

## **THE EFFECT OF QUICK RATIO, DEBT TO ASSET RATIO, AND DEBT TO EQUITY RATIO ON FINANCIAL PERFORMANCE**

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### **Article Info**

#### **Keyword:**

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### **ABSTRACT**

Financial Performance is an overview of a company's analysis in implementing the company's financial rules efficiently and effectively in producing cash positions and profits (Winarni and Novitasari, 2022). This study aims to examine the influence of QR, DAR, and DER on Financial Performance in manufacturing companies in the Consumer Non-Cyclical sector listed on the Indonesia Stock Exchange (IDX) for the 2022-2023 period. The sample in this study is 155 annual financial statements. This study uses a quantitative approach with the STATA analysis tool. Data analysis techniques include Descriptive Analysis, Classical Assumption Test, Multiple Linear Regression Analysis, Hypothesis Test, and Model Selection Test to test and explain the relationship between research variables. The results of the study partially show that QR and DAR have no effect on financial performance. DER has a negative and significant effect on Financial Performance. Research contributes to the company to contribute to the company to provide consideration in efforts to improve the company's financial performance. The results of this study also provide input to companies regarding the importance of DER ratios for improving Financial Performance.

## INTRODUCTION

The development of similar businesses in the manufacturing sector from year to year is increasing. The development of the manufacturing industry can be used as a benchmark to see the development of the industry in a country. Currently, all companies have entered the era of globalization with fierce competition accompanied by elimination for companies that are unable to survive (Singgih, 2021).

The manufacturing industry is a strategic sector that has a significant contribution to the national economy. The role of this industry not only creates added value and jobs, but also becomes an important indicator in measuring economic stability. In the context of an increasingly competitive global economy, manufacturing companies are required to be able to maintain and improve their Financial Skills as a benchmark for successful resource management (Sutrisno and Riduwan, 2022).

The Non-Cyclical Consumer Sector listed on the Indonesia Stock Exchange (IDX) shows the dynamics of Financial Performance. PT Gudang Garam Tbk and PT HM Sampoerna Tbk experienced a significant decrease in net profit by 38.5 percent to IDR 1.07 trillion and by 25.95 percent to IDR 1.91 trillion significantly due to the increase in excise rates as reported in 2022 financial data (CNBC Indonesia, 2022). On the other hand, cigarette companies in groups two and three actually recorded positive performance due to lower excise increases (Investor.id, 2020). Other companies such as Pt Unilever Indonesia Tbk and PT Indofood CBP Sukses Makmur Tbk also recorded a decrease in net profit of IDR 2.8 trillion or a decrease of 19.5% and 38.5 percent from the same period of IDR 5.7 trillion the previous year, despite increased revenue due to high cost of goods sold and increased operating costs (Kontan.id, 2023). This reinforces the urgency to further analyze the influence of financial structure on profitability in the sector.

To evaluate a company's Financial Performance, financial researchers and practitioners often use financial ratio analysis tools. The financial ratio used is the profitability ratio, profitability is a company's ability to obtain profits related to sales, total assets, and its own capital, therefore profitability analysis is very much in demand by long-term investors, meaning that profitability is very important for a company because it is one of the components used to determine the quality or quality of a company's performance (Satiti and Luthfianah, 2022). Among them, QR, DAR, and DER are important indicators in measuring the liquidity ability and capital structure of companies (Brigham and Houston, 2013 in Erayanti, 2019). QR shows a company's ability to meet short-term obligations without relying on inventory, while DAR and DER provide an idea of the extent to which a company uses debt in its capital structure. ROA is often used as a dependent variable that reflects the level of efficiency of the company in using its assets to generate profits (Sudana, 2019 in Satria, 2022).

