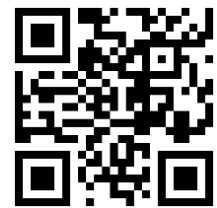# Analysis of the Effect of Debt to Equity Ratio, Current Ratio and Company Size on Return on Assets Moderated Net Profit Margin (Case Study on Pharmaceutical Company Go Public on IDX in 2015 - 2021)

**Anang Suryana[1], Andam Dewi Syarif[2]**

[1,2]Master of Management Study Program, Mercu Buana University

**ABSTACT:** The study focusing to examine how the Debt to Equity Ratio, Current Ratio, Company Size influence the Return on Assets ratio with Net Profit Margin as a moderating variable. This study has pharmaceutical companies listed on the Indonesia Stock Exchange for the period 2015-2021 for the population. The research data is secondary data with an observation period of 7 years. Purposive sampling is used for the method to determining the sample, where from all Pharmacheutical companies listed on the Stock Exchange of 8 companies that report their financial statements during the study period are taken. This study also using Imoderated regression analysis (MRA) for the analytical method.

The results appeared that the Debt to Equity Ratio (DER) has a positive and significant effect on Return on Assets (ROA. Company Size (Total Assets) has a negative and significant effect on Return on Assets (ROA). Meanwhile, the Current Ratio (CR) has no effect on Return on Assets (ROA). Net Profit Margin (NPM) is capable to moderate the relationship between Debt to Equity Ratio (DER) and Return on Assets (ROA). In other side, Net Profit Margin (NPM) is not capable to moderate the relationship between Current Ratio (CR) and Company Size (Total Assets) with Return On Assets (ROA).

**KEYWORDS:** Debt to Equity Ratio, Current Ratio, Company Size, Return On Assets and Net Profit Margin.

## INTRODUCTION

The pharmaceutical sector is a number of sectors that have a vital role in economic development in Indonesia, namely playing a role in the development of Indonesian public health through meeting the needs of medicines and medical devices, so that this industry often gets incentives from the Government, including the Government creating the National Health Insurance Program ("JKN") which has increased the progress of the pharmaceutical industry. Business dynamics in the pharmaceutical world in Indonesia are influenced by many things, including one of them is the implementation of JKN carried out by BPJS. This is because the reach of health services has a very large target so that it involves many health service facilities today. Based on IMS data, the growth of the Pharmaceutical industry in Indonesia in 2012-2016 *the Counfound Annual Growth Rate* (CAGR) was 11.70%.

The financial condition of pharmaceutical companies needs to be in a stable state because pharmaceutical companies have a large role in the economy. This stable financial condition also needs to be supported by a healthy level of liquidity and a strong capital structure so that it can carry out operating activities that provide maximum profits for stakeholders including the Government, because thehealth of financial conditions will certainly directly affect the profitability of pharmaceutical companies in Indonesia.

Obtaining profit or *profit* is of course one of the goals of the company. Then it will be natural if profitability is paid attention to by investors and analysts. Consistency of profitability level is a parameter in assessing whether the company is able to survive in its business. Investors generally link the level of profitability with the level of risk arising from the investment they will make in a company.

The net result of a series of policies and decisions is called profitability. If profitability is at a high level, it will make the company's competitiveness increase. Thus, the company will have the opportunity to expand its business.

The phenomenon that occurred from 8 pharmaceutical companies listed on the Indonesia Stock Exchange, which based on financial report data for the 2015 - 2021 financial year showed a significant increase in the number of assets. From 2015, it

shows an increase with total assets of IDR 29.9 trillion to IDR 63.0 trillion in 2021 or an increase of 110.77% with an average annual increase of 13.38%.

The increase in assets is a representation of investment decisions taken as an effort to develop the company's operational activities in order to get high *profits*.

The increase in the number of assets described above is an investment activity that on average has only yielded more than 1 year and is mostly financed through loans, namely through bank loans, bonds and *Medium Term Notes*. This condition results in increased *leverage* and risks causing a large financial burden and will adversely affect the company's performance.

