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The Effect of Current Ratio (CR) and Debt to Asset Ratio (DAR) on Profit Growth at PT. Dharma Satya Nusantara Tbk

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Abstract

This study examines the effects of the Current Ratio (CR) and Debt-to-Asset Ratio (DAR) on profit growth at PT Dharma Satya Nusantara Tbk during the 2013–2023 period. Profit growth is a key indicator of corporate financial performance, reflecting a firm's ability to sustain profitability and create long-term value. This research employs a quantitative associative approach using secondary data obtained from the company's audited annual financial statements. The study analyzes 11 years of financial data selected through a saturated sampling technique. Multiple linear regression analysis was performed using SPSS version 26, preceded by classical assumption tests, including normality, multicollinearity, heteroscedasticity, and autocorrelation tests, to ensure model validity. The empirical findings reveal that the Current Ratio does not have a statistically significant effect on profit growth, indicating that higher liquidity does not necessarily translate into increased profitability. Conversely, the Debt-to-Asset Ratio has a positive and significant effect on profit growth, suggesting that an optimal capital structure supported by debt financing contributes to improved corporate earnings. Simultaneously, the Current Ratio and Debt-to-Asset Ratio significantly influence profit growth, demonstrating that liquidity and leverage jointly explain variations in corporate financial performance. The model explains 60% of the variation in profit growth, while the remaining 40% is attributable to other factors not included in this study. These findings provide practical insights for corporate managers and investors in evaluating financial performance and developing effective financing strategies to support sustainable profit growth.

1. Introduction

Corporate profit growth has become one of the most important indicators of financial performance because it reflects a firm's ability to generate sustainable earnings, maintain operational efficiency, and create long-term value for shareholders. In an increasingly competitive and uncertain business environment, companies are required not only to maximize profitability but also to maintain financial stability through effective liquidity and leverage management. Investors, creditors, and other stakeholders frequently evaluate a firm's financial health by examining its ability to achieve consistent profit growth, as sustained earnings growth is generally associated with higher firm value, stronger market confidence, and better future business prospects. Consequently, understanding the financial determinants of profit growth has become an important issue in both financial management theory and corporate practice.

Recent developments in the global economy have intensified the challenges faced by companies operating in commodity-based industries. Fluctuations in commodity prices, inflationary pressures, supply chain disruptions, exchange rate volatility, and increasing operational costs have significantly influenced corporate financial performance. These challenges became more evident following the COVID-19 pandemic, which altered global demand patterns and increased uncertainty across international markets. Companies are therefore expected to optimize the utilization of financial resources while maintaining adequate liquidity and an efficient capital structure to ensure sustainable profitability. Financial ratio analysis consequently plays a strategic role in evaluating managerial performance and predicting future corporate earnings.

Profit growth is widely recognized as an important measure of corporate success

because it indicates management's capability to utilize corporate resources efficiently while responding effectively to changes in the business environment. Sustainable earnings growth enhances investors' confidence, improves corporate reputation, and strengthens a firm's ability to finance future expansion through internal funding. Conversely, declining profit growth may indicate operational inefficiencies, ineffective financial management, or unfavorable external economic conditions that threaten long-term business sustainability. Therefore, identifying the financial factors influencing profit growth remains highly relevant for corporate managers, investors, and policymakers.

Financial ratio analysis is among the most widely applied approaches for evaluating corporate financial performance. Financial ratios provide comprehensive information regarding liquidity, solvency, profitability, and operational efficiency, enabling stakeholders to assess a company's financial condition objectively. Previous studies have demonstrated that liquidity and leverage ratios are among the most influential indicators used to predict changes in corporate earnings. However, empirical evidence remains inconclusive, suggesting that the relationship between financial ratios and profit growth may vary across industries, observation periods, and macroeconomic conditions. These inconsistencies indicate the need for further empirical investigation, particularly within strategic industries that contribute substantially to national economic development.

Indonesia's agribusiness sector, particularly the palm oil industry, represents one of the country's most significant contributors to export earnings, employment, and economic growth. Nevertheless, the industry remains highly vulnerable to fluctuations in global crude palm oil (CPO) prices, environmental regulations, climate change, production costs, and international trade policies. Such conditions require companies operating in this sector to maintain sound financial management practices in order to sustain profitability and remain competitive in the global market.

