The Impact of Financial Ratios on Return on Asset, Moderated by Total Assets: A Study on Pharmaceutical Companies in Indonesia

Whisnu Dhani Hermawan, Gos Ishak, and Anandha Budiantoro

ABSTRACT

This research aims to examine the relationship between independent variables, including Debt to Assets Ratio, Debt to Equity Ratio, Current Ratio, Inventory Turnover Ratio, and Accounts Receivable Ratio, and the dependent variable of Return on Assets. The moderating variable in this study is Total Assets. The research was conducted on pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2022, a period marked by the Covid-19 health outbreak. This study explores whether the outbreak has impacted the pharmaceutical sector, which is integral to disease prevention and treatment of Covid-19. The findings indicate that most independent variables have an insignificant relationship with the dependent variable of Return on Assets, which is moderated by firm size. However, there is a significant positive relationship between Inventory Turnover and Return on Assets, moderated by firm size. These results suggest that Inventory Turnover is a crucial factor for pharmaceutical companies to consider when aiming to improve their Return on Assets. Overall, this study offers valuable insights into the relationship between various financial ratios and Return on Assets for pharmaceutical companies during a period of unprecedented global health crisis. The results provide a basis for future research in this field and can inform decision-making for pharmaceutical firms looking to improve their financial performance.

Keywords: Financial Ratio; Firm Size; Liquidity Ratio; Return on Assets.

I. INTRODUCTION

Indonesia has experienced a third wave of the COVID-19 pandemic, which has recently passed its peak. Daily confirmed cases ranged from 45,000 to 60,000 out of a population of over 276 million. The first wave's peak occurred on January 31, 2021, with a daily case count of 12,721 (46.03 per million people), gradually decreasing to approximately 4,500 positive cases per day on May 19, 2021 (12.87 per million people). Since June 19, 2021, there has been a rise in daily positive cases, which escalated rapidly to over 60,000 positive cases per day (181.03 per million people) in just one month, before gradually declining to less than 200 cases per day (0.38 per million people) (Haryanto et al., 2022).

The situation presents an opportunity for the health industry to develop momentum. The pharmaceutical industry, which is a crucial sector in providing solutions for COVID-19 by producing medicines and multivitamins, has the potential to grow during this period. This growth could significantly contribute to mitigating the impact of the pandemic in Indonesia and globally.

The proficient management of liabilities and assets, coupled with the optimization of inventory turnover and receivable collection, is integral to ensuring the efficacy of business operations.

Furthermore, it is imperative for a successful business to strive towards achieving optimal profitability to ensure its long-term sustainability. The efficiency of management can be evaluated through financial indicators such as Debt to Asset Ratio, Debt to Equity Ratio, Current Ratio, Inventory Turnover Ratio, and Account Receivable Ratio. It is essential to analyze these financial indicators in conjunction with the company's profitability. This is due to the strong correlation that exists between financial indicators and profitability, highlighting the need for optimal monitoring to achieve ideal results.

II. LITERATURE REVIEW

A. Profitability (Return on Assets)

Profitability (ROA) is defined as a company's ability to generate profit from its assets. ROA is calculated by dividing net income by the company's total assets. The higher the ROA value, the better the company's financial performance. ROA is one of the most important and most frequently used financial ratios to measure a company's profitability (Brigham & Houston, 2017). The profit used in this study is comprehensive profit so that it describes the entire existing business process.
Brigham and Houston suggest that ROA can be calculated using (1).

\[
ROA = \frac{\text{Net Profit}}{\text{Total Assets}} \quad (1)
\]

B. Firm Size (Total Assets)

Firm Size is defined as the size of the company as measured by the total value of its assets. The total value of these assets includes all assets owned by the company, such as current assets and fixed assets. Company size is one of the important factors that can affect the company's access to financing sources and the company's financial performance. Firm Size can be measured using the size of Total Assets, namely the total assets owned by the company. Total Assets can usually be found in a company's financial statements, such as a balance sheet (Berger & Udell, 2006).

C. Total Sales

Total sales are defined as the total number of sales of a product or service during a certain period of time. This sales amount includes all transactions made both in cash and on credit, both through physical stores and online stores, and covers all areas or markets served by the company. Total sales is an important performance indicator in business, because it can provide an overview of how successful a company is in marketing its products or services to consumers (Kotler & Keller, 2016).