ROA or *Return on Assets* in this study is a proxy of profitability. The ratio that shows the *return* or yield on the company's assets used in realizing net profit is called *Return on Assets* (ROA). Thus, the use of ROA is aimed at estimating the amount of net profit value obtained from each investment capital invested in total assets (Qotrunnada *et al*, 2021).

*Leverage* according to Merta and Fauziah (2021) is a *source of funds* or assets and sources of funds used by companies that have fixed costs where the goal is to develop potential profits in shareholders. If the *leverage* level is high, profitability will decrease due to the debt used to incur interest expense.  *Leverage* in this company is proxied with DER or *Debt to Equity Ratio* which shows the proportion of capital structure carried out whether it is more dominated by debt or equity.

Meanwhile, matters related to the problem of a company's ability to pay its debts that are repaid as soon as possible are called liquidity (Wardayani and Wahyuni, 2019). *Current Ratio* is proxied by *the Current Ratio* (CR) where if the value indicated is smaller than cr, it shows that a company is unable to pay its debts. This has an impact on the level of profitability of the company because the company will be given additional burdens on obligations that cannot be fulfilled. If CR is used as a means of measuring the level of liquidity, then to increase the level of liquidity or CR can be done by adding current assets and certain current assets are sought in order to minimize the amount of current debt (Fakhrudin and Hidayat, 2018).

A company has a size that refers to a scale that categorizes the size or size of a company through various ways (Otamawati, 2019). The size of the company itself is categorized into three groups, namely large companies (*large* firms), medium companies (*medium firms*), and small companies (*small firms*). Bambang Riyanto (2001) stated that *firm size* or company size is a big or small picture of a company that can be seen from total assets, average sales and total.

Murhadi (2013: 64) argues that *Net Profit Margin* is a company's ability to get a net profit from every sale. If *Net Profit Margin* shows a high level, then the company's performance will be higher or more productive, which also has an impact on investors whose confidence increases to invest in the company. The percentage of the net profit obtained from each sale is indicated through the ratio. If the ratio shows a high level, then the company's ability is good in obtaining large profits. The ability of a management to bring a fairly successful company is the *outcome* of the relationship between net profit after tax and net sales. This shows that the management is able to set aside a certain margin as reasonable compensation for investors who have supplied their capital for a risk. Net profit per sales amount describes the result of the calculation. Thus, capital market investors must know the capabilities of a company in realizing profits.

Based on the background study of the problems above, the author will carry out a study with the title "Analysis of the Effect of *Debt To Equity Ratio, Current Ratio* and Company Size on *Return on Assets* moderated *by Net Profit Margin* (Case Study on Pharmaceutical Companies Going Public on the IDX in 2015 - 2021)".

**LITERATURE REVIEW**

**1. *Signaling* Theory**

Yusuf (2021) stated that signal theory outlines the reaction of potential investors to the company influenced by the company's future development. This signal is information related to the actions that management has taken in fulfilling the aspirations of the owner. When deciding to invest, investors need important information such as the resulting information. The information received by these investors will be interpreted and analyzed so that it can be concluded as a positive signal or a negative signal (Makado and Saerang, 2021). For information with positive value, investors will respond positively and the quality of the company will be assessed, thus affecting the increase in stock price and company value. However, if it is the other way around, it will negatively affect the investor's interest in investing.

**2. *Agency* Theory**

Agency theory describes the involvement between *the principal* (shareholder) and the agent (manager) where the shareholder supplies resources to management, while management is a party that is supplied with resources by the shareholder to provide services based on the interests of the agent and the authority in making decisions to achieve the expected corporate goals (Jensen and Meckling, 1976).

