Joint Effects of Liquidity, Leverage, and Asset Efficiency on Profitability: Evidence from PT Akasha Wira (2014–2024)

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Abstract

This study examines the effect of the Current Ratio (CR), Debt to Equity Ratio (DER), and Total Asset Turnover (TATO) on the Net Profit Margin (NPM) of PT Akasha Wira International Tbk from 2014 to 2024. Using a quantitative descriptive approach, secondary data from the company's audited annual reports were analyzed through descriptive statistics, classical assumption tests, multiple linear regression, and hypothesis testing (t-test and F-test) with IBM SPSS 29.0. The findings reveal that CR, DER, and TATO individually have no significant effect on NPM. However, when tested simultaneously, the three variables have a significant influence on NPM. The coefficient of determination (R^2) of 0.904 indicates that these variables explain 90.4% of the variation in NPM, while 9.6% is attributed to other factors not included in the model.

Keywords: *Current Ratio, Debt to Equity Ratio, Total Asset Turnover, Net Profit Margin.*

JEL Classification: G30, G32

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Introduction

The rapid growth of Indonesia's business sector has compelled companies to adopt professional management practices and adapt to the dynamics of global competition. With the number of domestic and international competitors steadily increasing, businesses face mounting pressure to sustain their operations and remain viable in the long term. To stay competitive in such a challenging environment, companies must continually enhance their performance and operational efficiency.

PT Akasha Wira International Tbk, established in 1985 as PT Alfindo Putrasetia, has undergone several corporate transformations, with its most recent rebranding in 2010. Today, it operates across multiple industries, including bottled drinking water, cosmetics, soy milk beverages, and the distribution of professional cosmetic brands such as Wella and Clairol in Indonesia.

In the context of intensifying competition, financial performance serves as a key benchmark for assessing a company's ability to survive and grow. Indicators such as profit generation, sales growth, shareholder value, and return on equity are commonly used to evaluate success. However, despite innovation and expansion efforts, not all companies achieve consistent profitability, with some continuing to face losses.

One effective way to evaluate financial performance is through financial ratio analysis, which covers liquidity, leverage, activity, and profitability ratios. These metrics help stakeholders—particularly financial managers and investors—assess overall financial health and operational efficiency. Among profitability indicators, the Net Profit Margin (NPM) is widely recognized as a measure of a company's ability to generate net income relative to total equity. Calculated by dividing net income after tax (EAT) by total equity, NPM reflects shareholder returns and is influenced by various internal factors, notably the Current Ratio (CR), Debt to Equity Ratio (DER), and Total Asset Turnover (TATO). Understanding the impact of these variables provides valuable insights into how financial strategies affect profitability.

The competitive dynamics of Indonesia's manufacturing and consumer goods sectors have been further intensified by globalization, technological advancements, and evolving consumer behavior. PT Akasha Wira International Tbk, despite product diversification, recorded fluctuating profitability between 2014 and 2024. Company financial reports indicate that variations in liquidity (CR), capital structure (DER), and asset efficiency (TATO) may have contributed to these fluctuations.

Prior studies on the influence of CR, DER, and TATO on NPM in Indonesian companies have produced mixed and sometimes contradictory findings. For example, Shabrina (2020) found a positive effect of CR on NPM, whereas Sulistiono & Nur (2023) reported no significant impact. Similarly, Miranti et al. (2023) identified a significant influence of DER on NPM, in contrast to Damanik et al. (2024) who found no such relationship. Research on TATO also shows inconsistency, with Octavia (2024) reporting a positive effect and Firdiana & Nugroho (2024) finding otherwise. Moreover, most previous studies focus on cross-sectional samples of multiple companies, leaving a gap in understanding how these ratios interact over time within a single firm. This study addresses that gap by examining the joint and individual effects of CR, DER, and TATO on NPM using longitudinal data from PT Akasha Wira International Tbk over an 11-year period (2014–2024).