Kotler and Keller stated several methods of measuring total sales, such as:

1. Cash sales method: this method measures the total amount of sales made in cash, i.e. when payment is made directly at the time of purchase.
2. Credit sales method: this method measures the total amount of sales made on credit, i.e. when payment is made within a specified time after purchase.
3. Online sales method: this method measures the total number of sales made through the company's online store.
4. Territory sales method: this method measures the total number of sales made in a given territory or market.

D. Leverage Ratio (Debt to Assets Ratio)

Debt to Assets Ratio is a ratio that measures the proportion of a company's total assets that are funded by debt. Debt to Assets Ratio can be calculated by dividing the company's total debt by the company's total assets. The Debt to Assets Ratio is one of the most important financial ratios in measuring a company's financial risk.

Brigham and Houston suggest that the Debt to Assets Ratio can be calculated using (2).

\[
\text{DER} = \frac{\text{Total Debt}}{\text{Total Assets}} \quad (2)
\]

E. Leverage Ratio (Debt to Equity Ratio)

Leverage Ratio (Debt to Equity Ratio) is a ratio that measures how much a company uses debt to finance its operations compared to its capital. The Debt to Equity Ratio can be calculated by comparing the amount of a company's debt with the amount of capital it has. Leverage Ratio (Debt to Equity Ratio) is one of the important financial ratios in measuring the level of corporate debt usage (Ross et al., 2018).

Ross, Westerfield, and Jordan suggest that the Debt to Equity Ratio can be calculated using (3).

\[
\frac{\text{D/E}}{\text{Total Debt}} = \frac{\text{Total Equity}}{\text{Total Debt}} \quad (3)
\]

F. Liquidity Ratio (Current Ratio)

Liquidity Ratio (Current Ratio) is a financial ratio that measures a company's ability to meet short-term obligations using its current assets. The Current Ratio can be calculated by comparing the total current assets of the company with the number of short-term liabilities it has. Current Ratio is one of the important financial ratios in measuring company liquidity (Brigham & Houston, 2017).

Brigham and Houston suggest that the Current Ratio can be calculated using (4).

\[
\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Short Term Debt}} \quad (4)
\]

G. Inventory Turnover Ratio

Inventory Turnover Ratio is a ratio that measures how quickly a company can sell its inventory in a certain period. Inventory Turnover Ratio can be calculated by dividing the company's total sales by the amount of inventory it has. Inventory Turnover Ratio is one of the important financial ratios in measuring the efficiency of a company's inventory management (Brigham & Houston, 2017).

Brigham and Houston suggest that the Inventory Turnover Ratio can be calculated using (5).

\[
\text{Inventory Turnover Ratio} = \frac{\text{Sales}}{\text{Average Inventory}} \quad (5)
\]

H. Account Receivable Ratio

The Account Receivable Ratio measures the average number of days it takes a company to collect payments from customers for sales made. The Account Receivable Ratio can be calculated by dividing the amount of receivables by the total sales per day. The Account Receivable Ratio is one of the most important financial ratios in measuring the efficiency of a company's accounts receivable management (Gitman & Zutter, 2015).

Account Receivable Ratio can be calculated using (6).

\[
\text{Account Receivable Ratio} = \frac{\text{Sales}}{\text{Average Account Receivable}} \quad (6)
\]

III. METHODOLOGY

This study will extract data from the financial reports of pharmaceutical companies registered on the Indonesian Stock Exchange (IDX) during the period spanning 2019 to 2022. The panel data regression method, which combines time series and cross-section data, has been selected as the preferred model. The list of selected companies is provided below.

- PT. Darya-Varia Laboratoria Tbk [DVLA]
- PT. Indofarma Tbk [INAF]
The hypotheses utilized in this study are:

- **H1**: There is a relationship between Debt to Assets Ratio and Profitability of pharmaceutical companies.
- **H2**: There is a relationship between Debt to Equity Ratio and Profitability of pharmaceutical companies.
- **H3**: There is a relationship between Current Ratio and profitability of pharmaceutical companies.
- **H4**: There is a relationship between Inventory Turnover Ratio and profitability of pharmaceutical companies.
- **H5**: There is a relationship between Account Receivable Ratio and profitability of pharmaceutical companies.
- **H6**: There is a relationship between Debt to Assets Ratio and profitability moderated by firm size of pharmaceutical companies.
- **H7**: There is a relationship between Debt to Equity Ratio and profitability moderated by firm size of pharmaceutical companies.
- **H8**: There is a relationship between Current Ratio and profitability moderated by firm size of pharmaceutical companies.
- **H9**: There is a relationship between Inventory Turnover Ratio and profitability moderated by firm size of pharmaceutical companies.
- **H10**: There is a relationship between Account Receivable Ratio and profitability moderated by firm size of pharmaceutical companies.

