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The effect of liquidity ratio and debt ratio of achievements in assets Pt. reliance securities

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Abstract
This study aims to determine the effect of current ratio and debt ratio on return on assets simultaneously, the effect of current ratio on return on assets partially, and to know the effect of debt ratio on return on assets partially. The study was conducted on pt. Reliances securities. Data analyzed were taken from the company's financial statements from 2009 to 2018 data analysis using regression analysis.
Based on data analysis, it is known that liquidity ratios and debt ratios do not significantly influence the return on assets. The current ratio variable does not affect the return on assets partially. The debt ratio variable does not affect the return on assets partially.

Keywords: Current ratio, debt ratio, return on assets

Introduction

The most important part, of a company, is the issue of financial management. The role of financial management in the company has its interests. Specifically regarding how to grow economic value or welfare for the company. This has implications for decision making that must be focused on creating the welfare of its members or employees.

The meaning of financial management is one of the functional management fields in the company that focuses on exploring the use of funds, how to get funds, and how to share the results of the company's operations. Financial management can also be defined as the task of financial managers. The task of the financial manager is to deal with decisions about a company's investment, financing business activities and dividends or profit-sharing for a company.

The part of financial management that manages the financial proportions is the analysis of financial ratios. The financial proportion will have an impact on the achievement of profit. Analysis in comparing the current and past ratios for the same company (internal comparison). If the financial ratios are presented in the form of a list for several years, the analysis can study the composition of changes and determine whether there has been an improvement or even vice versa in the company's financial condition and achievements during that period. Financial ratios can also be calculated based on the performance of financial statements or projections and compared with current or past ratios.

PT. Reliance Securities is a company engaged in the stock exchange in Indonesia. The development of corporate profits can be seen in the following table.

Based on the data above the level of achievement of the company's profits continues to increase. In 2009 the achievement of profit amounted to 2.89 billion rupiahs. In 2010 the achievement of the profit was negative or the company suffered a loss. The achievement of profit increased again in 2016 amounting to 33.259 billion rupiahs.

The achievement of company profits is accompanied by an increase or decrease in company assets. Earnings are predicted to be influenced by factors in liquidity ratios and corporate debt ratios. Debt is an instrument that is quite important for a company, especially to meet the needs of business operations or for investment capital. Because of this importance, almost all companies have debts. Debt is an instrument that is quite important for a company, especially to meet the needs of business operations or for investment capital. Because of this importance, almost all companies have debts. The debt ratio is a ratio that involves the debt element of the balance sheet.

Table 1: Achievement of company profits

Year	Net Profit
2009	2.899.731.617
2010	-1.989.193.695
2011	27.728.945.771
2012	30.058.459.659
2013	61.506.367.946
2014	11.586.239.928
2015	30.597.184.980
2016	33.259.420.164
2017	10.788.991.737
2018	30.597.184.980

This ratio is also called the leverage ratio or solvency ratio. According to Sutrisno (2009: 15) [1], "Solvency Ratios are ratios to measure a company's ability to meet all of its obligations if the company is liquidated.

Literature review

1. Financial ratios

One important aspect of the discussion of financial management is the analysis of financial ratios. A financial ratio is an analysis tool used by companies to assess financial performance based on comparative data of each item contained in the financial statements such as Balance Sheet, Loss / Profit, and Cash Flow in a certain period.

Financial Reports aims to provide an overview of information about the financial position and company performance that can be used as a guide in making business decisions. Financial Statement Analysis is done by analyzing each item contained in the financial statements in the form of financial position ratios to maximize company performance for the future.

Every closing period at the end of the month, accounting usually prepares and compiles a Financial Statement consisting of a Balance Sheet, Profit and Loss Statement, Cash Flow, Changes in Capital, and the report is submitted to the leadership of the company. The common thing that happens is that they only focus on the Income Statement, but there are more important things that need to be presented in the submission of this report, which is the Financial Statement Analysis.

Horne quoted from Kasmir (2008: 104) [2]: the definition of financial ratios is an index that connects two accounting numbers and is obtained by dividing one number by another number. According to Irawati (2005: 22) [3], financial ratios are analytical techniques in the field of financial management that are used as a measure of the financial condition of a company in a certain period, or the business results of a company in a certain period by comparing two variables taken from company financial statements, both the balance sheet and income statement.