According to Kasmir (2019) in Zakiyah et al., (2022) QR is a ratio that shows a company's ability to meet or pay current obligations or debt (short-term debt) with current assets without taking into account the available value (inventory). According to Khoerunisah and Rahmiyatun, (2024), Khoerunisah and Rahmiyatun (2024), Natasyia, (2022), Dewi and Gunawan, (2023), and Dewi and Hutnaleontina, (2021) show that QR has a positive and significant effect on Financial Performance. On the other hand, Lukita et al., (2020) show that QR does not have a positive and significant influence on Financial Performance. According to Kasmir (2019) in Zakiyah et al., (2022) DAR is a debt ratio used to measure the ratio between total debt and total assets. In other words, how much of the company's assets are financed by debt or how much the company's debt affects asset management. According to Dewi and Sedana, (2024), Liando, (2021), Naufal and Fatihat, (2023) show that DAR has a negative effect on Financial Performance, on the contrary, the research of Khoerunisah and Rahmiyatun, (2024), Lutfiana and Hermanto, (2021), Dewi and Gunawan, (2023), and Teng et al., (2022), showing that DAR has a positive effect on Financial Performance. According to Kasmir (2019) in Zakiyah et al., (2022) DER is a ratio used to assess debt to equity. This ratio is useful for determining the amount of funds provided by borrowers (creditors) with the company owner. Research by Widianingsih et al., (2022), Lutfiana, (2021), and Teng et al., (2022) shows that DER has a negative effect on Financial Performance. However, Khoerunisah and Rahmiyatun, (2024), Dewi

and Sedana, (2024), Dewi and Sedana (2024) and Dewi and Gunawan, (2023) show that DER has a positive effect on Financial Performance.

This study aims to examine the influence of QR, DAR, and DER on Financial Performance in manufacturing companies in the Consumer Non-Cyclical sector listed on the Indonesia Stock Exchange (IDX) for the 2022-2023 period. The theoretical benefits of research are that it can be used as an additional reference or reading source, providing input or information for and references or references for parties interested in researching the same topic regarding QR, DAR, and DER on Financial Performance in manufacturing companies in the Consumer Non-Cyclical sector which is listed on the Indonesia Stock Exchange (IDX) and can enrich insights and perspectives in the scientific community while the practical benefits are that they can be used as input and consideration for companies and can contribute ideas to companies in decision-making or policies related to QR, DAR, and DER on Financial Performance in manufacturing companies in the Consumer Non-Cyclical sector listed on the Indonesia Stock Exchange (IDX).

Previous research on Financial Performance has shown counterproductive and diverse findings, making this research even more important. Therefore, the authors intend to collect data and conduct additional research on the relationship between dependent variables, Financial Performance and independent variables of QR, DAR, and DER. By including manufacturing companies in the Consumer Non-Cyclical sector listed on the Indonesia Stock Exchange (IDX) for the 2022-2023 period, the author added a larger research sample so that this study is interesting to research.

## **THEORETICAL FOUNDATION AND HYPOTHESIS DEVELOPMENT**

### **Theory Signalling**

This study applies signalling theory. The theory of signaling was first put forward by Spence (1973) in the context of the labor market, which describes how signals are given by individuals to potential employers to demonstrate their qualities. Myers and Majluf (1984) created signalling theory to explain how businesses inform the market about its quality through funding decisions and information in financial statements. According to Morris (1987), Signalling Theory explains the problem of information asymmetry in the market. The Signalling Theory also explains that signaling carried out by management can be used to reduce information imbalance (Suci, 2022).

A company's financial performance is a form of obtaining financial aspects related to revenue, operating costs, debt structure, and return on investment. Financial Performance is an overview of a company's analysis in implementing the company's financial rules efficiently and effectively in producing cash positions and profits (Winarni and Novitasari, 2022). Good Financial Performance will make it easier for the management of a company to achieve the company's goals and to supervise the financial condition of a company in a safe position can use Financial Performance as a measuring tool to assess.

### **The Influence of QR on Financial Performance**

QR is a ratio that shows a company's ability to meet or pay current obligations or debt (short-term debt) with current assets without taking into account their actual value (inventory) (Kasmir, 2018 in Fiorenza et al., 2019). QR has a significant relationship with the theory of Signalling. Signalling's theory states that if this ratio is low, it could indicate that the company has liquidity problems and may face difficulties meeting short-term obligations. On the contrary, this ratio gives a positive signal to investors that the company has good liquidity and is able to meet its financial obligations (Hendriani et al., 2023).

Research conducted by Khoerunisah and Rahmiyatun, (2024), Natasyia, (2022), Dewi and Gunawan, (2023), and Dewi and Hutnaleontina, (2021) shows that QR has a positive and significant effect on Financial Performance. So that from the above description, the following hypotheses can be derived:

H<sub>1</sub> = QR has a positive and significant effect on Financial Performance.

### The Influence of DAR on Financial Performance

DAR is a debt ratio used to measure the ratio between total debt and total assets (Kasmir, 2016 in Deadlock, 2023). DAR has a close relationship with the Signalling theory, when the DAR is high, it indicates that the company relies on debt in large proportion to finance its assets, which can be considered a negative signal for investors, on the contrary, a low DAR gives a positive signal, indicating that the company has more equity than debt, which means the company is less dependent on debt and tends to be more stable in the face of financial risk (Kasmir, 2018 in Sariroh, 2021).