From a theoretical standpoint, prior studies on the effect of CR, DER, and TATO on NPM tend to adopt a fragmented approach, often relying on a single theoretical framework without integrating multiple perspectives such as the Liquidity–Performance Trade-Off, Trade-Off Theory, and Resource-Based View. Furthermore, longitudinal investigations within a single-firm context are scarce, leaving the long-term dynamics of these relationships insufficiently explained in the literature. This research seeks to fill that theoretical gap by employing an integrated framework to examine the variables over a decade-long period.

Despite market expansion, PT Akasha Wira International Tbk has experienced inconsistent NPM over the past decade. High liquidity (CR above 200%) has not consistently led to higher profitability, DER has fluctuated significantly, and TATO suggests moderate asset utilization. These conditions raise the central question: how do CR, DER, and TATO affect NPM, both individually and collectively?

Literature Review

The Current Ratio (CR) is a key financial ratio used to assess a company's ability to meet short-term obligations with its current assets (Kasmir, 2019:134). While a high CR generally signals good liquidity, it may also indicate inefficient use of cash or excessive inventory relative to projected sales, which can reduce profitability. Empirical findings are mixed: Shabrina (2020) found a positive effect of CR on Net Profit Margin (NPM), whereas Sulistiono and Nur (2023) reported an insignificant impact. Similarly, research in *Indonesian Financial Review* on PT Bekasi Fajar Industrial Estate Tbk (2010–2022) showed that CR and Debt to

Asset Ratio (DAR) significantly influence NPM, highlighting the importance of liquidity management in Indonesian companies (Fitriani, 2024). The Liquidity-Performance Trade-Off model (Bates et al., 2009) suggests that although liquidity buffers reduce financial distress, holding excessive liquid assets may lower profitability compared to investing in productive assets. Therefore, this study proposes the first hypothesis:

H1: The Current Ratio has a partial effect on the Net Profit Margin of PT Akasha Wira International Tbk during 2014–2024.

The Debt to Equity Ratio (DER) measures the proportion of debt financing to shareholders' equity (Kasmir, 2019). Trade-Off Theory (Kraus & Litzenberger, 1973) emphasizes balancing the tax benefits of debt against the costs of financial distress, while Pecking Order Theory (Myers & Majluf, 1984) argues firms prefer internal financing first, then debt, and finally equity. Empirical results are mixed: Miranti et al. (2023) found DER significantly affects NPM, whereas Damanik et al. (2024) found no significant effect. Additionally, IFR research on PT BFI Finance Indonesia Tbk demonstrated that DER can influence corporate financial performance, reinforcing the importance of debt management in Indonesian companies (Handayani, 2023). Accordingly, the second hypothesis is proposed:

H2: The Debt to Equity Ratio has a significant effect on the Net Profit Margin of PT Akasha Wira International Tbk during 2014–2024.

Total Asset Turnover (TATO) evaluates how efficiently a company uses assets to generate sales (Kasmir, 2019:187; Hery, 2015). Efficient asset management, including optimizing inventory and receivables, can support sustained competitive advantage (Barney, 1991). Research findings vary: Octavia (2024) showed a positive significant effect of TATO on NPM, while Firdiana and Nugroho (2024) found no effect. IFR research on PT Bumi Resources Tbk also found that Total Asset Turnover positively influences company value, highlighting the role of asset efficiency in enhancing profitability (Anisa, 2023). Based on this, the third hypothesis is:

H3: Total Asset Turnover has a positive effect on the Net Profit Margin of PT Akasha Wira International Tbk during 2014–2024.

In the global context, relationships between liquidity, leverage, asset efficiency, and profitability are also inconsistent. For example, Alarussi and Alhaderi (2018) found CR positively impacts profitability in Malaysian firms, while DER negatively affects it. Vătavu (2015) reported DER's effect varies across Romanian industries, and Sarlija and Harc (2012)

found TATO positively correlates with profitability in Croatian firms, moderated by market competition and firm size. These international findings suggest that external market structures and economic conditions can influence how financial ratios affect profitability, reinforcing the need to study these relationships in the Indonesian context. Finally, considering that CR, DER, and TATO may jointly influence profitability, the fourth hypothesis is proposed:

H4: The Current Ratio, Debt to Equity Ratio, and Total Asset Turnover simultaneously influence the Net Profit Margin of PT Akasha Wira International Tbk during 2014–2024.