The current study employs a panel data regression model, which is presented as (7).

\[ Y = \alpha + \beta_1X_{1it} + \beta_2X_{2it} + \beta_3X_{3it} + \beta_4X_{4it} + \beta_5X_{5it} + \beta_6X_1 \cdot \text{Mit} + \beta_7X_2 \cdot M_{it} + \beta_8X_3 \cdot M_{it} + \beta_9X_4 \cdot M_{it} + \beta_{10}X_5 \cdot M_{it} + \epsilon \]  

**IV. RESULTS AND DISCUSSION**

**A. Descriptive Statistic**

Table I shows descriptive statistics of a total of 12 pharmaceutical companies listed in Indonesian Stock Exchange (IDX) companies in the 2019-2022 period, namely 48 samples.

**TABLE I: DESCRIPTIVE STATISTIC**

<table>
<thead>
<tr>
<th></th>
<th>X1 Debt to Asset</th>
<th>X2 Debt to Equity</th>
<th>X3 Current Ratio</th>
<th>X4 Inventory Turnover</th>
<th>X5 Account Receivable</th>
<th>Z Firm Size</th>
<th>Y Return on Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>0.453542</td>
<td>1.541250</td>
<td>2.415417</td>
<td>6.045000</td>
<td>5.538125</td>
<td>5.815556</td>
<td>0.082315</td>
</tr>
<tr>
<td>Maximum</td>
<td>0.940000</td>
<td>16.770000</td>
<td>5.940000</td>
<td>12.130000</td>
<td>11.720000</td>
<td>27.24130</td>
<td>0.311690</td>
</tr>
<tr>
<td>Minimum</td>
<td>0.130000</td>
<td>0.150000</td>
<td>0.880000</td>
<td>2.370000</td>
<td>1.870000</td>
<td>0.190800</td>
<td>-0.275070</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>0.223840</td>
<td>2.553359</td>
<td>1.236114</td>
<td>2.437610</td>
<td>2.110868</td>
<td>7.486451</td>
<td>0.095037</td>
</tr>
<tr>
<td>Observations</td>
<td>48</td>
<td>48</td>
<td>48</td>
<td>48</td>
<td>48</td>
<td>48</td>
<td>48</td>
</tr>
</tbody>
</table>

Dependent Variable: Return on Assets.
Method: Panel Least Squares.
Periods included: 4.
Cross-sections included: 12.
Total panel (unbalanced) observations: 45.

**TABLE II: PANEL DATA REGRESSION**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt To Assets Ratio</td>
<td>-0.360317</td>
<td>0.208053</td>
<td>-1.731847</td>
<td>0.0973</td>
</tr>
<tr>
<td>Debt to Equity Ratio</td>
<td>0.030578</td>
<td>0.023287</td>
<td>1.313121</td>
<td>0.2027</td>
</tr>
<tr>
<td>Current Ratio</td>
<td>0.015897</td>
<td>0.014096</td>
<td>1.127790</td>
<td>0.2716</td>
</tr>
<tr>
<td>Inventory Turnover Ratio</td>
<td>0.001700</td>
<td>0.005153</td>
<td>0.329845</td>
<td>0.7446</td>
</tr>
<tr>
<td>Account Receivable</td>
<td>-0.006653</td>
<td>-0.006120</td>
<td>-1.294048</td>
<td>0.2073</td>
</tr>
<tr>
<td>Firm Size</td>
<td>0.007689</td>
<td>0.011462</td>
<td>0.670785</td>
<td>0.5093</td>
</tr>
<tr>
<td>X1XZ</td>
<td>0.001207</td>
<td>0.009530</td>
<td>0.126633</td>
<td>0.9004</td>
</tr>
<tr>
<td>X2XZ</td>
<td>-0.533440</td>
<td>0.297862</td>
<td>-1.790895</td>
<td>0.0871</td>
</tr>
<tr>
<td>X3XZ</td>
<td>-0.012200</td>
<td>-0.017834</td>
<td>-0.684060</td>
<td>0.5011</td>
</tr>
<tr>
<td>X4XZ</td>
<td>0.169503</td>
<td>0.075120</td>
<td>2.256412</td>
<td>0.0343</td>
</tr>
<tr>
<td>X5XZ</td>
<td>0.000135</td>
<td>0.001184</td>
<td>0.113660</td>
<td>0.9105</td>
</tr>
<tr>
<td>C</td>
<td>0.174672</td>
<td>0.104321</td>
<td>1.674369</td>
<td>0.1082</td>
</tr>
</tbody>
</table>