Among the various financial indicators employed to evaluate corporate performance, liquidity and leverage ratios are considered fundamental measures because they reflect a firm's short-term financial capability and long-term financing structure. Liquidity ratios indicate a company's ability to meet its short-term obligations, whereas leverage ratios measure the extent to which corporate assets are financed through debt. Both dimensions are closely associated with operational sustainability and earnings performance, making them relevant predictors of profit growth.

The **Current Ratio (CR)** is one of the most frequently used liquidity indicators in financial statement analysis. It measures a company's ability to settle short-term liabilities using current assets and is commonly interpreted as an indicator of financial flexibility. A higher Current Ratio generally reflects stronger liquidity, enabling firms to maintain operational continuity and withstand unexpected financial shocks. Adequate liquidity allows companies to finance working capital requirements, purchase raw materials, meet operational expenses, and avoid financial distress. Consequently, firms with healthy liquidity positions are expected to achieve more stable earnings growth because they experience fewer disruptions in business operations.

However, the relationship between liquidity and profit growth is not always linear. Excessively high liquidity may indicate inefficient utilization of current assets, where a substantial portion of resources remains idle instead of being invested in productive activities. Idle cash balances, excessive inventories, or inefficient receivable management may reduce the company's ability to maximize returns on invested capital. Therefore, maintaining an optimal liquidity level is considered more beneficial than simply maximizing liquidity. This perspective explains why empirical studies frequently report inconsistent findings regarding the influence of

the Current Ratio on corporate profitability and earnings growth.

Another important indicator influencing corporate performance is the **Debt-to-Asset Ratio (DAR)**, which measures the proportion of total assets financed through debt. The ratio reflects corporate financing decisions and indicates the level of financial risk associated with debt utilization. A higher DAR suggests greater dependence on external financing, increasing fixed financial obligations and exposing firms to higher interest rate and refinancing risks. Nevertheless, debt financing may also generate positive outcomes when utilized efficiently because borrowed funds enable firms to expand operations, invest in productive assets, and exploit profitable investment opportunities. Therefore, the impact of leverage on profit growth depends largely on management's ability to allocate borrowed capital efficiently and generate returns exceeding financing costs.

Previous empirical studies investigating the effects of liquidity and leverage on profit growth have produced inconsistent results. Several studies reported that liquidity significantly improves corporate earnings by supporting operational efficiency and reducing financial constraints. In contrast, other studies found that excessive liquidity has no significant influence on profit growth because idle current assets reduce overall profitability. Similar inconsistencies are observed in leverage research, where some scholars argue that debt financing enhances firm performance through financial leverage, whereas others conclude that excessive debt increases financial risk and suppresses future earnings growth. These contradictory findings indicate that the relationship between financial ratios and profit growth remains context-dependent and may vary across industries, firm characteristics, and macroeconomic conditions.

Such inconsistencies highlight the necessity for further investigation, particularly in industries characterized by high capital intensity and substantial exposure to commodity price fluctuations. Companies operating in these sectors require effective liquidity management and prudent debt policies to maintain operational resilience while ensuring sustainable earnings growth. Consequently, examining the combined effects of Current Ratio and Debt-to-Asset Ratio provides valuable insights into how financial management practices influence corporate profitability under dynamic business conditions.

PT Dharma Satya Nusantara Tbk (DSNG) represents one of Indonesia's leading agribusiness companies operating in three strategic business segments, namely palm oil plantations, wood products, and renewable energy. Since its initial public offering (IPO) on the Indonesia Stock Exchange in 2013, the company has continuously expanded its operations while adapting to the increasingly dynamic business environment. The palm oil segment remains the primary contributor to the company's revenue, followed by the wood products and renewable energy businesses. Consequently, the company's financial performance is highly influenced by fluctuations in global crude palm oil (CPO) prices, production costs, exchange rate movements, and changes in international trade policies.

During the observation period, PT Dharma Satya Nusantara Tbk experienced fluctuations in several financial indicators that may have influenced its earnings performance. The company's current liabilities increased substantially in 2021, reflecting greater short-term financing requirements to support business expansion and working capital activities. Meanwhile, total assets declined in 2020 before recovering in subsequent years, indicating the impact of external economic pressures and changes in asset management strategies. Although the company demonstrated improvements in production efficiency and increased CPO sales volume in 2023, profitability remained volatile due to rising fertilizer costs, declining timber demand, and fluctuations in commodity prices. These conditions illustrate that financial performance cannot be explained solely by operational achievements but must also be evaluated

through the company's liquidity and capital structure.