Research Methods

This study employs a quantitative, explanatory research design to examine the effect of the independent variables—Current Ratio (CR), Debt to Equity Ratio (DER), and Total Asset Turnover (TATO)—on the dependent variable, Net Profit Margin (NPM). The research uses secondary data derived from the audited annual financial statements of PT Akasha Wira International Tbk for the period 2014–2024, obtained from the company's official website (https://akashainternational.com).

The population of this study consists of all annual reports of PT Akasha Wira International Tbk during the 2014–2024 period. The sample is drawn from the consolidated statements of financial position and statements of profit or loss. With a dataset of 11 observations, multiple linear regression is applied carefully to evaluate both the partial and simultaneous effects of the independent variables on NPM. To ensure the validity of the model, classical assumption tests are performed, recognizing the limitations of the small sample size. Data analysis includes descriptive statistics, classical assumption tests (normality, multicollinearity, heteroscedasticity, and autocorrelation), multiple regression analysis, t-tests, F-tests, and R^2 analysis, all conducted using IBM SPSS Statistics version 29.

Sample Size Considerations and Potential Bias

The relatively small sample size (n = 11) is an inherent limitation of this study, as the dataset is restricted to the annual financial reports within the specified period. This limited number of observations may reduce the statistical power of the regression tests and increase the risk of Type II errors (failing to detect an effect when one exists). Additionally, the small

sample size may amplify the influence of outlier values, potentially biasing parameter estimates and affecting the generalizability of the findings to other periods or companies.

To mitigate these risks, the study applies rigorous classical assumption testing (normality, multicollinearity, heteroscedasticity, and autocorrelation) and interprets the findings with caution, emphasizing that conclusions are context-specific to PT Akasha Wira International Tbk.

Data analysis techniques include descriptive statistics, multiple linear regression, t-tests, F-tests, and the coefficient of determination (R^2), with computations performed using IBM SPSS Statistics version 29.

To facilitate the measurement of each research variable, operational definitions and indicators are established. Table 1 presents the operationalization of the independent variables—Current Ratio (CR), Debt to Equity Ratio (DER), and Total Asset Turnover (TATO)—as well as the dependent variable, Net Profit Margin (NPM). Each variable is defined conceptually and measured using specific indicators derived from established literature.

Table 1 Operational Variables

	Variable	Definition	Indicator	Source
X1	Current Rasio	One of the most common measures used to evaluate a company's ability to meet short-term liabilities, showing the extent to which current assets cover short-term creditor claims.	$\frac{(Current\ Assets)}{(Current\ Liabilities)} \times 100\%$	Sawir (2017:8)
X2	Debt to Equity Ratio	Measures the proportion of debt compared to the company's equity, indicating the degree of financial leverage.	$\frac{Total\ Liabilities}{Equity} \times 100\%$	Sugiono & Untung (2018:130)
X3	Total Asset Turnover	Assesses how efficiently a company utilizes its assets to generate sales, showing how	$\frac{Sales}{Total\ Assets} \times 100\%$	Kasmir (2019)

Variable		Definition	Indicator	Source
		much sales is earned per rupiah invested in assets.		
Y	Net Profit Margin	Represents the company's profitability and is influenced by the independent variables.	$\frac{Net\ Profit}{Sales} \times 100\%$	Sugiyono (2017:39)

Source: self-processed

Results and Discussions

Results

According to Sugiyono in Anggraini & MA (2025), descriptive statistics is a type of statistics used to describe or summarize data in a more understandable form, such as through tables, diagrams, charts, as well as measures of central tendency (mean, median, and mode) and measures of dispersion (range, variance, and standard deviation).