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Widyasari *et al* (2017) stated that *principals* try to maximize the value of the company by including professionals, namely agents who pursue matters related to the management of company operations. However, agents tend to prioritize their own interests over those of companies and *principals*. This results in agency conflicts. Thus, supervision is needed to reduce the occurrence of conflicts by straightening out the goals of the management or shareholders through the development of managerial ownership. However, the business requires agency costs. Primadhanny (2016) stated that agency costs are funds that must be spent by the company as a form of consequences or impacts of giving *principal* authority to agents to manage the company for the sustainability of the company's life and the interests of investors.

### 3. *Debt to Equity Ratio* (DER)
Darsono and Ashari (2010: 54 – 55) explained that *the Debt to Equity Ratio* (DER) is one of the *Debt To Equity Ratio* or solvency. A ratio that is useful to find out how capable the company is in paying obligations if the company is liquidated is the solvency ratio. Another term for this ratio is called the *leverage ratio* which means to assess the limits of the company in borrowing money.

### 4. *Return on Assets* (ROA)
*Return on Assets* or ROA is also called the return on assets. Sugiono and Untung (2016: 68) stated that the measure of asset return (ROA) is the level of return of the company to all assets owned or this ratio provides an overview of the cost efficiency used in the company. According to Mutika and Susiowati (2021), *return on assets* shows how much return is obtained from each cost invested in the asset. Based on Utami and Hariyanti (2019), *return on assets* is described through asset turnover as measured by sales volume. This is shown through a large ratio, so the ratio is included in a good ratio, so that assets can spin faster and make a profit.

### 5. *Current Ratio* (CR)
Liquidity is measured by a current ratio. Hanafi and Abdul Halim (2009:202) explained that dividing current assets with current liabilities is how the current ratio is calculated. The current ratio shows the amount of cash the company owns and all assets that can be converted into cash within one year, compared to the amount of liabilities that will mature in the short term (not more than one year). Darmawan and Nurochman (2016) then added that the (current ratio) the ratio of current assets compared to current debt refers to a better ability for the company to repay its short-term debt.

### 6. *Company Size*
According to Astriani (2014), a company size is a value that groups the size or size of the company through various ways, such as total assets, stock market value, *log size*, and others. The size of the company itself has three categories, including large companies (*large firms*), medium companies (*medium firms*), and small companies (*small* firms). *Firm size* or company size can be calculated by using the total sales assets or capital of the company. One of the standards in its measurement is through the size or size of the company's assets.

### 7. *Net Profit Margin* (NPM)
According to Cashmere (2016:200), that "*Net Profit Margin*" or net profit margin is a measure of profit obtained from the comparison between profit after tax and interest with sales. Meanwhile, according to Hery (2017: 198) stated that *Net Profit Margin* is a comparison used to assess the percentage of net profit on net sales.

**RESEARCH HYPOTHESIS**
This research has a number of hypotheses, namely:
$H_1$ = *Debt To Equity Ratio* is suspected to have a negative effect on *Return On Assets* in Pharmaceutical Companies listed on the IDX in 2015 - 2021
$H_2$ = *Current Ratio* is suspected to have a positive effect on *Return On Assets* in Pharmaceutical Companies listed on the IDX in 2015 - 2021
$H_3$ = The size of the company is suspected to have a positive effect on the *Return On Assets*
$H_4$ = *Net Profit Margin* (NPM) moderates the effect of *Debt To Equity Ratio* (DER) on *Return On Assets* (ROA) in Pharmaceutical Companies listed on the IDX in 2015 - 2021
$H_{5} =$ *Net Profit Margin* (NPM) moderates the effect of *Current Ratio* (CR) on *Return On Assets* (ROA) in Pharmaceutical Companies listed on the IDX in 2015 - 2021
$H_{6} =$ *Net Profit Margin* (NPM) moderates the effect of Company Size on *Return On Assets* (ROA) in Pharmaceutical Companies listed on the IDX in 2015 - 2021

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## RESEARCH METHODOLOGY

This study used quantitative data types. The population in this study is all pharmaceutical sub-sector manufacturing companies registered on the Indonesia Stock Exchange (IDX). In choosing a sample, the method used is *purposive sampling*. To determine the sample, a criterion is set, that is, the sample publishes financial statements for 7 years for the period 2015 - 2021. Through these criteria, 8 research subjects have been obtained.