Research conducted by Dewi and Sedana, (2024), Liando, (2021), and Naufal and Fatihat (2023) shows that DAR has a negative and significant effect on Financial Performance. So that from the above description, the following hypotheses can be derived:

H<sub>2</sub> = DAR has a negative and significant effect on Financial Performance

### The Influence of DER on Financial Performance

DER is the ratio used to assess debt to equity. This ratio serves to determine each rupiah of its own capital that will be used as debt collateral. DER is closely related to the Signalling theory, When the DER is high, it indicates that the company has a large proportion of debt compared to equity, which can be considered a negative signal by investors, on the other hand a low DER gives a positive signal, indicating that the company has more equity than debt, making it more stable and attractive to investors (Kurniasih and Surachim, 2019)

Research conducted by Lutfiana and Hermanto, (2021), Widianingsih et al., (2022), and Teng et al., (2022) shows that DER has a negative and significant effect on Financial Performance. So that from the above description, the following hypotheses can be derived:

H<sub>3</sub> = DER has a negative and significant effect on Financial Performance.

## RESEARCH METHODS

### Population and Sample

This research is quantitative and uses secondary data obtained from the Indonesia Stock Exchange (IDX) for two consecutive years from 2022-2023. The data is a financial statement of manufacturing companies in the Consumer Non-Cyclical sector that has been published. The population in this study is manufacturing companies in the Consumer Non-Cyclical sector listed on the Indonesian Securities Exchange (IDX). The number of samples used in this study is 155 annual financial statements, including 9 reports that are considered outliers, from 82 different companies with a sample observation of 2 (two) years, namely 2022-2023.

**Table 1.**  
**Non-Cyclical Consumer Sector Manufacturing Companies**

| No | Code | Company Name                        |
|----|------|-------------------------------------|
| 1  | AMRT | Sumber Alfaria Trijaya Tbk.         |
| 2  | BUAH | Segar Kumala Indonesia Tbk.         |
| 3  | DAYA | Duta Intidaya Tbk.                  |
| 4  | DMND | Diamond Food Indonesia Tbk.         |
| 5  | EMPT | Enseval Putera Megatrading Tbk.     |
| 6  | HERO | Hero Supermarket Tbk.               |
| 7  | KMDS | Kurniamitra Duta Sentosa Tbk.       |
| 8  | MIDI | Midi Utama Indonesia Tbk.           |
| 9  | MKTR | Menthobi Karyatama raya Tbk.        |
| 10 | MPPA | Matahari Putra Prima Tbk.           |
| 11 | PCAR | Prima Cakrawala Abadi Tbk.          |
| 12 | RANC | Supra Boga Lestari Tbk.             |
| 13 | SDPC | Milennium Pharmacon Internati Tbk.  |
| 14 | WICO | Wicaksana Overseas Internation Tbk. |
| 15 | AALI | Astra Agro Lestari Tbk.             |
| 16 | ADES | Akasha Wira International Tbk.      |
| 17 | AGAR | Asia Sejahtera Mina Tbk.            |