Descriptive Statistic

Table 2 Descriptive Statistics

Variabel	N	Minimum	Maximum	Mean	Std. Deviation
CR	11	120.15452	411.66411	236.2733627	107.64735683
DER	11	16.25486	99.66258	56.6809902	34.09121638
TATO	11	70.23053	115.65958	89.8698133	17.46602616
NPM	11	4.69521	28.42104	15.2417656	10.56893064
Valid N (listwise)	11	—	—	—	—

Source: SPSS 29, Data has been processed

The descriptive statistics show that the dependent variable, Net Profit Margin (NPM), has a minimum value of 4.69 and a maximum value of 28.42, with a mean of 15.24 and a standard deviation of 10.56. This indicates considerable fluctuations in profitability over the observation period. Theoretically, profitability measures a firm's ability to generate net income relative to sales or equity, influenced by internal policies and external market conditions (Brigham & Houston, 2020). The variation suggests that PT Akasha Wira International Tbk experienced both high and low profit margins due to changes in market demand, operational efficiency, or cost structure.

The Current Ratio (CR) ranges from 120.15 to 411.66, with an average of 236.27 and a standard deviation of 107.64, indicating substantial variation in liquidity. According to liquidity theory, a higher CR signifies a stronger ability to meet short-term obligations (Kasmir, 2019). However, excessive liquidity may lead to idle funds that do not enhance profitability, as supported by Sulistiono & Nur (2023), which may explain the lack of consistent correlation between CR and NPM in this case.

The Debt to Equity Ratio (DER) ranges from 16.25 to 99.66, with a mean of 56.58 and a standard deviation of 34.09, reflecting moderate variability in leverage. The Trade-Off Theory (Kraus & Litzenberger, 1973) posits that moderate debt can enhance returns through tax benefits, while excessive leverage increases financial distress risk. The observed DER levels suggest a conservative financing policy, consistent with Damanik et al. (2024), who found that moderate leverage has limited impact on profitability when interest savings are minimal.

The Total Asset Turnover (TATO) ranges from 70.23 to 115.65, averaging 89.86 with a standard deviation of 17.46, showing relatively stable asset utilization efficiency. According to the Resource-Based View, higher TATO reflects more effective use of assets to generate sales (Hery, 2015; Barney, 1991). However, as Firdiana & Nugroho (2024) observed, moderate TATO levels may not significantly improve profitability if revenue growth is offset by high operational costs.

Classical Assumption Testing

Table 3 Classical Assumption Test Results

Test Type	Indicator / Value	Criteria	Conclusion
Normality Test (Kolmogorov–Smirnov)	Sig. = 0.149	Sig. > 0.05	Data normally distributed

Test Type	Indicator / Value	Criteria	Conclusion
Multicollinearity Test	Tolerance: CR = 0.157; DER = 0.153; TATO = 0.347VIF: CR = 6.380; DER = 6.550; TATO = 2.880	Tolerance > 0.10 and VIF < 10	No multicollinearity
Heteroscedasticity Test (Glejser)	Sig.: CR = 0.278; DER = 0.305; TATO = 0.541	Sig. > 0.05	No heteroscedasticity
Autocorrelation Test (Durbin–Watson)	DW = 1.631	Between dL and dU (inconclusive), Run Test Sig. = 0.540 (> 0.05)	No autocorrelation

Source: SPSS 29, Data Processed

The results of the classical assumption tests indicate that the regression model meets the feasibility criteria. The normality test using the Kolmogorov–Smirnov method produced a significance value of 0.149, which is greater than 0.05, indicating that the residuals are normally distributed. The multicollinearity test shows that the tolerance values for each variable (CR = 0.157; DER = 0.153; TATO = 0.347) are greater than 0.10, and the VIF values (CR = 6.380; DER = 6.550; TATO = 2.880) are less than 10, suggesting no indication of multicollinearity. The heteroscedasticity test using the Glejser method reveals significance values of CR = 0.278, DER = 0.305, and TATO = 0.541, all exceeding 0.05, which means no heteroscedasticity is present. The autocorrelation test using the Durbin–Watson method yielded a DW value of 1.631, which falls between the lower bound (dL) and the upper bound (dU), requiring further testing. The Run Test resulted in a significance value of 0.540 (> 0.05), indicating no autocorrelation in the model.