The variables in this study consist of Debt to Equity Ratio (DER), Current Ratio (CR), Company Size proxied with Total Assets as an independent variable, and Return On Assets (ROA) as a bound/dependent variable. While the moderation variable is Net Profit Margin.

The hypothesis in this study was tested using linear analysis with *Moderate Regression Analysis* (MRA) as the testing technique. The regression equations for this study are:

$ROA_{it}=\alpha_{it}+\beta 1 DER_{it}+\beta 2\ CR_{it}+\beta 3\ SIZE_{it}+\beta 3\ NPM_{it}+\beta 4\ DER_{it}*NPM_{it}+\beta 5\ CR_{it}*NPM_{it}+\beta 6\ SIZE_{it}*NPM_{it}+\varepsilon_{it}$

The data that has been obtained will then be processed and analyzed by electronic means, namely by using *Eviews 10 Software.*

## RESULTS AND DISCUSSION

*Anaysis Regression Moderation* Results

*Moderation Regression Analysis* in this study used *Eviews 10* with the following results:

**Table 1. Hasil Moderation Regression Analysis (MRA)**

| Variable | Coefficient | Std, Error | t-Statistic | Prob, |
|---|---|---|---|---|
|  |  |  |  |  |
| C | 0,498318 | 0,084003 | 5,932126 | 0,0000 |
| The | 0,019282 | 0,006176 | 3,121892 | 0,0033 |
| CR | -0,000954 | 0,007321 | -0,130267 | 0,8970 |
| SIZE | -3,529542 | 0,541566 | -6,517285 | 0,0000 |
| NPM | 1,445760 | 0,210085 | 6,881800 | 0,0000 |
| NPM_DER | -0,603210 | 0,154191 | -3,912097 | 0,0003 |
| NPM_CR | 0,021604 | 0,048080 | 0,449344 | 0,6555 |
| NPM_SIZE | -0,884186 | 1,057660 | -0,835983 | 0,4080 |
| Cross-section fixed (dummy variables) | | | | |
| R-squared | 0.963580 | Mean dependent var | | 0.088214 |
| Adjusted R-squared | 0.951144 | S.D. dependent var | | 0.073537 |
| S.E. of regression | 0.016254 | Akaike info criterion | | -5.177001 |
| Sum squared resid | 0.010832 | Schwarz criterion | | -4.634496 |
| Log likelihood | 159.9560 | Hannan-Quinn criter. | | -4.966673 |
| F-statistic | 77.48238 | Durbin-Watson stat | | 1.327139 |
| Prob(F-statistic) | 0.000000 | | | |
|  |  |  |  |  |

Based on table 1 above, *moderation regression analysis* shows the results in the equation:

Y = 0,498318 + 0,019282 DER   - 0,000954 CR   - 3,529542 SIZE + 1,445760 NPM - 0,603210 NPM_DER + 0,021604 NPM_CR - 0,884186 NPM_SIZE

Information:

Y = Profitability

DER = *Debt to Equity Ratio*

CR = Liquidity (*current ratio*)