The financial data also reveal noticeable fluctuations in profit growth. Net income increased significantly during 2021 as commodity prices recovered after the pandemic. However, profit declined in 2022 despite an increase in total assets, suggesting that asset expansion alone was insufficient to improve corporate earnings. In 2023, profit recovered alongside improvements in CPO production and sales volume, indicating that both internal financial management and external market conditions jointly affected the company's financial performance. These observations imply that liquidity and leverage may play different roles in explaining profit growth across different economic periods.

Despite the extensive literature examining the relationship between financial ratios and corporate performance, several research gaps remain. First, previous studies have reported inconsistent empirical findings regarding the influence of the Current Ratio and Debt-to-Asset Ratio on profit growth. Some researchers concluded that higher liquidity improves profitability by ensuring operational continuity, whereas others argued that excessive liquidity reflects inefficient asset utilization and therefore has no significant effect on earnings growth. Likewise, leverage has been found to produce both positive and negative effects depending on the firm's financing strategy, debt management capability, and industry characteristics. Second, relatively few studies have focused specifically on publicly listed agribusiness companies in Indonesia, particularly those operating in the palm oil industry, where financial performance is highly sensitive to commodity price volatility and macroeconomic uncertainty. Third, most previous studies have investigated manufacturing or consumer goods companies, leaving limited empirical evidence regarding plantation companies with diversified business portfolios.

Accordingly, this study addresses these research gaps by investigating the effects of the Current Ratio (CR) and Debt-to-Asset Ratio (DAR) on profit growth at PT Dharma Satya Nusantara Tbk over the 2013–2023 period. By focusing on one of Indonesia's largest integrated agribusiness companies, this research provides empirical evidence regarding how liquidity and leverage influence earnings growth under fluctuating commodity market conditions. The findings are expected to enrich the corporate finance literature while providing practical implications for financial managers, investors, and policymakers in designing more effective financial strategies to achieve sustainable corporate performance.

2. Literature Review

2.1 Current Ratio (CR)

According to Harahap (2019), the Current Ratio (CR) indicates the extent to which current assets are sufficient to cover current liabilities. A higher proportion of current assets relative to current liabilities reflects a greater ability of a company to fulfill its short-term obligations. Similarly, Kasmir (2023) defines the Current Ratio as a liquidity ratio used to measure a company's ability to meet its short-term liabilities or obligations that are due within one year. In other words, the Current Ratio measures the availability of current assets to settle current liabilities as they become due.

The Current Ratio is one of the most widely used liquidity indicators in financial analysis because it provides an overview of a company's short-term financial strength. According to Harahap (2019), this ratio demonstrates the extent to which current assets cover current liabilities. The higher the ratio, the stronger the company's capability to meet its short-term financial commitments. Current assets include cash, cash equivalents, accounts receivable, inventories, and other assets that are expected to be converted into cash within one accounting period or one year.

2.2 Debt-to-Asset Ratio (DAR)

According to Andhani (2019), the Debt-to-Asset Ratio (DAR) measures the proportion of a company's total assets financed through total debt. A higher Debt-to-Asset Ratio indicates greater reliance on debt financing to

support investments in company assets, which may enhance profitability when managed efficiently.

Similarly, Zuliana (2023) defines the Debt-to-Asset Ratio as a financial ratio that reflects the proportion between a company's total liabilities and total assets. Wahyuningsih (2020) further explains that DAR compares total debt with total assets to determine the extent to which company assets are financed by debt. Therefore, the ratio reflects both the company's financial leverage and its exposure to financial risk.

Based on these definitions, the Debt-to-Asset Ratio can be interpreted as an indicator of a company's capital structure, measuring the extent to which assets are financed through debt and the company's ability to fulfill its obligations using available assets. The ratio is calculated as follows:

2.3 Profit Growth

According to Ghozali (2019), profit represents an increase in economic benefits during an accounting period in the form of increases in assets or decreases in liabilities that result in an increase in equity, excluding contributions from owners. Maryana (2018) defines profit as the excess of revenues over expenses arising from business operations. Conversely, when expenses exceed revenues, the result is a loss. Profit or loss is calculated periodically and reflects the financial performance achieved during a specific accounting period.