Multiple Linear Regression Test

Table 4 Multiple Linear Regression Analysis

Variable	Coefficient (B)	Std. Error	t-value	Sig.
Constant	37.992	–	–	–
CR	0.021	–	0.734	0.487

Variable	Coefficient (B)	Std. Error	t-value	Sig.
DER	-0.129	–	-1.396	0.206
TATO	-0.228	–	-1.896	0.100

Source: SPSS 29, Data Processed

Based on the results of the multiple linear regression analysis shown in the table above, the following regression equation is obtained:

NPM = 37.992 + 0.021 CR – 0.129 DER – 0.228 TATO

Hypothesis Testing

T-Test (Partial Test)

The T-test is used to analyze the partial effect of the independent variables, Current Ratio (CR), Debt to Equity Ratio (DER), and Total Asset Turnover (TATO), on the dependent variable, Net Profit Margin (NPM), at a significance level of 5% (0.05).

Table 5 T-Test Results

Variable	t-value	t-table (α=5%)	Sig.	Conclusion
CR	0.734	2.365	0.487	Not significant
DER	-1.396	2.365	0.206	Not significant
TATO	-1.896	2.365	0.100	Not significant

Source: SPSS 29, Data Processed

Based on the coefficient output, the degrees of freedom (df) were calculated as n−k=11−3−1=7n - k = 11 - 3 - 1 = 7n−k=11−3−1=7, with a t-table value at the 5% significance level of 2.365. The partial test results for each independent variable on Net Profit Margin (NPM) are as follows.

First, the Current Ratio (CR) recorded a t-value of 0.734, which is lower than the t-table value (0.734 < 2.365), with a significance level of 0.487 exceeding 0.05. This indicates that CR has a negative and statistically insignificant effect on NPM. Theoretically, liquidity should support profitability by ensuring smooth operations and reducing financial distress risk (Kasmir, 2019; Bates et al., 2009). However, in this case, excessive liquidity may have led to

idle funds or overstocked inventories, reducing its contribution to profitability. This finding aligns with Sulistiono and Nur (2023), who also reported no significant effect of CR on NPM, but contrasts with Shabrina (2020), who found a positive relationship.

Second, the Debt to Equity Ratio (DER) produced a t-value of -1.396, also below the t-table value (-1.396 < 2.365), with a significance level of 0.206. This suggests a negative and insignificant effect on NPM. According to the Trade-Off Theory (Kraus & Litzenberger, 1973), moderate debt can enhance returns via tax shields, but excessive leverage increases financial distress costs. The insignificant effect here may indicate that debt levels were not optimized to generate profitability gains, consistent with Damanik et al. (2024), but contrary to Miranti et al. (2023), who found a significant effect.

Finally, the Total Asset Turnover (TATO) showed a t-value of -1.896, less than the t-table value (-1.896 < 2.365), and a significance level of 0.100. This indicates that TATO also exerts a negative and statistically insignificant effect on NPM. The Resource-Based View (Barney, 1991) suggests that higher asset utilization should improve profitability by maximizing revenue per asset unit. However, the insignificant effect here could stem from sales efficiency being offset by high operating costs or limited market growth. This finding is consistent with Firdiana and Nugroho (2024), but differs from Octavia (2024), who found a significant positive impact.

Overall, these results imply that individually, liquidity, leverage, and asset efficiency did not significantly drive profitability. This supports the argument that financial performance in this case is better explained by the combined interaction of these variables rather than their isolated effects.