DOI: http://dx.doi.org/10.24018/ejbmr.2023.8.4.2003
The panel data in this study were subjected to linear regression analysis to determine the relationship between various financial ratios and the Return on Assets and shown in Table II. The obtained model is shown in (8).

\[
Y = 0.174672 - 0.360317X_1 + 0.030578X_2 + 0.015897X_3 + 0.001700X_4 - 0.0653X_5 + 0.01207X_1 X_2 - 0.533440X_2 X_3 - 0.012200X_3 X_4 + 0.169503X_4 X_5 + 0.00135X_5 X_5
\]  

(8)

Based on the regression equation, it can be interpreted that if the Debt To Assets Ratio increases by 1 unit, assuming the other variables are fixed, the Return on Assets will decrease by 0.030578 times, if the Current Ratio increases by 1 unit assuming the other variables are fixed then the Return on Assets will increase by 0.015897 times, if the Inventory Turnover Ratio increases by 1 unit assuming the other variables remain the Return on Assets will increase by 0.001700 times and if the Account Receivable increases by 1 unit assuming the other variables are constant, the Return on Assets will increase by 0.006653 times.

C. Coefficient Determination

The outcomes of the calculations presented in Table III demonstrate the influence of independent variables on the dependent variable, Return on Assets, of pharmaceutical subsector companies. The Adjusted R-Squared value of 0.894816, or 89.4816%, indicates that 89.4816% of the variation in Return on Assets can be attributed to the fluctuations of all independent variables analyzed, including Debt to Assets Ratio, Debt to Equity Ratio, Current Ratio, Inventory Turnover Ratio, Accounts Receivable, and Firm Size. The residual of 10.5184% is explained by other independent variables not examined in this study. These findings offer valuable insights into the factors impacting the performance of pharmaceutical companies and can serve as a foundation for future research in the field.

D. Hypotheses Testing

From the results of the model estimation, hypothesis testing was carried out according to the purpose of this research. The t test was conducted to determine the effect of the Debt To Assets Ratio, Debt to Equity Ratio, Current Ratio, Inventory Turnover Ratio, Account Receivable and Firm Size variables on Return on Assets which showed in Table IV.

1) \( H_1 \): Debt To Assets Ratio affects the Return on Assets

Based on the t test at \( \alpha = 5\% \) in Table IV, the probability value of the Debt To Assets Ratio variable is 0.0973 or higher than 0.05, it can be concluded that the Debt To Assets Ratio has no significant effect on Return on Assets. When viewed from the t table value at alpha 0.05 (Two tail) is 2.032, while the calculated t value is -1.731847 (negative), then \( H_1 \) is rejected. Thus, it can be concluded that the Debt To Assets Ratio has a negative but not significant effect on Return on Assets.

2) Debt to Equity Ratio affects the Return on Assets

Based on the t test at \( \alpha = 5\% \) in Table IV, the probability value of the Debt to Equity Ratio variable is 0.2027 or greater than 0.05, it can be concluded that the Debt to Equity Ratio has no significant effect on Return on Assets. When viewed from the t table value at alpha 0.05 (Two tail) is 2.032, while the calculated t value is 1.313121 (positive), then \( H_2 \) is rejected. Thus, it can be concluded that the Debt to Equity Ratio has positive but not significant effect on Return on Assets.