Furthermore, Setyowati (2022) argues that profit represents the return earned by shareholders during a given period, while the income statement provides detailed information regarding how such profit is generated. Therefore, profit growth refers to the company's ability to increase earnings from one accounting period to another, indicating improvements in operational efficiency, financial performance, and managerial effectiveness.

2.4 The Effect of Current Ratio on Profit Growth

Liquidity plays a crucial role in ensuring business continuity by enabling companies to meet their short-term financial obligations. According to Halim (2017), liquidity ratios measure a company's ability to fulfill its short-term liabilities as they mature. A higher Current Ratio generally indicates stronger liquidity, reducing the likelihood of financial distress and supporting uninterrupted business operations.

However, excessively high liquidity may indicate inefficient utilization of current assets. Idle cash, excessive inventories, or unproductive working capital may reduce the company's ability to generate optimal returns, thereby weakening profitability and limiting profit growth. Consequently, the relationship between the Current Ratio and profit growth may not always be positive.

Previous empirical studies have reported inconsistent findings regarding the effect of the Current Ratio on profit growth. Yuliana (2018) and Marita and Ni'am (2023) found that the Current Ratio has a significant positive effect on profit growth. In contrast, Meylia (2019) concluded that the Current Ratio does not significantly influence profit growth.

2.5 The Effect of Debt-to-Asset Ratio on Profit Growth

According to Fawzan (2018), the Debt-to-Asset Ratio measures the proportion of company assets financed by creditors. A higher ratio indicates greater reliance on debt financing, enabling companies to expand investment and business operations. When debt is managed efficiently, it can increase profitability by providing additional capital for productive investments. Similarly, Cahyati and Hartikayanti (2023) argue that companies with higher debt relative to total assets have greater opportunities to improve profitability, provided that borrowed funds are allocated efficiently and generate returns exceeding financing costs. Empirical findings regarding the influence of the Debt-to-Asset Ratio on profit growth remain inconclusive. Zakaria (2019) and Sa'adah (2022) reported that the Debt-to-Asset Ratio

significantly affects profit growth. Conversely, Jie (2020) found no significant relationship between the Debt-to-Asset Ratio and profit growth. Based on these theoretical and empirical findings, the second hypothesis is formulated as follows:

H2: Debt-to-Asset Ratio (DAR) has a significant effect on profit growth.

2.6 The Simultaneous Effect of Current Ratio and Debt-to-Asset Ratio on Profit Growth

The Current Ratio and Debt-to-Asset Ratio represent two important dimensions of financial performance, namely liquidity and leverage. Effective liquidity management enables companies to maintain operational stability and fulfill short-term obligations, while an optimal capital structure allows firms to finance productive investments and maximize shareholder value.

Nevertheless, excessively high liquidity may indicate inefficient asset utilization, whereas excessive leverage may increase financial risk and interest expenses. Therefore, balancing liquidity and debt management is essential for achieving sustainable profit growth. According to Izzah, Richmayati, and Sandra (2024), firms with effective liquidity and leverage management are more likely to improve profitability because they are capable of maintaining operational efficiency while minimizing financial risk.

Previous studies also provide mixed empirical evidence. Nurjanah (2024) found that both the Current Ratio and Debt-to-Asset Ratio significantly influence profit growth. In contrast, Arianty (2023) reported that the Current Ratio, Debt-to-Asset Ratio, and Total Asset Turnover do not significantly affect profit growth. Based on the theoretical arguments and previous empirical studies, the third hypothesis is proposed as follows:

H3: Current Ratio (CR) and Debt-to-Asset Ratio (DAR) simultaneously have a significant effect on profit growth.

3. Research Method

3.1 Research Design

This study employed a quantitative research approach with an associative research design. According to Sugiyono (2019), quantitative research is based on the positivist paradigm and is designed to examine relationships among variables using statistical analysis to test predetermined hypotheses. The associative approach aims to investigate the relationship between two or more variables. In this study, the independent variables are the Current Ratio (CR) and Debt-to-Asset Ratio (DAR), while Profit Growth serves as the dependent variable.