F-Test (Simultaneous Test)

To examine the simultaneous effect of Current Ratio, Debt to Equity Ratio, and Total Asset Turnover on Net Profit Margin, the F-test is used at a 5% (0.05) significance level.

Table 6 F-Test Results

F-value	F-table (α=5%)	Sig.	Conclusion
22.090	4.35	0.001	Significant simultaneous effect

Source: SPSS 29, Data Processed

The results of the simultaneous test (F-test) show an F-value of 22.090, which exceeds the F-table value of 4.35 at the 5% significance level, with a significance value of 0.001 (< 0.05). This indicates that the Current Ratio (CR), Debt to Equity Ratio (DER), and Total Asset

Turnover (TATO) jointly have a statistically significant effect on the Net Profit Margin (NPM) of PT Akasha Wira International Tbk during the 2014–2024 period.

Theoretically, this finding is in line with the *Integrated Financial Performance Model*, which posits that profitability is not solely determined by a single financial indicator but rather by the interaction of multiple financial dimensions—liquidity, capital structure, and asset efficiency—working together to influence overall performance (Stema, 2019). The combined explanatory power of these variables is further supported by the coefficient of determination (R^2) value of 0.904, meaning that 90.4% of the variation in NPM is explained by CR, DER, and TATO collectively, while only 9.6% is influenced by factors outside the model.

From a practical perspective, this suggests that improving profitability requires a balanced approach to managing liquidity, leveraging debt, and optimizing asset utilization. Excessive focus on one dimension, while neglecting others, may not yield significant results. These findings resonate with the conclusions of Stema (2019) and Octavia (2024), who emphasize that financial ratio management should be integrated to achieve sustainable profitability.

Coefficient of Determination Test (R^2)

Table 7 Coefficient of Determination (R^2) Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.951	0.904	0.864	3.9045	1.631

Source: SPSS 29, Processed Data

Based on the results presented in the table above, the coefficient of determination (R^2) is 0.904. This value is interpreted by calculating the determination coefficient (KD) using the formula:

$$KD = (R^2) \times 100\% = (0{,}904)^2 \times 100\% = 90{,}4\%.$$

This indicates that 90.4% of the variation in the dependent variable (Net Profit Margin) can be explained by the independent variables included in this study—Current Ratio, Debt to Equity Ratio, and Total Asset Turnover. Meanwhile, the remaining 9.6% is influenced by other factors not included in the regression model.

These findings contrast with Shabrina (2020) and Octavia (2024), who found significant partial effects, and align with Sulistiono & Nur (2023) and Firdiana & Nugroho (2024). The

non-significant partial results suggest that PT Akasha Wira International Tbk's profitability is shaped by a combination of liquidity, leverage, and asset efficiency rather than any single ratio. The strong R^2 value indicates that financial ratio management in tandem has a decisive influence.

Discussion

The results show that individually, CR, DER, and TATO do not have a significant effect on NPM. This finding differs from Shabrina (2020), who reported a significant positive effect of CR on NPM, and Miranti et al. (2023), who found a significant positive effect of DER. Conversely, it is consistent with Sulistiono & Nur (2023) and Damanik et al. (2024), who reported no significant relationship for CR and DER, respectively. For TATO, these results contradict Octavia (2024), who found a positive effect, but align with Firdiana & Nugroho (2024), who reported no significant influence. The inconsistency across studies suggests that the relationship between financial ratios and profitability may be highly context-specific, influenced by firm characteristics, industry conditions, and the length of the observation period.

When compared to global evidence, the results of this study align partially with Vătavu (2015), who also found that leverage may not always significantly enhance profitability in certain firm or industry contexts. However, they contradict the findings of Alarussi and Alhaderi (2018), who reported a significant positive link between liquidity and profitability in Malaysian companies. Similarly, the absence of a significant effect of TATO on profitability in this study contrasts with Sarlija and Harc's (2012) conclusion that asset efficiency is a strong driver of profitability in competitive markets. These differences highlight that financial ratio–profitability relationships are heavily influenced by macroeconomic environments, industry competitiveness, and firm-specific strategies, thereby supporting the argument for a contextualized, firm-level, and longitudinal approach to research in this field.

