlation between independent variables indicates a good model (Ghozali, 2013). The variance inflation factor (VIF), or tolerance, and the inverse of the regression model are used to evaluate whether the model is multicollinear. A large variation in an independent variable that cannot be explained by other independent variables is called tolerance. Therefore, a high VIF value is equivalent to a value that only indicates low tolerance. Thus, a tolerance value > 0.10 or VIF < 10 (Ghozali, 2013).

Table 2. Multicollinearity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	2.407	.494		4.869	.000		
	CURRENT RATIO (X1)	-.001	.001	-.112	-.861	.394	.957	1.045
	ROE (X2)	.077	.020	.487	3.742	.001	.957	1.045

a. Dependent Variable: ROA (Y)

In table 2, the results of the multicollinearity test show that there are no multicollinearity problems in the regression model. All independent variables have a value*Variance Inflation Factor*(*VIF)*of 1.045 which is less than 10.00 and the tolerance value is 0.957 > 0.10. This indicates that there is no strong linear relationship between the independent variables. Thus,This research model is free from multicollinearity interference.

Heteroscedasticity Test

Regression models introduce unequal variances in residuals from one observation to another. This is the purpose of the heteroscedasticity test. A good regression model can be defined as one that exhibits homoscedasticity or no heteroscedasticity (Ghozali, 2013).

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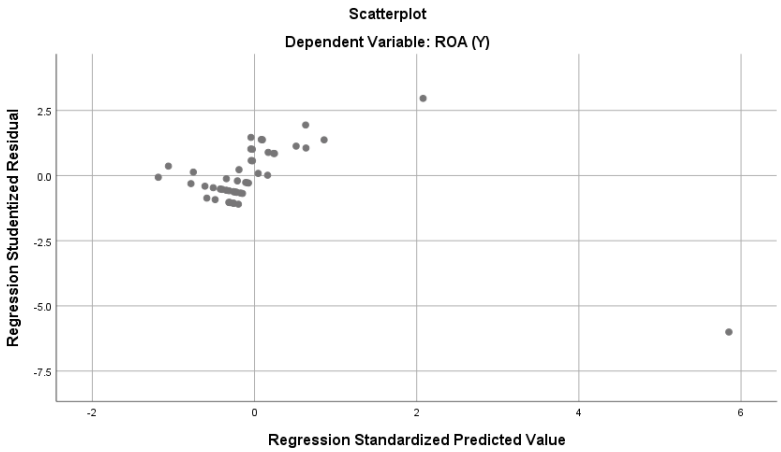


Figure 2. Results of Heteroscedasticity Test with Scatterplot

In Figure 1, the results of the heteroscedasticity test when analyzing the scatterplot allow us to conclude that there is no evidence of heteroscedasticity in the regression model. All points are randomly distributed along the horizontal line, whether above or below zero on the Y-axis, but are randomly distributed around that number. This means that the regression model is homoscedastic and not heteroscedastic.

Autocorrelation Test

The inequality of variance of one variable to another is the objective of the heteroscedasticity test. Ghozali (2013) states that a regression model must be homoscedastic or not heteroscedastic.

Table 3. Autocorrelation Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.522[a]	.272	.240	2.29302	1.493

a. Predictors: (Constant), ROE (X2), CURRENT RATIO (X1)

b. Dependent Variable: ROA (Y)

In table 3, the results of the autocorrelation test, the method applied is Durbin-Watson. The calculated d value (Durbin Watson) is 2.208. If calculated through the table (DW) with α = 5%, the value of dL = 0.2957 and dU = 2.5881 is obtained. This shows that

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dL < d < dU or 0.2957 < 1.493 < 2.5881 so it falls into the no decision category or is free from autocorrelation.