3.2 Research Instrument

According to Suharsimi (2006), a research instrument is a tool used by researchers to collect data systematically, accurately, and efficiently. The instrument employed in this study consisted of secondary financial data extracted from the audited annual financial statements of PT Dharma Satya Nusantara Tbk. The collected data included current liabilities, total assets, net profit, and profit growth for the period 2013–2023, which were subsequently used to calculate the financial ratios analyzed in this research.

3.3 Population and Sample

According to Sugiyono (2019), the population refers to the entire set of objects or subjects possessing specific characteristics relevant to the research objectives. The population of this study comprised all annual financial reports and stock price data of PT Dharma Satya Nusantara Tbk since its listing on the Indonesia Stock Exchange (IDX) from 2013 to 2023, covering an observation period of eleven years. The sample consisted of the complete annual financial statements of PT Dharma Satya Nusantara Tbk for the same period (2013–2023). Because the number of observations was limited, this study employed a saturated sampling technique (census sampling), in which all population members were included as research samples.

3.4 Research Location

The study was conducted using secondary data obtained from publicly available sources, including the official website of the Indonesia Stock Exchange (IDX) and the company's published annual financial reports. The observation period covered fiscal years 2013–2023.

3.5 Data Collection Techniques

This study utilized the following data collection techniques:

a. Documentation

Documentation was used to obtain secondary data from annual financial statements published by PT Dharma Satya Nusantara Tbk. According to Sugiyono (2019), documentation is a data collection technique that gathers information from written records, reports, archives, and other relevant documents. The financial statements provided the necessary data for calculating the Current Ratio, Debt-to-Asset Ratio, and Profit Growth.

b. Literature Review

A literature review was conducted to support the theoretical framework and empirical analysis by reviewing books, scientific articles, and previous studies related to financial ratio analysis and corporate profit growth.

3.6 Data Analysis Techniques

3.6.1 Classical Assumption Tests

Prior to hypothesis testing, the data were subjected to classical assumption tests to ensure the validity of the regression model. All statistical analyses were performed using IBM SPSS Statistics Version 26.

a. Normality Test

The normality test was performed using the One-Sample Kolmogorov–Smirnov test to determine whether the residuals followed a normal distribution. The data were considered normally distributed when the significance value exceeded 0.05.

b. Multicollinearity Test

The multicollinearity test was conducted to determine whether correlations existed among the independent variables. Multicollinearity was evaluated using the Tolerance and Variance Inflation Factor (VIF) values. Following Yaldi et al. (2022), a regression model is considered free from multicollinearity when the tolerance value is greater than 0.10 and the VIF value is less than 10.

c. Heteroscedasticity Test

The heteroscedasticity test was conducted using the scatterplot method to examine whether the variance of the residuals remained constant across observations. A regression model is considered free from heteroscedasticity when the residuals are randomly distributed without forming a specific pattern (Ghozali, 2018).

d. Autocorrelation Test

Autocorrelation was examined using the Durbin–Watson (DW) test to determine whether residuals were correlated across observations. A regression model is considered free from autocorrelation when the Durbin–Watson statistic falls between the upper critical value (dU) and 4 – dU.

3.6.2 Multiple Linear Regression Analysis

To examine the effects of the independent variables on profit growth, this study employed multiple linear regression analysis. This technique is appropriate because the model includes more than one independent variable.

3.6.3 Coefficient of Determination and Correlation Analysis

The coefficient of determination (R^2) was used to measure the proportion of variance in profit growth explained by the independent variables. Higher R^2 values indicate greater explanatory power of the regression model. The correlation coefficient (R) was used to determine the strength and direction of the relationship between the independent and

dependent variables. The interpretation of the correlation coefficient followed the classification proposed by Sugiyono (2016).

3.6.4 Partial Significance Test (t-test)

The t-test was performed to examine the individual effect of each independent variable on profit growth. A hypothesis was accepted when the significance value was less than 0.05 and the calculated t-value exceeded the critical t-table value.

3.6.5 Simultaneous Significance Test (F-test)

The F-test was conducted to evaluate the simultaneous effect of the Current Ratio and Debt-to-Asset Ratio on profit growth. The regression model was considered statistically significant when the p-value was less than 0.05, indicating that the independent variables jointly influenced the dependent variable.