From a theoretical standpoint, these results challenge several established frameworks. The Liquidity–Performance Trade-Off Theory asserts that optimal liquidity enhances profitability, yet in this study, CR levels consistently above 200% did not significantly improve NPM, indicating potential inefficiencies from idle resources. The Trade-Off Theory, which predicts an optimal leverage point for maximizing firm value, is also not supported, as variations in DER did not significantly influence profitability. Regarding the Resource-Based View (RBV), the stable yet moderate TATO values suggest that while asset efficiency is important, it alone

is insufficient to enhance profitability without complementary strategic initiatives such as innovation, market expansion, or operational cost optimization.

Theoretical Implications and Gap Closure

This research addresses a theoretical gap by integrating the Liquidity–Performance Trade-Off Theory, Trade-Off Theory, and RBV within a single-firm, longitudinal framework spanning 11 years. Most prior research has examined these variables separately, often using short-term, cross-sectional data from multiple firms, limiting insights into long-term interactions. By adopting an integrated theoretical approach, the study demonstrates that the interplay between liquidity, leverage, and asset efficiency on profitability is more complex than suggested by single-theory models. The findings refine existing theories by showing that these relationships may weaken or even disappear in certain organizational contexts, particularly in stable yet moderately growing firms over extended periods.

Managerial Implications

The findings suggest that management should not rely on improving a single financial ratio in isolation but rather adopt an integrated financial strategy that balances liquidity, leverage, and asset utilization simultaneously. Excess liquidity should be strategically converted into productive investments to avoid idle resources, while debt should be employed prudently to ensure borrowing costs remain lower than the returns generated. Additionally, operational processes—particularly in inventory management and receivables turnover—should be reviewed to enhance asset utilization efficiency. Continuous monitoring of these financial indicators in a unified framework will enable management to detect early signs of imbalance and take timely corrective action before profitability is adversely affected.

Conclusions

This study examined the effect of the Current Ratio (CR), Debt to Equity Ratio (DER), and Total Asset Turnover (TATO) on the Net Profit Margin (NPM) of PT Akasha Wira International Tbk over the period 2014–2024. The partial test results indicate that CR, DER, and TATO each have a negative and statistically insignificant effect on NPM, suggesting that none of these financial ratios individually serve as dominant profitability drivers for the

company. However, the simultaneous test revealed that these three variables jointly have a significant impact, explaining 90.4% of the variation in profitability.

The findings support the theoretical premise that financial performance is multidimensional and that profitability improvements require integrated management of liquidity, capital structure, and asset efficiency. The results also highlight the importance of balanced decision-making across these financial dimensions rather than relying on isolated improvements in a single ratio.

Managerial Implications

The results of this study highlight several key managerial implications for enhancing the company's profitability. First, management should implement an integrated financial strategy, adopting a holistic approach that simultaneously optimizes liquidity, leverage, and asset utilization. Focusing on a single dimension without aligning the others may fail to produce meaningful profitability gains. Second, in terms of liquidity optimization, while it is important to maintain sufficient current assets to meet short-term obligations, excessive liquidity can result in underutilized resources. Therefore, management should consider strategies to convert idle assets into investments that generate higher returns. Third, regarding prudent leverage management, the company's moderate DER reflects a conservative financing stance; however, debt could be leveraged strategically when market conditions are favorable, ensuring that borrowing costs remain lower than the returns achieved. Fourth, in improving asset utilization efficiency, the stable but moderate TATO values indicate potential for better conversion of assets into sales. This calls for a review of asset deployment strategies, particularly in inventory management and receivables turnover, to enhance operational performance. Finally, continuous performance monitoring is crucial, where regular integrated financial ratio analysis can help detect early signs of imbalance, enabling timely corrective actions before profitability is negatively impacted.

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