3) Current Ratio affects the Return on Assets

Based on the t test at \( \alpha = 5\% \) in Table IV, the probability value of the Current Ratio variable is 0.2716 or greater than 0.05, it can be concluded that the Current Ratio has no significant effect on Return on Assets. When viewed from the t table value at alpha 0.05 (Two tail) is 2.032, while the calculated t value is 1.127790 (positive), then \( H_3 \) is rejected.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt to Assets Ratio</td>
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</tr>
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<td>0.030578</td>
<td>0.021287</td>
<td>1.313121</td>
<td>0.2027</td>
</tr>
<tr>
<td>Current Ratio</td>
<td>0.015897</td>
<td>0.014906</td>
<td>1.127790</td>
<td>0.2716</td>
</tr>
<tr>
<td>Inventory Turnover Ratio</td>
<td>0.001700</td>
<td>0.005153</td>
<td>0.329845</td>
<td>0.7446</td>
</tr>
<tr>
<td>Account Receivable</td>
<td>-0.006653</td>
<td>0.005120</td>
<td>-1.299408</td>
<td>0.2073</td>
</tr>
<tr>
<td>Firm Size</td>
<td>0.007689</td>
<td>0.011462</td>
<td>0.670785</td>
<td>0.5093</td>
</tr>
<tr>
<td>X1XZ</td>
<td>0.001207</td>
<td>0.005300</td>
<td>0.126633</td>
<td>0.9004</td>
</tr>
<tr>
<td>X2XZ</td>
<td>-0.533440</td>
<td>0.297862</td>
<td>-1.790895</td>
<td>0.0871</td>
</tr>
<tr>
<td>X3XZ</td>
<td>-0.012200</td>
<td>0.017834</td>
<td>-0.684060</td>
<td>0.5011</td>
</tr>
<tr>
<td>X4XZ</td>
<td>0.169503</td>
<td>0.075120</td>
<td>2.256412</td>
<td>0.0343</td>
</tr>
<tr>
<td>X5XZ</td>
<td>0.000135</td>
<td>0.001184</td>
<td>0.113660</td>
<td>0.9105</td>
</tr>
<tr>
<td>C</td>
<td>0.174672</td>
<td>0.104321</td>
<td>1.674369</td>
<td>0.1082</td>
</tr>
</tbody>
</table>

TABLE III: COEFFICIENT DETERMINANT

<table>
<thead>
<tr>
<th>R-Squared</th>
<th>0.947408</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted R-Squared</td>
<td>0.894816</td>
</tr>
</tbody>
</table>

TABLE II: PANEL DATA REGRESSION (CONT)

<table>
<thead>
<tr>
<th>Effects Specification</th>
<th>Mean dependent var</th>
<th>S.D. dependent var</th>
<th>Akaike info criterion</th>
<th>Schwarz criterion</th>
<th>Hannan-Quinn criter.</th>
<th>Durbin-Watson stat</th>
</tr>
</thead>
<tbody>
<tr>
<td>R-squared</td>
<td>0.947408</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.894816</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S.E. of regression</td>
<td>0.027863</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sam squared resid</td>
<td>0.017080</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Log likelihood</td>
<td>113.3698</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F-statistic</td>
<td>18.01425</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2.175507</td>
</tr>
<tr>
<td>Prob(F-statistic)</td>
<td>0.000000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Thus, it can be concluded that the Current Ratio has a positive but not significant effect on Return on Assets.

4) *Inventory Turnover Ratio affects Return on Assets*

Based on the t test at $\alpha = 5\%$ in Table IV, the probability value of the Inventory Turnover Ratio variable is 0.7446 or greater than 0.05, it can be concluded that the Inventory Turnover Ratio has no significant effect on Return on Assets. When viewed from the t table value at alpha 0.05 (two tails) it is 2.032, while the calculated t value is 0.329845 (positive). Means t count < t table, then H4 is rejected. Thus, it can be concluded that the Inventory Turnover Ratio has a positive but not significant effect on Return on Assets.

5) *Account Receivable affects the Return on Assets*

Based on the t test at $\alpha = 5\%$ in Table IV, the probability value of the Account Receivable variable is 0.2073 or greater than 0.05, it can be concluded that Account Receivable has no significant effect on Return on Assets. When viewed from the t table value at alpha 0.05 (two tails) it is 2.032, while the calculated t value is $-\ 1.299408$ (negative). Means t count < t table, then H5 is rejected. Thus, it can be concluded that Account Receivable has negative but not significant effect on Return on Assets.