4. Results and Discussion

4.1 Classical Assumption Tests

4.1.1 Normality Test

Based on the results of the Kolmogorov–Smirnov normality test presented in Table 3, the Asymp. Sig. (2-tailed) value is 0.919, which is greater than the significance level of 0.05. This result indicates that the residuals are normally distributed. Therefore, the regression model satisfies the normality assumption and is appropriate for further statistical analysis.

4.1.2 Multicollinearity Test

The multicollinearity test results indicate that the Current Ratio (CR) and Debt-to-Asset Ratio (DAR) variables have tolerance values of 0.684, which exceed the minimum threshold of 0.10. Furthermore, the Variance Inflation Factor (VIF) values for both variables are 1.463, which are well below the maximum acceptable value of 10.00. These findings demonstrate that no multicollinearity exists among the independent variables, confirming that the regression model satisfies the multicollinearity assumption.

4.1.3 Heteroscedasticity Test

The scatterplot illustrates that the residual points are randomly distributed above and below the zero line on the Y-axis without forming any discernible pattern. This indicates the absence of heteroscedasticity in the regression model. Therefore, the assumption of homoscedasticity has been fulfilled.

4.1.4 Autocorrelation Test

The Durbin–Watson test produced a statistic of 2.084. With a sample size of n = 10 and k = 2 independent variables, the upper critical value (dU) is 1.641, while 4 – dU equals 2.359. Since the obtained Durbin–Watson statistic satisfies the condition 1.641 < 2.084 < 2.359, it can be concluded that the regression model does not exhibit either positive or negative autocorrelation. Consequently, the autocorrelation assumption has been satisfied.

4.2 Multiple Linear Regression Analysis

Based on the regression results presented in Table 4, the estimated regression equation is:

$$Y = 279.850 - 0.664X_1 + 8.977X_2 + e$$

where:

- Y = Profit Growth
- X_1 = Current Ratio (CR)
- X_2 = Debt-to-Asset Ratio (DAR)

The regression equation can be interpreted as follows:

1. The constant value of 279.850 indicates that when the Current Ratio and Debt-to-Asset Ratio remain constant at zero, the estimated profit growth is 279.850%.
2. The regression coefficient for the Current Ratio (CR) is −0.664, implying that a one-percent increase in the Current Ratio is associated with a 0.664% decrease in profit growth, assuming all other variables remain constant.
3. The regression coefficient for the Debt-to-Asset Ratio (DAR) is 8.977, indicating that a one-percent increase in DAR is associated with an 8.977% increase in profit growth, ceteris paribus.

4.3 Coefficient of Determination and Correlation Analysis

Based on Table 5, the correlation coefficient (R) is 0.775, indicating a relatively strong positive relationship between the independent variables (Current Ratio and Debt-to-Asset Ratio) and the dependent variable (Profit Growth). According to the correlation coefficient interpretation guidelines, this value indicates a strong relationship between the financial ratios and profit growth at PT Dharma Satya Nusantara Tbk.

Furthermore, the coefficient of determination (R^2) is 0.600, indicating that approximately 60% of the variation in profit growth can be explained by the combined effects of the Current Ratio and Debt-to-Asset Ratio. The remaining 40% is attributable to other factors not included in the regression model.

4.4 Hypothesis Testing

4.4.1 Effect of Current Ratio on Profit Growth

The regression results indicate that the significance value for the Current Ratio (CR) is 0.814, which is greater than the 5% significance level (0.814 > 0.05). Moreover, the calculated t-value is 0.245, which is lower than the critical t-table value of 2.364 (0.245 < 2.364). Therefore, Hypothesis 1 (H1) is rejected, indicating that the Current Ratio has no statistically significant effect on profit growth at PT Dharma Satya Nusantara Tbk.

The Current Ratio measures a company's ability to meet its short-term obligations using current assets. Although a higher Current Ratio generally reflects stronger liquidity, an excessively high ratio may indicate inefficient utilization of current assets. Idle current assets reduce opportunities for productive investment, thereby limiting profitability. Consequently, high liquidity does not necessarily guarantee higher profit growth because excessive working capital may remain unproductive and fail to generate additional returns.

These findings are consistent with the study conducted by Meylia (2019), which reported that the Current Ratio does not significantly affect profit growth. However, the results contradict those reported by Yuliana (2018) and Marita and Ni'am (2023), who found a significant positive relationship between the Current Ratio and profit growth.