|    |      |                                     |
|----|------|-------------------------------------|
| 18 | AISA | FKS Food Sejahtera Tbk.             |
| 19 | ALTO | Tri Banyan Tirta Tbk.               |
| 20 | AMMS | Agung Menjangan Mas Tbk.            |
| 21 | ANDI | Andira Agro Tbk.                    |
| 22 | ANJT | Austindo Nusantara Jaya Tbk.        |
| 23 | ASHA | Cilacap Samudera Fishing Indus      |
| 24 | BEEF | Estika Tata Tiara Tbk.              |
| 25 | BISI | BISI Internasional Tbk.             |
| 26 | BOBA | Formosa Ingredient Factory Tbk.     |
| 27 | BTEK | Bumi Teknokultura Unggul Tbk.       |
| 28 | BUDI | Bumi Starch & Sweetener Tbk.        |
| 29 | BWPT | Eagle High Plantations Tbk.         |
| 30 | CAMP | Campina Ice Cream Industry Tbk.     |
| 31 | CBUT | Citra Borneo Utama Tbk.             |
| 32 | CEKA | Wilmar Cahaya Indonesia Tbk.        |
| 33 | CLEO | Sariguna Primatirta Tbk.            |
| 34 | CMRY | Cisarua Mountain Dairy Tbk.         |
| 35 | COCO | Wahana Interfood Nusantara Tbk.     |
| 36 | CPIN | Chareon Pokphand Indonesia Tbk.     |
| 37 | CPRO | Central Proteina Prima Tbk.         |
| 38 | CRAB | Toba Surimi Industries Tbk.         |
| 39 | CSRA | Cisadane Sawit Raya Tbk.            |
| 40 | DEWI | Dewi Shri Farmindo Tbk.             |
| 41 | DLTA | Delta Djakarta Tbk.                 |
| 42 | DPUM | Dua Putra Utama Makmur Tbk.         |
| 43 | DSFI | Dharma Samudera Fishing Indust      |
| 44 | DSNG | Dharma Satya Nusantara Tbk.         |
| 45 | ENZO | Morenza Abadi Perkasa Tbk.          |
| 46 | FAPA | FAB Agri Tbk.                       |
| 47 | FISH | FKS Multi Agro Tbk.                 |
| 48 | FOOD | Sentra Food Indonesia Tbk.          |
| 49 | GOLL | Golden Plantation Tbk.              |
| 50 | GOOD | Garudafood Putra Putri Tbk.         |
| 51 | GULA | Aman Agrindo Tbk.                   |
| 52 | GZCO | Gozco Plantations Tbk.              |
| 53 | HOKI | Buyung Poetra Sembada Tbk.          |
| 54 | IBOS | Indo Boga Sukses Tbk.               |
| 55 | ICBP | Indofood CBP Sukses Makmur Tbk.     |
| 56 | IKAN | Era Mandiri Cemerlang Tbk.          |
| 57 | INDF | Indofood Sukses Mandiri Tbk.        |
| 58 | IPPE | Indo Pureco Pratama Tbk.            |
| 59 | JARR | Jhonlin Agro Raya Tbk.              |
| 60 | JAWA | Jaya Agra Wattie Tbk.               |
| 61 | JPFA | Japfa Comfeed Indonesia Tbk.        |
| 62 | KEJU | Mulia Boga Raya Tbk.                |
| 63 | LSIP | PP London Sumatra Indonesia Tbk.    |
| 64 | MAGP | Multi Agro Gemilang Plantation Tbk. |
| 65 | MAIN | Malindo Feedmill Tbk.               |
| 66 | MGRO | Mahkota Group Tbk.                  |
| 67 | MLBI | Multi Bintang Indonesia Tbk.        |
| 68 | MYOR | Mayora Indah Tbk.                   |
| 69 | NASI | Wahana Inti Makmur Tbk.             |
| 70 | OILS | Indo Oils Perkasa Tbk.              |
| 71 | PALM | Provident Investasi Bersama Tbk.    |
| 72 | PANI | Pratama Abadi Nusa Industri Tbk.    |
| 73 | PGUN | Pradiksi Gunatama Tbk.              |
| 74 | PMMP | Panca Mitra Multiperda Tbk.         |
| 75 | PSDN | Prasidha Aneka Niaga Tbk.           |
| 76 | PSGO | Palma Serasih Tbk.                  |
| 77 | ROTI | Nippon Indosari CorpindoT bk.       |
| 78 | SGRO | Sampoerna Agro Tbk.                 |
| 79 | SIMP | Salim Ivomas Pratama Tbk.           |