Financial ratio analysis can enable financial managers to predict the reaction of creditors and investors and provide an overview of how approximately funds can be obtained. Financial ratio analysis includes two types of comparisons namely:

1. Analysis in comparing the current and past ratios for the same company (internal comparison). If the financial ratios are presented in the form of a list for several years, the analysis can study the composition of changes and determine whether there has been an improvement or even vice versa in the company's financial condition and achievements during that period. Financial ratios can also be calculated based on the performance of financial statements or projections and compared with current or past ratios.
2. The comparison includes the ratio of companies with other similar companies or with industry averages at the same point (external comparison). The comparison can provide a relative picture of the financial condition and performance of the company just by comparing the financial ratios of a company with other companies of the same type an analyst can provide realistic considerations.

In analyzing financial statements, several methods can be used as benchmarks to assess the company's financial position, among others:

1. Growth analysis method

Analysis techniques compiled by comparing the increase or decrease in the position of financial statements in a certain period with other periods of each item contained in the financial statements by using a percentage value.

The data presented can be compared with the increase or decrease of each financial statement post last month with the current month, or the Year to Date period the same period last year with now.

2. Trend and index method

The analysis technique is almost the same as the Growth Analysis Method, but the comparative figure is a financial statement for a certain period which is used as an index and is chosen as a base year. This trending technique is very useful for projecting financial statements in the future using historical data.

The financial statements present an overview of the financial position of the company's performance in generating profits. The company's financial position is shown in the balance sheet, in the balance sheet we can find out the assets or assets of the company that is owned (the asset side), and from the liability side, we can know where the funds to finance these assets (from own capital or debt), while the performance companies in generating profits can we see from the company's income statement.

Financial statement analysis is a thoughtful process to help evaluate the company's financial position and operating results in the present and the past, to determine the most possible elimination and predictions regarding the company's condition and performance in the future. Analysis of a company's financial statements is basically to find out the level of profitability, the level of solvency, the level of liquidity and business stability, and the level of risk or soundness of a company.

Analysis of the financial statements is a lot, but in this study, the authors use financial ratio analysis because this analysis is used more often and is more of a debt-like ratio. Financial ratio analysis is a comparison between two or groups of financial statement data in a certain period, the data can be between data from the balance sheet and income statement data.

The aim is to give an overview of the company's weaknesses and financial capabilities from year to year. This ratio analysis will be very helpful in assessing management's past achievements and prospects. There are some commonly used financial ratios namely liquidity ratios, solvency ratios, profit/profitability ratios, leverage ratios, activity ratios and

valuation ratios (Sutrisno, 2009: 215) [1]. In this study, the ratios used are only three categories, namely: liquidity ratios, solvency ratios and profitability ratios.

According to Sutrisno (2009: 9) [1], "Financial Statements are the final results of the accounting process which includes two main reports namely the balance sheet and income statement. The financial statements are prepared with the intention to provide financial information of a company to the parties concerned as a material consideration in making decisions."

In the opinion of Harahap (2011: 190) [5], "Financial Statement Analysis is breaking down financial statement items into smaller information units and seeing the relationship that is significant or has meaning between one another, both between quantitative and non-quantitative data. Ratio analysis is one of the measurement tools in determining and measuring the relationship between one item and other items in the financial statements so that changes in each item can be known.

According to Munawir (2007: 37) [6], "Ratio Analysis is a method of analysis to determine the relationship of certain items in the balance sheet or income statement individually or a combination of the two reports." According to Sutrisno (2009: 215) [1], "For evaluation, it is necessary to link elements in the financial statements so that they can be interpreted further. Connecting elements in financial statements are often called financial ratio analysis."

From the above understanding, it can be concluded that financial ratio analysis is a method of analysis that compares financial statement items with other items to assess company performance. The purpose of financial ratios is to assist managers in understanding what companies need to do in connection with limited financial information. By using certain ratios, managers will obtain information about the strengths and weaknesses of the company in the financial sector. From this information, managers can make important decisions in the future.