SIZE = Company Size

NPM = *Net Profit Margin*

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## DISCUSSION

The equation above has the understanding that the Valueof IConstant isI 0.498318 with a valueof Isignificance 0.0008, ISis ignificifiction < 0.05 thenIis a significant constant value (has significance). The meaning of the value of the constant if all free variables are worthIzero then the magnitude of *ReturnIon AssetI* (ROA) isIof 0.498318. The value I of the *Debt to Equity Ratio* (DER) regression coefficient is 0.019282 with a valueIsignificance of 0.0033, thisI shows thatIhas a positive and significant influence. IThe regression coefficient numberIshows that if the DER increases by one unit, the ROA of the Pharmaceutical Company will increaseIby 0.019282. Thevof the *Current Ratio* (CR) regression coefficient is - 0.000954 with a valueof Isignificance of 0.8970, thisIshowsthas no significant influence, NumberI of the regression coefficient showsIif cr decreasesIone unit of ROA of the Pharmaceutical Company will decrease by 0.000954. ValueIof the regression coefficient Size proxied with Total Assets ofI - 3.529542 with a significance valueof I0.0000, thisIshows Ithere is a significant influence, IThe regression coefficient figure shows that if the Total Assets decrease by one unit, the ROA of the Pharmaceutical Company will decrease by 3.529542. The valueI of the coefficient of interaction *of debt to equity ratio* (DER) with *net profit margin* (NPM) is negative I-0.603210 with a significance valueof I0.0003, thisIindicates that there isIa negative and significant influence. IThe regression coefficient I figureshows that if the interaction of *debt to equity ratio* (DER) with *NetIProfit MarginI* (NPM) decreases by one unit, the ROA of pharmaceutical companies will decrease by 0.603210. The value of the coefficient of interaction *of the Current Ratio* (CR) with *Net Profit MarginI* (NPM) is positively valued atI0.021604 with a valueof Isignificance ofI0.6555, thisIshowsIthere is no significant influence, ICoefficient numberI Regression showsIif the interactionof I*Current Ratio* (CR) withI*Net Profit Margin* (NPM) increasesIone one then roaIpharmaceutical company will increaseIby 0.021604. The value of the coefficient of interaction *of Size* (Total Assets) with *NetIProfit Margin* (NPM) is negatively valued atI 0.884186 with a valueof Isignificance ofI0.4080, ThisIshowsIno significant influence, INumber coefficient Iregression showsIif the interaction *of Size* (Total Assets) withI*Net Profit MarginI* (NPM) increases by oneIunit then the ROA of the Pharmaceutical Company will increase by 0.884186.

MRA testing is carried out in order to determine the influence of the moderation variable, namely *Net Interest Margin* (NPM), as for the results as follows:

a. *Moderation of Net Profit Margin* (NPM) with *Debt To Equity Ratio* (DER) to *ReturnIon Asset* (ROA). According to the moderation variable test, it is known that the probability of *Debt To Equity Ratio* (DER) to *Return onIAsset* (ROA) is 0.0033 which means it has a significant effect and the probability of interaction *of Debt To Equity Ratio* (DER) with *Net Profit Margin* (NPM) to *Return onIAsset* (ROA) of 0.0003 means a significant effect . Thus, it can be concluded that the *Variable Net Profit Margin* (NPM) is a type of *QuasiIModerator,* or worthy of being a moderation variable, *Net Profit Margin* (NPM) affects the relationship of *debt to equity ratio* (DER) to *return on assets ratio* (ROA).

b. Moderation of *Net Profit Margin* (NPM) with *Current Ratio* (CR) to *ReturnIon Asset* (ROA). Based on the moderation variable test, it is known that the probability of *the Current Ratio* (CR) to *the Return onIAsset* (ROA) is 0.8970 which means that it has no significant effect and the probability of interaction *of the Current Ratio* (CR) with *Net Profit Margin* (NPM) to *the Return onIAsset* (ROA) of 0.6555 means that it has no effect Significant. Thus, it can be concluded that the *Variable Net Profit Margin* (NPM) is a type of *HomologizerIModerator,* or it is not feasible to be a moderation variable, *Net Profit Margin* (NPM) does not affect the relationship of *the Current Ratio* (CR) to the *Return On Assets Ratio* (ROA).

c. Moderation of *Net Profit Margin* (NPM) with *Size* (Total Assets) to *ReturnIon Assets* (ROA) Based on the moderation variable test, it is known that the probability of *Size* (Total Assets) to *Return onIAssets* (ROA) is 0.0000 which means it has a significant effect while the probability of interaction *of Size* (Total Assets) with *Net Profit Margin* (NPM) on *Return onIAsset* (ROA) of 0.4080 means that it has no significant effect. Thus, it can be concluded that the *Net Profit Margin* (NPM) variable is only an independent variable, or it is not feasible to be a moderation variable, *Net Profit Margin* (NPM) does not affect the relationship of *Size* (Total Assets) to the *Return On Assets Ratio* (ROA).