|     |      |                                  |
|-----|------|----------------------------------|
| 80  | SIPD | Sreeya Sewu Indonesia Tbk.       |
| 81  | SKBM | Sekar Bumi Tbk.                  |
| 82  | SKLT | Sekar Laut Tbk.                  |
| 83  | SMAR | Smart Tbk.                       |
| 84  | SSMS | Sawit Sumbermas Sarana Tbk.      |
| 85  | STAA | Sumber Tani Agung Resources Tbk. |
| 86  | STTP | Siantar Top Tbk.                 |
| 87  | TAPG | Triputra Agro Persada Tbk.       |
| 88  | TAYS | Jaya Swarasa Agung Tbk.          |
| 89  | TBLA | Tunas Baru Lampung Tbk.          |
| 90  | TGKA | Tigaraksa Satria Tbk.            |
| 91  | TLDN | Teladan Prima Agro Tbk.          |
| 92  | TRGU | Carestar Indonesia Tbk.          |
| 93  | ULTJ | Ultra Jaya Milk Industry & Tra   |
| 94  | UNSP | Bakrie Sumatera Plantations Tbk. |
| 95  | WAPO | Wahana Pronatural Tbk.           |
| 96  | WMPP | Widodo Makmur Perkasa Tbk.       |
| 97  | WMUU | Widodo Makmur Unggas Tbk.        |
| 98  | GGRM | Gudang Garam Tbk.                |
| 99  | HMSP | H.M. Sampoerna Tbk.              |
| 100 | ITIC | Indonesian Tobacco Tbk.          |
| 101 | RMBA | Bentoel Internasional Investam   |
| 102 | WIIM | Wismilak Inti Makmur Tbk.        |
| 103 | EURO | Estee Gold Fest Tbk.             |
| 104 | FLMC | Falmaco Nonwomen Industri Tbk.   |
| 105 | KINO | Kino Indonesia Tbk.              |
| 106 | KPAS | Cottonindo Ariesta Tbk.          |
| 107 | MBTO | Martina Berto Tbk.               |
| 108 | MRAT | Mustika Ratu Tbk.                |
| 109 | NANO | Nanotech Indonesia Global Tbk.   |
| 110 | TCID | Mandom Indonesia Tbk.            |
| 111 | UCID | Uni-Charm Indonesia Tbk.         |
| 112 | UNVR | Unilever Indonesia Tbk.          |
| 113 | VICI | Victoria Care Indonesia Tbk.     |

Researchers took a number of samples from the population to be used as an object of research. The sample of this study was determined by the purposive sampling method. The criteria for selecting this research sample are as follows.

**Table 2.**  
**Characteristics of Research Samples**

| No  | Sample Criteria  | Sum  |
|---|--|------|
| 1   | Manufacturing companies in the Consumer Non-Cyclical listed on the Indonesia Stock Exchange (IDX) for the 2022-2023 period   | 113  |
| 2   | Manufacturing companies in the Consumer Non-Cyclical listed on the Indonesia Stock Exchange (IDX) that did not publish consecutive financial statement data for the 2022-2023 period | (31) |
| 3   | Sample of manufacturing companies in the Consumer Non-Cyclical sector listed on the Indonesia Stock Exchange (IDX) for the 2022-2023 period that are outlier                         | (9)  |
| Number of Samples   |  | 155  |
| The number of manufacturing companies in the Consumer Non-Cyclical sector listed on the Indonesia Stock Exchange (IDX) that were used as a research sample for the 2022-2023 period |  | 82   |

Based on the characteristics of the sample above, it shows 113 manufacturing companies in the Consumer Non-Cyclical sector listed on the Indonesia Stock Exchange (IDX) for the 2022-2023 period. Table 1 shows that 31 companies did not publish financial statement data consecutively in the 2022-2023 period. Over two years, researchers analyzed 155 annual financial reports, including 9 reports that were considered outliers, from 82 different companies.

**Sources and Methods of Data Collection**

The data source used is secondary data in the form of financial statements that are already available on the official website of the Indonesia Stock Exchange (IDX) in [www.idx.co.id](http://www.idx.co.id). The data collection method uses purposive sampling techniques, certain criteria that have been applied by researchers, as shown in Table 2 (two). So a sample of 155 annual financial reports was obtained, including 9 reports that were considered outliers, from 82 different companies.

**Data Analysis**

The data analysis technique used in this study uses quantitative analysis using the STATA program. The data analysis techniques used are Descriptive Analysis, Classical Assumption Test, Multiple Linear Regression Analysis, Hypothesis Test, and Model Selection Test. The purpose of model selection is to choose the best model that best suits the study data. A number of models are taken into account such as REM and FEM.

**Variable Measurement**

**Variable Dependency**

The dependent variable of this study is financial performance. Financial Performance is an overview of a company's analysis in implementing the company's financial rules efficiently and effectively in generating cash positions and profits (Winarni and Novitasari, 2022). Financial Performance is measured through ROA. ROA is earned through Net Profit divided by Total Assets. ROA is a ratio used to show a company's ability to generate profits using the total assets owned (Kasmir, 2016 in Rahmawati et al., 2021).

**Independent Variables**

The independent variables of this study are QR, DAR, and DER. QR is obtained through Current Assets minus Inventory divided by Current Debt. QR is a ratio that assesses a company's performance in fulfilling its short-term obligations by using more liquid assets (Wijaya and Sedana, 2020). DAR is obtained through Total Debt divided by Total Assets. DAR is a ratio used to assess debt to assets (Singgih, 2021). DER is obtained through Total Debt divided by Equity. DER is a financial ratio used to measure the ratio between total debt (including current debt) and equity in a company (Singgih, 2021).