2. Debt ratio

Debt is an instrument that is quite important for a company, especially to meet the needs of business operations or for investment capital. Because of this importance, almost all companies have debts. Debt is an instrument that is quite important for a company, especially to meet the needs of business operations or for investment capital. Because of this importance, almost all companies have debts.

Debt is part of the effect, RI Law No. 8 of 1995 Chapter 1 Article 1 Paragraph 5 Regarding the Capital Market, Securities is a debt ratio, which can be in the form of a debt recognition letter, commercial debt ratio, shares, bonds, proof of debt, participation units of collective investment contracts, futures contracts on securities, and any derivatives of securities. Furthermore, debt is all of the company's financial obligations to other parties that have not been fulfilled, and debt is a source of funds or company capital that comes from creditors.

In accounting theory, debt is defined as an economic sacrifice in the future by a company in the form of the transfer of assets, services, as a result of a transaction or a past event. Economic sacrifice means the delivery (which must be issued) by the company in the form of assets or services (services can mean orders that have not been fulfilled but have received payment). Whereas what is meant by past transactions are transactions carried out by the company to cause such debt, for example: borrowing from banks or other parties, accepting orders with advances, and so forth. So, we can understand that debt can not only be in the form of cash but can also be an order that has not been fulfilled. This debt is also divided into 3 types, namely short-term debt, medium-term debt, and long-term debt.

The debt ratio is a ratio that involves the debt element of the balance sheet. This ratio is also called the leverage ratio or solvency ratio. According to Sutrisno (2009: 15) [1], "Solvency Ratios are ratios to measure a company's ability to meet all of its obligations if the company is liquidated."

According to Djarwanto (2004: 162) [7], "Solvency Ratio is a ratio that shows the capacity and ability of a company to meet its long-term obligations. The general size used is 200% or 2: 1 which means that twice the total debt of the company is said to be solvable if the ratio is less than 200%.

3. Liquidity ratio

Liquidity is the ability of a company to meet its obligations to pay its short-term debts, namely; business debt, dividend debt, tax debt, and others. Another opinion says that the meaning of liquidity is the ability of a person or company to pay off debts that must immediately be paid (current liabilities) using current assets. In general, the level of liquidity of a company is shown in certain numbers, such as; quick ratio numbers, current ratio numbers, and cash ratio numbers.

In this case, the higher the level of liquidity of a company, the better its performance is considered. Companies with a high level of liquidity usually have a better chance to get various supports from many parties, for example; financial institutions, creditors, and suppliers.

According to Riyanto (2011: 25) [8], the notion of liquidity is the debt ratio related to the problem of a company's ability to meet its financial obligations that must be paid off immediately. According to Mardiyanto (2008: 54) [9], the definition of liquidity is the company's ability to pay off short-term obligations (debt) on time, including paying off the portion of long-term debt that is due in the year. According to Munawir (2007: 31) [6], liquidity is the ability of a company to meet its financial obligations that must be fulfilled immediately, or the company's ability to meet financial obligations when billed.

4. Profitability ratio

Profitability Ratios are ratios or comparisons to find out the company's ability to get profits from earnings related to sales, assets, and equity-based on a certain measurement basis. Types of profitability ratios are used to show how much profit or profit derived from the performance of a company that affects the records of financial statements that must be following financial accounting standards.

Profitability ratios needed to record financial transactions are usually assessed by investors and creditors (banks) to assess the amount of investment profits to be obtained by investors and the amount of corporate profits to assess the company's ability to pay debts to creditors based on the level of use of assets and other resources so that it looks level of company efficiency.

The effectiveness and efficiency of management can be seen from the profits generated against the company's sales and investments as seen from the elements of the financial statements. The higher the value of the ratio, the better the condition of the company based on profitability ratios. High

value symbolizes the high level of profit and company efficiency which can be seen from the level of income and cash flow. Profitability ratios provide important information than the previous period's ratios and competitor achievement ratios. Thus, industry trend analysis is needed to draw useful conclusions about the profitability of a company. Profitability ratios reveal the final results of all financial policies and operational decisions made by the management of a company in which the petty cash recording system is also influential.

For companies generally have the most important goal is to get optimal profits. Even so, the problem of profitability is more important than the problem of profit, because even large profits are not a measure for the company to have worked efficiently. Efficient can only be known by comparing the company's operating income or in other words, is calculating profitability. According to Sutrisno (2009: 222) [1], "Profitability is the result of policies taken by management. The profit ratio to measure how much the profit rate shows better management in managing the company."