Multiple Linear Regression Test

Table 4. Multiple Linear Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	2.407	.494		4.869	.000		
	CURRENT RATIO (X1)	-.001	.001	-.112	-.861	.394	.957	1.045
	ROE (X2)	.077	.020	.487	3.742	.001	.957	1.045

a. Dependent Variable: ROA (Y)

In Table 4, this analysis serves as a way to test hypotheses regarding the simultaneous and partial impact of the independent variables. The coefficients and constants of the variables can be observed in Table 3, resulting in the following equation:

$$ROA = \alpha + \beta 1CR + \beta 1ROE + \varepsilon$$

$$ROA = 2{,}407 - 0{,}001 + 0{,}007 + \varepsilon$$

Coefficient of Determination Test (Adjusted R2)

Table 5. Results of the Determination Coefficient Test (Adjusted R2)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.522[a]	.272	.240	2.29302	1.493

a. Predictors: (Constant), ROE (X2), CURRENT RATIO (X1)

b. Dependent Variable: ROA (Y)

In Table 5, the test results yield a value of 0.240. This means that 24% of the corporate tax aggressiveness variable can be explained by leverage, liquidity, independent commissioners, and executive compensation. Meanwhile, 76% is explained by variables not included in this study.

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Hypothesis Testing
Partial Test (t)

Table 6. t-Test Results

Collinearity Diagnostics[a]

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions (Constant)	CURRENT RATIO (X1)	ROE (X2)
1	1	1.858	1.000	.11	.10	.08
	2	.871	1.460	.00	.17	.64
	3	.271	2.617	.89	.72	.28

a. Dependent Variable: ROA (Y)

In table 6, the t-test results show two independent variables that are significant and have a positive influence on the dependent variable.

Current Ratio(X1), in table 7, the significance is 0.394 < 0.05. Leverage also has a ttable value of 4.869. If tcount > ttable, it is said to have a negative effect on the dependent variable. This means that the Current Ratio has a negative effect on Return on Assets (ROA), because its significance value (0.394) is greater than 0.05 and also tcount is greater than ttable -0.861 < 2.073.

Return on Equity (ROE)(X2 is significant at 0.001 < 0.05. Leverage also has a ttable value of 3.742. If tcount > ttable then it is said to have a positive effect on the dependent variable. Therefore, Return on Equity (ROE) has a positive effect on Return on Assets (ROA), because its significance is 0.001 < 0.05 and tcount 3.742 > ttable 2.073.

It means,*Current Ratio* does not partially affect*Return on Assets (ROA)*, while the variable*Return on Equity (ROE)*partially affect*Return on Assets (ROA)*.

Simultaneous Test (F)

Table 7. F Test Results

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	88.392	2	44.196	8.406	.001[b]
	Residual	236.608	45	5.258		
	Total	325.000	47			

a. Dependent Variable: ROA (Y)

b. Predictors: (Constant), ROE (X2), CURRENT RATIO (X1)

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In Table 7, the F-test results show a significance level of 0.001 < 0.05. Therefore, it can be concluded that the alternative hypothesis is accepted, namely that the Current Ratio and Return on Equity (ROE) simultaneously impact the company's Return on Assets (ROA).

It can also be calculated by calculating the F test (simultaneous) based on the calculated and table values. Fcount > Ftable which indicates that Ho is not accepted and Ha can be accepted which means that the independent variable (X) has a large influence on the dependent variable (Y) with a significance level of 5% or 0.05.

F_{tabel} = (k; nk)
= (2; 48-2)
= (2; 46)
= 3.20

The results show that F_{count}(84.06) > Ftable (3.20) then the hypothesis is accepted. Current Ratio and Return on Equity (ROE) simultaneously have a large impact on Return on Assets (ROA) in the company.

CONCLUSION

This study indicates that although Current Ratio has no effect on*Return on Assets (ROA)*,*Return on Equity (ROE)*As a profitability indicator, it plays an important role in determining the efficiency of a company's asset utilization. Therefore, company managers in the Property and Real Estate sector are advised to focus on strategies that can improve*Return on Equity (ROE)*to maximize the performance of company assets.

For further research, it is recommended to include other variables to have an influence.*Return on Assets (ROA)*, such as leverage, company size, and external economic factors. Furthermore, increasing the sample size could provide more comprehensive results and strengthen the findings of this study.

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