**Operational and Table Measurement**

**Table 3.**  
**Operational and Table Measurement**

| Variabel   | Operational Definition  | Measurement                                     |
|--|---|---|
| Variable Dependen:<br>Financial performance<br>ROA | Financial Performance is an overview of a company's analysis in implementing the company's financial rules efficiently and effectively in producing cash positions and profits (Winarni and Novitasari, 2022) | $ROA = \text{Net Profit} / \text{Total Assets}$ |

|                               |  |   |
|-------------------------------|--|---|
| Independent Variables:<br>QR  | QR is a ratio that assesses a company's performance in fulfilling its short-term obligations by using more liquid assets (Wijaya and Sedana, 2020) | $QR = (\text{Current Assets} - \text{Inventory}) / \text{Current Debt}$ |
| Independent Variables:<br>DAR | DAR is a ratio used to assess debt with assets (Singgih, 2021).  | $DAR = \text{Total Debt} / \text{Total Assets}$                         |
| Independent Variables:<br>DER | DER is a financial ratio used to measure the ratio between total debt (including current debt) and equity in a company (Singgih, 2021).            | $DER = \text{Total Debt} / \text{Equity}$                               |

## RESULTS AND DISCUSSION

### Descriptive Analysis

| Variabel | Obs | Statistics Descriptive |               |           |          |
|----------|-----|------------------------|---------------|-----------|----------|
|          |     | Mean                   | Std Deviation | Min       | Max      |
| ROA      | 155 | 0508855                | 1304891       | -3996737  | 9435689  |
| QR       | 155 | 1,603321               | 1,961117      | 0         | 11,26864 |
| DAR      | 155 | 5059219                | 3119416       | 093235    | 2,311944 |
| DER      | 155 | 2,434995               | 6,596191      | -3,309594 | 54,97976 |

In the descriptive statistical table, ROA has a mean of 0508855, QR 1.603321, DAR 5059219 and DER 2.434995. It can be seen from the maximum value of ROA of 9435689 and minimum value of -3996737, QR of the maximum value of 11.26864 and the minimum value of 0, the maximum value of DAR of 2.311944 and the minimum value of 093235, as well as the maximum value of DER of 54.97976 and the minimum value of -3.309594 with the standard deviation of ROA of 1304891, QR1.961117, DAR 3119416, and DER of 6.596191, overall the descriptive analysis identifies a fairly high variation in Financial Performance and capital structure between companies that are research samples.

### Panel Data Regression Estimation Model

| Uji Chow                            |        |
|-------------------------------------|--------|
| F test that all $u_i=0$ : F(77, 74) | 1,50   |
| Prob > F                            | 0.0406 |

The profitability result shows 0.0406 that "the value of Prob < (0.05), so that H0 is rejected and the Fixed Effect Model (FEM) is considered more appropriate to be used in the estimation of panel data than the Partial Least Square (PLS), then after the Fixed Effect Model (FEM) is selected, a Lagrange Multiplier (LM) test is carried out to determine whether the Partial Least Square (PLS) or Random Effect Model (REM) is more suitable.

| Uji Lagrange Multiplier (LM) |         |               |
|------------------------------|---------|---------------|
|                              | Var     | sd=sqrt (var) |
| ROA                          | 0170274 | 1304891       |
| E                            | 0115124 | 107296        |
| U                            | 0029912 | 0546917       |

|                |        |
|----------------|--------|
| Test: Var (u)  | 0      |
| Chibar2 (01)   | 2,94   |
| Prob > chibar2 | 0,0431 |

The profitability result showed 0.0431 that "the value of Prob < (0.05), so that H0 was rejected and the Random Effect Model (REM) was considered more appropriate to be used in the estimation of panel data than the Partial Least Square (PLS), then after the Random Effect Model (REM) was selected, a thirist test was carried out to determine whether the Fixed Effect Model (FEM) or the Random Effect Model (REM) which is more appropriate in panel data regression analysis.