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Research Method

Research time and location

The research will be conducted in October-December 2019 by taking location at PT. Reliance Securities.

Research design

This research uses the Explanatory analysis approach. This means that each variable presented in the hypothesis will be observed through testing the causal relationship of the independent variable with the dependent variable.

Data required

This study uses company data taken from the financial statements, balance sheets, income and statements of changes in corporate capital from 2010 to 2018.

Research Results and Discussion

The results of the analysis of the effect of the ratio of liquidity and the ratio of debt to return on assets can be calculated f value of 2.819 with a significance of 0.126 or greater than 0.05. This shows that the liquidity ratio and debt ratio do not significantly influence the return on assets. The value of r squared is known as 0.446. This means that the influence of the current ratio variable and the debt ratio of 44.6% and the rest is influenced by other variables not included in the equation model.

Result

Analysis of the effect of the current ratio on return on assets is known that the t value of -0.371. The significance value is 0.720. This significant value is greater than 0.05. This means that the current ratio variable has no partial effect on return on assets. The magnitude of the effect of the current ratio on return on assets can be seen as an r squared value of 0.017. This means that the effect of the current ratio variable on return on assets is 1.7%% and the rest is influenced by other variables not included in the equation model.

Analysis of the effect of the ratio of debt to return on assets is known that the t value of 1.659. The significance value is 0.136. This significant value is greater than 0.05. This means that the debt ratio variable has no partial effect on return on assets. The magnitude of the effect of the ratio of debt to return on assets is known to the value of r squared of 0.256. This means that the effect of the ratio of debt to return on assets is 25.6% and the rest is influenced by other variables not included in the equation model.

Discussion

In previous studies, the current ratio and debt ratio affect the return on assets. This shows the opposite condition in the company. Some of the contributing factors are the current ratio is very volatile and uncertain while the debt ratio is also like that. Debt ratios fluctuate. This is due to the amount of debt the company has so it does not affect the achievement of return on assets.

In this study, the current ratio has a negative coefficient, in other words, the higher the current ratio the smaller the return on assets. This also shows the incompatibility with previous research data. Amanah, Atmanto, and Azizah (2014) [10] state that liquidity ratios illustrate a company's ability to pay its financial obligations that must be immediately fulfilled, which consists of the current ratio and profit ratio ROE. It also researches variables that affect company profitability. The study was conducted by taking the object of analysis of mining companies registered in May 2013-2015. The results showed that asset management ratios affect profitability, liquidity ratios have no effect on profitability and debt management ratios affect profitability.

In the analysis of the debt ratio also has a positive coefficient. This shows that the higher the debt ratio, the greater the return on assets. The high level of debt ratio is especially a barrier to the achievement of profit because the profit is difficult to obtain with a large interest expense.

Indryawati (2008) also revealed based on the results of the study that the debt ratio affects the profitability ratio as measured by return on assets. This research was conducted at property and real estate companies listing on the JSX in 2004-2006.

Conclusions and Recommendations

Conclusion

Liquidity ratios and debt ratios do not significantly influence the return on assets. The value of r squared is 0.446. This means that the influence of the current ratio variable and the

debt ratio of 44.6% and the rest is influenced by other variables not included in the equation model.

The current ratio variable does not affect the return on assets partially. The value of r squared is 0.017. This means that the effect of the current ratio variable on return on assets is 1.7%% and the rest is influenced by other variables not included in the equation model.

The debt ratio variable does not affect the return on assets partially. The value of r squared is 0.256. This means that the effect of the ratio of debt to return on assets is 25.6% and the rest is influenced by other variables not included in the equation model.

Recommendations

In financial management, companies need to consider variable liquidity ratios and debt ratios. The two ratios have no significant effect on return on assets but also need to be evaluated as the effect is still above 25%.

in subsequent studies, it is necessary to consider other financial variables such as the activity ratio and market ratio. The variables that need to be considered and predicted to have an impact on the ratio of return on assets are economic variables such as economic growth, bank interest and the magnitude of the dollar exchange rate against the rupiah.

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