Based on table 1 above, the calculation results give a$_{calculated}$ F value of 77.48238. This means that the calculated F value > F$_{of the table}$ is 77.48 > 2.78 and the significance value is less than 0.05. Thus, *the Debt To Equity Ratio*, *Current Ratio* and company size have an influence on the *Return On Assets* in pharmaceutical companies for the 2015-2021 period.

The proportion of variations in bound variables described by free variables in this study uses a coefficient of determination (R2). That is, this test has the goal of calculating the extent to which the free variable affects the variation of the bound variable. Based on table 1 above, the results of the study showed an R2 (*R Square*) number worth 0.963580 or in a percentage of 96.35%. This result shows that the percentage *ratio of leverage*, *Current Ratio* and company size to *Return On Assets* is 96.35%. With more details, the Return *On Assets* variable can be deciphered or influenced by the variables leverage ratio,

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liquidity ratio, company size and *Net Profit Margin* as a moderation variable with a percentage of 96.35%. Meanwhile, other variables that were not contained in this study can be decomposed with a percentage of 3.65%.

The results of the study on the *Debt to Equity Ratio* variable showed an effect, which can be seen from the probability of 0.0033 less than the significance level of 0.05. Thus it is concluded that the *Debt to Equity Ratio* has an effect and the H 1 hypothesis is not accepted. Conditions that do not match the H 1 hypothesis and the results are significant because Pharmaceutical companies mostly choose to use debt in financing their investments and operations, but the use of such debt has succeeded in encouraging companies to maximize business results, where interest expenses arising from liabilities are still far from being covered by operating profit before interest and taxes. If the addition of debt cannot encourage an increase in income, then it is likely that the additional debt will only have an impact on interest expenses and affect the company's ability to make a profit or even will have an impact on losses which will ultimately affect cash flow and difficulty in paying debts. This illustrates a condition where if pharmaceutical companies are more dependent on debt in funding their operational activities and investments, there will be risks faced, namely the company has difficulty making payments in the future due to the debt. However, if the increase in debt can encourage an increase in income or an increase in income volume, it will have an influence on increasing profitability. This study gave similar results to research conducted by Hasmirati Alfin akuba (2019), Mahardhika, P.A and Marbun, D.P (2016) and Tia Ardianty Aulia, Nining Ika Wahyuni, Indah Purnamawati (2018) which concluded that *leverage* has a positive and significant influence on *Return on Assets.*

Research on the *Current Ratio* variable shows that the probability value obtained, which is 0.8970 greater than the significance level of 0.05. Then it can be concluded that the *Current Ratio* has no effect and the hypothesis $H_2$ is not accepted. Companies with a high *Current Ratio* (which is proxied with CR) will have the capability to suffice their short-term debt with current assets that the company has. Thus, it shows that the company's financial position is at a good level, namely being able to pay its short-term debt that is already due and can automatically facilitate operations to generate high profits. On the other hand, low-level CR tends to be more risky, because companies will find it difficult to finance their operational costs. However, a high CR is likely to show the presence of more cash than the level of need or the presence of elements of current assets whose liquidity is low (such as *slow moving* inventory and many overdue receivables) that are excessive. This tends to provide less profit because current assets are not used as effectively as possible. So that the turnover of working capital becomes slow and ineffective which hinders the acceleration of obtaining maximum income while fixed costs, still have to come out which in the end will reduce the company's ability to obtain maximum profitability. From these conditions, it also illustrates that current assets have not been operated by management effectively. Profitability will only get good results if the company is able to operate its working capital efficiently and effectively. This research is in line with Trisha Wanny, Jenni, Lau Yeni (2019) and Ariokunto Pangestu (2019) who stated that CR has a negative and insignificant effect on *Return on Assets.*