4.4.2 Effect of Debt-to-Asset Ratio on Profit Growth

The regression analysis shows that the Debt-to-Asset Ratio (DAR) has a significance value of 0.026, which is lower than the 5% significance level (0.026 < 0.05). Additionally, the calculated t-value of 2.812 exceeds the critical value of 2.364 (2.812 > 2.364). Accordingly, Hypothesis 2 (H2) is accepted, indicating that the Debt-to-Asset Ratio significantly affects profit growth.

This finding suggests that changes in capital structure significantly influence the company's ability to generate profits. A higher Debt-to-Asset Ratio reflects greater reliance on debt financing to support business operations and investment activities. When debt is managed efficiently, borrowed funds can be utilized to expand productive assets, increase operational capacity, and improve profitability. However, an excessively high debt ratio also increases financial risk and interest obligations, potentially reducing future earnings if the company cannot generate sufficient returns to cover financing costs.

The findings are consistent with previous studies by Zakaria (2019) and Sa'adah (2022), both of which concluded that the Debt-to-Asset Ratio significantly influences profit growth. Conversely, the results differ from those reported by Jie (2020), who found no significant relationship between the Debt-to-Asset Ratio and profit growth.

4.4.3 Simultaneous Effect of Current Ratio and Debt-to-Asset Ratio on Profit Growth (F-Test)

The ANOVA results presented in Table 9 show that the regression model produces an F-statistic of 5.260, exceeding the critical F-table value of 4.10 (5.260 > 4.10). Moreover, the significance value is 0.040, which is below the 5% significance level (0.040 < 0.05). Therefore,

Hypothesis 3 (H3) is accepted, indicating that the Current Ratio and Debt-to-Asset Ratio jointly have a statistically significant effect on profit growth at PT Dharma Satya Nusantara Tbk.

These findings indicate that liquidity and leverage jointly contribute to explaining variations in corporate profit growth. Although the Current Ratio does not have a statistically significant individual effect, its combined influence with the Debt-to-Asset Ratio significantly improves the explanatory power of the regression model. This suggests that profit growth is determined by the interaction of multiple financial indicators rather than by a single financial ratio alone.

The findings are consistent with Nurjanah (2024), who reported that the Current Ratio and Debt-to-Asset Ratio significantly influence profit growth. However, they differ from the findings of Arianty (2023), who concluded that the Current Ratio, Debt-to-Asset Ratio, and Total Asset Turnover did not significantly affect profit growth.

5. Conclusion

This study aimed to examine the effect of the Current Ratio (CR) and Debt-to-Asset Ratio (DAR) on profit growth at PT Dharma Satya Nusantara Tbk during the 2014–2023 observation period. Based on the results of multiple linear regression analysis, several conclusions can be drawn.

First, the Current Ratio (CR) was found to have a negative but statistically insignificant effect on profit growth. This finding indicates that the company's liquidity level does not necessarily contribute to increasing profitability. Excessively high liquidity may reflect inefficient utilization of current assets, resulting in idle funds that fail to generate productive returns.

Second, the Debt-to-Asset Ratio (DAR) has a positive and statistically significant effect on profit growth. This result suggests that an appropriate use of debt financing can support business expansion, improve operational performance, and ultimately enhance corporate profitability. However, companies should maintain an optimal capital structure to avoid excessive financial risk associated with high leverage.

Third, the simultaneous testing results demonstrate that the Current Ratio and Debt-to-Asset Ratio jointly have a significant influence on profit growth. The coefficient of determination indicates that approximately 60% of the variation in profit growth can be explained by these two financial ratios, while the remaining 40% is influenced by other factors outside the scope of this study.

Overall, the findings emphasize the importance of effective liquidity management and optimal debt utilization in supporting sustainable profit growth. The results also provide empirical evidence that financial ratios remain useful indicators for evaluating corporate financial performance, particularly in plantation and agribusiness companies.

Despite these findings, this study has several limitations. The analysis was conducted using a single company with a relatively small number of observations, which may limit the generalizability of the results. Future studies are encouraged to include a larger sample of companies, extend the observation period, and incorporate additional financial and non-financial variables, such as Return on Assets (ROA), Return on Equity (ROE), Total Asset Turnover (TATO), firm size, and corporate governance indicators, to provide a more comprehensive understanding of the determinants of profit growth.

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