6) *Debt to Assets Ratio affects Return on Assets moderated by Firm Size*

Based on the t test at $\alpha = 5\%$ in Table IV, the probability value of the Debt to Assets Ratio variable has an effect on Return on Assets moderated by Firm Size of 0.9004 or greater than 0.05; it can be concluded that the Debt To Assets Ratio has no significant effect on Return on Assets moderated by Firm Size. When viewed from the t table value at alpha 0.05 (Two tail) is 2.032, while the calculated t value is 0.126633 (positive), then H6 is rejected. Thus, it can be concluded that the Debt to Assets Ratio has a positive but not significant effect on Return on Assets moderated by Firm Size.

7) *Debt to Equity Ratio affects Return on Assets moderated by Firm Size*

Based on the t test at $\alpha = 5\%$ in Table IV, the probability value of the Debt to Equity Ratio variable has an effect on Return on Assets moderated by Firm Size of 0.0871 or higher than 0.05, it can be concluded that the Debt to Equity Ratio has no significant effect on Return on Assets moderated by Firm Size. If you look at the t table value at alpha 0.05 (two tails) it is 2.032, while the calculated t value is $-\ 1.790895$ (negative), then H7 is rejected. Thus, it can be concluded that the Debt to Equity Ratio has negative effect but not significant on Return on Assets moderated by Firm Size.

8) *Current Ratio affects Return on Assets moderated by Firm Size*

Based on the t test at $\alpha = 5\%$ in Table IV, the probability value of the Current Ratio variable has a significant effect on Return on Assets moderated by Firm Size 0.5011 or greater than 0.05, it can be concluded that the Current Ratio has no significant effect on Return on Assets with moderation by Firm Size. When viewed from the t table value at alpha 0.05 (two tails) is 2.032, while the calculated t value is $-\ 0.684060$ (negative), then H8 is rejected. Thus, it can be concluded that the Current Ratio has a negative but not significant effect on Return on Assets moderated by Firm Size.

9) *Inventory Turnover Ratio affects Return on Assets moderated by Firm Size*

Based on the t test at $\alpha = 5\%$ in Table IV, the probability value of the Current Ratio variable has a significant effect on Return on Assets moderated by Firm Size 0.0343 or lesser than 0.05, it can be concluded that the Current Ratio has significant effect on Return on Assets with moderation by Firm Size. When viewed from the t table value at alpha 0.05 (two tails) is 2.032, while the calculated t value is 2.256412 (positive), then H9 is accepted. Thus, it can be concluded that the Current Ratio has a positive and significant effect on Return on Assets moderated by Firm Size.

10) *Account Receivable Ratio affects Return on Assets moderated by Firm Size*

Based on the t test at $\alpha = 5\%$ in Table IV, the probability value of the Account Receivable variable has an effect on Return on Assets moderated by Firm Size of 0.9105 or greater than 0.05, it can be concluded Account Receivable has no significant effect on Return on Assets with moderation by Firm Size. When viewed from the t table value at alpha 0.05 (two tails) it is 2.032, while the calculated t value is 0.113660 (positive). Means t count < t table, then H10 is rejected. Thus, it can be concluded that Account Receivable has a positive but not significant effect on Return on Assets moderated by Firm Size.

V. CONCLUSION

The findings of this study indicate that the variables analyzed significantly impact the Return on Assets, as evidenced by an adjusted R Square value of 89.48%. However, it is important to note that there may be additional variables that could affect the Return on Assets, which were not included in this study. Further research related to other financial ratios is recommended to provide a more comprehensive understanding of the factors that impact Return on Assets.

Study analysis revealed that most independent variables showed an insignificant relationship with Return on Assets. However, we did observe a significant positive relationship between the Inventory Turnover Ratio variable and Return on Assets, mainly when moderated by firm size. Companies should closely monitor their inventory turnover, especially for larger firms, to optimize profitability.

It is worth noting that this research only used published financial reports, which may not provide a complete picture of the overall condition of pharmaceutical companies in Indonesia. Therefore, further research is necessary, especially on the business strategies that have been implemented, on a larger scale, to obtain a more comprehensive understanding of the factors impacting Return on Assets in this industry.

REFERENCES


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