The variable size of the company is proxied with the total assets. This study provides results that show that the probability of total assets representing the size of the company of 0.0000 is smaller than the significance level of 0.05. Thus, the conclusion is that the size of the company has a significant influence and the $H_3$ hypothesis in this study is accepted. This means that the amount of assets owned by the company can be utilized in the company's operational activities to generate maximum sales so as to increase profitability. To be clear, if the company's sales at a low level lead to ineffective use of assets in operational activities, then ownership of these assets does not have an impact on the company's profitability. Pharmaceutical companies are said to be able to use their assets effectively in obtaining sales results so that they can develop the company's profitability. If the level of activity of the enterprise is high which is indicated by high total assets anyway, then the profitability of the company will increase. The results of this study are in accordance with research conducted by Prakoso P Chabachib M (2019) which gives the result that the size of the company has a negative and significant influence on *Return on Assets.*

For the *Debt to Equity Ratio* (DER) variable to *Return on Assets* (ROA) with *Net Profit Margin* (NPM) as a moderation variable, it is concluded that the NPM variable is able to influence the relationship between DER and ROA. So the H 4 hypothesis is accepted. A high DER is seen as affecting the company in returning its obligations to creditors because the company is considered to have more debt than the capital owned by the company and will affect the company's profit. This study gave similar results to Mulyadi (2017) who said that NPM was able to moderate the relationship between DER and ROA with a significant influence.

For *the Current Ratio* (CR) to *Return on Assets* (ROA) variable with *Net Profit Margin* (NPM) as a moderation variable, it was concluded that the NPM variable is not able to influence the relationship between CR and ROA. So the H 5 hypothesis is not accepted. So it can be explained that a high CR has the possibility of more cash than the level of need or the presence of elements of current assets whose liquidity is low (such as inventory and receivables and taxes that have not been successfully remitted) that are excessive. This tends to provide less benefits because current assets are not used as effectively as possible, so that the turnover

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of working capital becomes slow and ineffective which hinders the acceleration of obtaining maximum income while fixed costs, still have to come out which will eventually reduce the company's ability to get maximum profitability.

For the company size variable against *Return on Assets* (ROA) with *Net Profit Margin* (NPM) as a moderation variable, it is concluded that the NPM variable is not able to affect the relationship between Company Size and ROA. So the H 6 hypothesis is not accepted. The higher the Total Assets are viewed the better it can affect the company's ability to make a profit. However, the total amount of assets does not necessarily provide maximum results on profitability, because it is not optimal in the utilization of these assets, so a low level of asset utilization will only cause depreciation costs and maintenance costs without being offset by an increase in business volume.

**CONCLUSION**

DER, CR and Company Size simultaneously have a significant effect on the ROA of pharmaceutical companies listed on the IDX in 2015-2021. DER partially has a positive and significant effect on ROA, CR partially has no effect on ROA, Company Size partially has a negative and significant effect on ROA in pharmaceutical companies listed on the IDX in 2015-2021. The moderation variable, namely *Net Profit Margin* (NPM) can have an influence on the relationship between DER and ROA, while the relationship between CR and ROA and the relationship between Company Size and ROA, cannot have an influence.
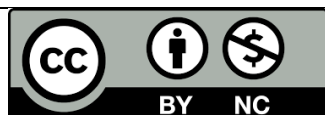
**SUGGESTION**

Suggestions for subsequent researchers, preferably can use other methods of analysis as a comparison. Develop a more detailed analysis method to explain the influence and relationship between *return on assets* and variations of other independent variables, and the object of research is not only limited to the pharmaceutical sector listed on the Indonesia Stock Exchange. For investors who want to invest in pharmaceutical sector companies*,* it is recommended to pay close attention to the *Debt To Equity Ratio*, *Current Ratio* and Company Size in order to obtain good financial performance. For issuer companies, in controlling the company's performance, it must also pay attention to the Debt To Equity Ratio, liquidity, and total assets, so that the company always pays attention to matters that affect its profit performance and which will be a concern for investors.

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