#### Uji Hausman

|           | (b)<br>Fe                        | (B)<br>Re | (b-B)<br>Difference | Sqrt (diag (V_b-V_B))<br>S.E. |
|-----------|----------------------------------|-----------|---------------------|-------------------------------|
| QR        | -0090763                         | 007055    | -0161313            | 01067                         |
| DAR       | -0792245                         | -050398   | -0288265            | 03121                         |
| DER       | -0068563                         | -0065175  | -0003388            | 0026045                       |
| Chi2 (3)  | (b-B) ' [ (V_b-V-B) (-1) ] (b-B) |           |                     |                               |
|           | 2,31                             |           |                     |                               |
| Prob>chi2 | 0,5109                           |           |                     |                               |

The results of the hausman test showed a value of 0.5109 that the value of Prob chi2 was < (0.05), "so H0 was accepted and the Random Effect Model (REM) was more suitable to be used to estimate the panel data compared to the Fixed Effect Model (FEM), based on the results of the chow test and the thirist test, it can be concluded that the Random Effect Model (REM) is a more precise model.

#### Uji Asumsi Klasik

##### Uji Normalitas

| Variabel | Obs | W       | V      | z     | Prob > z |
|----------|-----|---------|--------|-------|----------|
| ROA      | 155 | 0,80977 | 22,766 | 7,097 | 0.00000  |
| QR       | 155 | 0,68984 | 37,118 | 8,207 | 0.00000  |
| DAR      | 155 | 0,79991 | 23,946 | 7,212 | 0.00000  |
| DER      | 155 | 0,35277 | 77,457 | 9,878 | 0.00000  |

The results of the normality test of each of the ROA, QR, DAR, and DER variables showed a Prob value of > z of 0.0000, which means subtracting H0. Thus, the data is not distributed normally.

##### Uji Multikolinieritas

| Variabel | VIF  | 1/VIF    |
|----------|------|----------|
| QR       | 1,36 | 0,734239 |
| DAR      | 1,21 | 0,824875 |
| DER      | 1,20 | 0,833586 |
| Mean VIF | 1,26 |          |

The results of the multicollinearity test showed that all VIF (Variance Inflation Factor) values were below the number 2, with a mean VIF value of 1.26. This shows that there is no indication of multicollinearity, so that independent variables do not strongly influence each other and the regression results can be said to be valid.

##### Uji Heteroskedatisitas

|             |        |
|-------------|--------|
| Chi2(1)     | 4,26   |
| Prob > chi2 | 0,0389 |

The results of the heteroscedicity test showed a chi > prob of 0.0389, which means subtracting H0. Thus, there is a problem of heterokedaticity.

#### Uji Hipotesis

| <b>Uji t</b> |             |            |             |       |
|--------------|-------------|------------|-------------|-------|
| Variabel     | Coefficient | Std. Error | t-Statistic | prob  |
| QR           | 007055      | 0057107    | 1,24        | 0,217 |
| DAR          | -050398     | 0353126    | -1,43       | 0,154 |
| DER          | -0065175    | 0016562    | -3,94       | 0,000 |
| C            | 0810381     | 0244679    | 3,31        | 0,001 |

The results of the hypothesis test in the table above show that the level  $\alpha = 5\%$ , "the constant variable (C) has a 0810381 coefficient with a significant profitability value of 0.001, the QR variable has a coexistence of 007055 and a profitability value of 0.217. The DAR variable has a coefficient of -050398 and a profitability value of 0.154. The DER variable has a coefficient of -0065175 and a profitability value of 0.000. From these results, it shows that the profitability value  $> 0.05$ , it can be concluded that QR and DAR do not have a significant effect on Financial Performance, while DER has a negative and significant effect on Financial Performance".

| <b>Uji F</b> |        |
|--------------|--------|
| Statistics   | Value  |
| Wald chi(3)  | 27,54  |
| Prob > chi2  | 0.0000 |

The results of the F test show a prob  $> 0.0000$ , so simultaneously QR, DAR, and DER have a significant effect on Financial Performance because the p-value ( $0.0000$ )  $< 0.05$ .

| <b>Koefisien Determinasi (R<sup>2</sup>)</b> |        |
|--|--------|
| R-Squared                                    | Value  |
| Within                                       | 0,0807 |
| Between                                      | 0,2204 |
| Overall                                      | 0,1680 |

The result of the Coefficient of Determination (R<sup>2</sup>) shows that R<sup>2</sup> (Within) is 0.0807 meaning that 8.07% of the change in ROA can be explained by changes in the variables QR, DAR, and DER within each company over time. The rest (about 83.20%) is explained by other factors outside the model. The R<sup>2</sup> (Between) of 0.2204 means that only 22.04% of the variation in ROA between companies (average between individuals) can be explained by QR, DAR, and DER. Furthermore, R<sup>2</sup> (Overall) of 0.1680 means that in total, the model is only able to explain 16.80% of the variation in ROA without distinguishing between or within the company.

## DISCUSSION

### QR has no effect on Financial Performance

The results of the study show that QR has no effect on Financial Performance, meaning that the higher the QR, the lower the QR, the lower the QR, the more Financial Performance will increase. In line with signalling theory, which states that if this ratio is low, it could indicate that the company has liquidity problems and may face difficulties in meeting short-term obligations. On the contrary, this ratio gives a positive signal to investors that the company has good liquidity and is able to meet its financial obligations (Hendriani et al., 2023).

The company's liabilities are paid quickly so that the company's profitable core activities are not disrupted. And the management of the company's funds is very good, so that the funds can provide more benefits for the company and the impact on the company's financial performance is increasing. A QR that is too high can indicate current assets that are not being used, such as uninvested cash or receivables that are not being billed immediately. In signalling theory, this can be a bad signal for investors because it shows that management is using the company's resources poorly. Additionally, a high QR can indicate an overly conservative or risk-averse management strategy, which will ultimately hinder profit growth. Therefore, excessive QR without being accompanied by productivity can obscure positive signals, and adversely affect investor perception and the company's Financial Performance (Spence, 1973 in Indrayadi and Aristantia, 2024). The results of this study are

in line with research conducted by Handayani and Rochmatullah, (2024) and Trisasmitha et al., (2025) which stated that QR has no effect on Financial Performance, and is not in line with research conducted by Khoerunisah and Rahmiyatun (2024), Natasyia (2022), Dewi and Gunawan (2023), and Dewi and Hutnaleontin (2021) which stated that Quick Ratio (QR) has an effect on Financial Performance.

#### **DAR has no effect on Financial Performance**

The results of the study show that DAR has no effect on Financial Performance, meaning that the higher the DAR, the lower the Financial Performance, this can be explained because the DAR only shows how much of the proportion of assets financed by debt without calculating the efficiency of the use of the debt in generating profits. On the contrary, the lower the DAR, the more financial performance will increase. In line with the signalling theory which states that if the DAR is high, it indicates that the company relies on debt in large proportion to finance its assets, which can be considered a negative signal for investors, on the contrary, a low DAR gives a positive signal, indicating that the company has more equity than debt, which means the company is less dependent on debt and tends to be more stable in the face of financial risks (Kasmir, 2018 in Sariroh, 2021).

High debt adds to interest expense and payment obligations, which can reduce net profit. Reliance on debt also increases financial risk and makes companies vulnerable to external pressures. It can also lower investor confidence and limit a company's ability to invest and grow in the long term. The results of this study are in line with the research conducted by Trisasmitha et al., (2025) and Handayani and Rochmatullah, (2024) which stated that DAR has no effect on Financial Performance, and is not in line with research conducted by Dewi and Sedana (2024), Liando (2021), and Naufal and Fatihat (2023) which stated that DAR has an effect on Financial Performance.

#### **DER has a negative and significant effect on Financial Performance**

The results of the study show that DER has a negative and significant effect on Financial Performance, meaning that the higher the DER, the lower the Financial Performance, the lower the DER, the more financial performance will increase. In line with the signalling theory that states that if the DER is high, it indicates that the company has a large proportion of debt compared to equity, which can be considered a negative signal by investors. This identifies that companies may face higher liquidity risks and difficulties in meeting their debt obligations, especially in difficult economic conditions or high interest rates, on the other hand, a low DER gives a positive signal, indicating that the company has more equity than debt, making it more stable and attractive to investors (Kurniasih and Surachim, 2019).

A high DER indicates an imbalance in a company's capital structure, which can lead to inefficient strategic decision-making and inefficiencies in resource allocation. Management often stifles growth because it is too dependent on debt, prioritizing the fulfillment of short-term obligations over long-term investments. The results of this study are in line with previous research conducted by Lutfiana and Hermanto (2021), Widianingsih et al., (2024), and Teng et al., (2023) showing that DER has a negative and significant effect on Financial Performance.

#### **CONCLUSION**

This study aims to test the influence of QR, DAR, and DER on Financial Performance. The results show partially that QR and DAR have no effect on Financial Performance, while DER has a negative and negative effect on Financial Performance. This study provides an empirical contribution regarding the influence of QR, DAR, and DER on Financial Performance. Research also makes a practical contribution in helping companies to reduce debt burden relative to total assets and improve the efficiency of capital structures, so as to encourage sustainable improvement in Financial Performance.

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