

LIQUIDITY, SOLVENCY, AND ACTIVITY RATIO IN MEASURING FINANCIAL PERFORMANCE OF CONSTRUCTION COMPANIES LISTED ON THE IDX FOR THE 2019 - 2023 PERIOD

RASIO LIKUIDITAS, SOLVABILITAS, DAN AKTIVITAS DALAM MENGUKUR KINERJA KEUANGAN PERUSAHAAN KONSTRUKSI YANG TERDAFTAR DI BEI PERIODE 2019 - 2023

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ABSTRACT

This study aims to analyze the effect of liquidity, solvency, and activity ratios on the financial performance of construction companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 period. Liquidity is measured using the current ratio, solvency using the debt to equity ratio, and activity using total asset turnover. Company financial performance is measured through return on assets (ROA). This study uses a quantitative approach with multiple linear regression methods. The data used are secondary data in the form of annual financial reports of construction companies obtained from the official IDX website. Data processing was carried out using SPSS 26 software. The results show that CR has a negative and significant effect on ROA partially, and DER has a negative and significant effect on ROA. Then TATO has a positive and significant effect on ROA. Furthermore, CR, DER, and TATO have a significant effect on ROA simultaneously.

Keywords : Liquidity ratio, Solvency ratio, Activity ratio, Financial performance, Construction company, IDX

ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh rasio likuiditas, solvabilitas, dan aktivitas terhadap kinerja keuangan perusahaan konstruksi yang terdaftar di Bursa Efek Indonesia (BEI) periode 2019–2023. Likuiditas diukur menggunakan current ratio (CR), solvabilitas menggunakan debt to equity ratio (DER), dan aktivitas menggunakan total asset turnover (TATO). Kinerja keuangan perusahaan diukur melalui return on assets (ROA). Penelitian ini menggunakan pendekatan kuantitatif dengan metode regresi linier berganda. Data yang digunakan adalah data sekunder berupa laporan keuangan tahunan perusahaan konstruksi yang diperoleh dari situs resmi BEI. Pengolahan data dilakukan menggunakan perangkat lunak SPSS 26. Hasil penelitian menunjukkan bahwa CR berpengaruh negatif dan signifikan terhadap ROA secara parsial, dan DER berpengaruh negatif dan signifikan terhadap ROA. Selanjutnya, TATO berpengaruh positif dan signifikan terhadap ROA. Selain itu, CR, DER, dan TATO secara simultan berpengaruh signifikan terhadap ROA.

Kata Kunci: Rasio likuiditas, Rasio solvabilitas, Rasio aktivitas, Kinerja keuangan, Perusahaan konstruksi, BEI

1. INTRODUCTION

The capital market presents a significant role in supporting a country's economic activities in the current era of globalization. It contributes to providing relatively cheaper funding compared to banking institutions, thus driving the country's economic growth. However, before deciding to invest, investors require careful consideration to ensure the information obtained is relevant to existing capital market conditions (Halim, 2020). A company's performance is one of the main factors determining the success or failure of a

business. Evaluation of company performance serves as a tool to assist management in strategic decision-making and is an indicator of the company's credibility in the eyes of investors and potential investors (Raharjo et al., 2020). The success or failure of a company's financial performance can be seen from the level of profit generated (Kasmir, 2019). One of the company's main goals is to achieve optimal financial performance to improve the welfare of the company and its stakeholders (Raharjo et al., 2020). The following data shows net profit from a sample of construction companies listed on the Indonesia Stock Exchange for the 2019–2023 period.

Table 1
Net profit data for a sample of construction companies listed
on the IDX for the 2019-2023 period

Company Name	2019	2020	2021	2022	2023
PT. Adhi Karya (persero) Tbk	665.048.42 1.529	23.702.652 .447	86.499.800 .385	175.209.86 7.105	29.517.759 .909
PT. Total Bangun Persada Tbk	175.502.01 0	108.580.75 8	101.633.43 0	91.646.670	172.704.94 4
PT. Pembangunan Perumahan (persero) Tbk	1.208.270. 555.330	266.269.87 0.851	361.421.98 4.159	365.741.73 1.064	127.089.51 9.355
PT. Nusa Raya Cipta Tbk	101.155.01 1.546	55.122.851 .471	51.648.101 .245	74.670.162 .517	99.508.842 .135
PT. Paramita Bangun Sarana Tbk	13.287.142 .235	43.151.541 .644	83.315.829 .281	133.988.08 5.819	192.742.53 0.687
PT. Wijaya Karya Bangunan Gedung Tbk	456.366.73 8.475	156.349.49 9.437	216.387.97 9.386	230.257.33 0.260	46.500.150 .448

Source: IDX Financial Report

Based on net profit data from six construction companies, significant year-to-year profit fluctuations are evident. Most companies experienced a drastic decline in profits in 2020, likely due to the impact of the COVID-19 pandemic on the construction industry. One striking example is PT. Adhi Karya (Persero) Tbk, whose profits dropped from IDR 665 billion in 2019 to just IDR 23 billion in 2020, before rebounding in subsequent years, albeit at an unstable rate.

Conversely, PT. Paramita Bangun Sarana Tbk showed a consistent upward trend in profits, from IDR 13 billion in 2019 to IDR 192 billion in 2023, reflecting better operational management and efficiency compared to other companies. Meanwhile, PT. Pembangunan Perumahan (Persero) Tbk continued to record the highest profit among other companies, although it experienced a decline after 2021. This performance demonstrates greater operational capacity, despite facing external challenges. Furthermore, PT. Total Bangun Persada Tbk has shown relatively small and stagnant profits year over year, possibly due to a limited project portfolio or intense competition within the industry. Several companies, such as PT Nusa Raya Cipta Tbk, have shown a gradual profit recovery since 2020, while PT Wijaya Karya Bangunan Gedung Tbk experienced a significant profit decline in 2023 after previously posting a recovery in 2022.

Table 1 shows that the average profit of companies in the Building Construction Sub-Sector decreased in 2020 and 2023. Each company often experiences different performance fluctuations, and with fluctuations in net profit, investors need to analyze factors that can affect the company's condition (Ministry of Public Works and Public Housing, 2023). This fluctuation in net profit is closely related to the company's financial condition, making financial statement analysis crucial for providing a deeper understanding of the company's

financial performance (Badan Pusat Statistik, 2022). Through financial statement analysis, companies can assess their performance and identify areas that need improvement to achieve better financial performance (Maulana, 2018).

Companies need to use various benchmarks to assess financial performance, one of which is financial ratios, which link two sets of financial data to provide a clearer picture of the company's financial position (Hery, 2021). This fluctuation in net profit also impacts investor decisions, both those who have invested and those who plan to invest. One frequently used ratio to measure the financial performance of construction companies is Return on Assets (ROA). This ratio measures the contribution of a company's assets to generating net profit. The higher the ROA, the more efficiently the company utilizes its assets, meaning a greater profit is generated from each rupiah of funds invested in total assets (Sudana, 2019). Conversely, a low ROA indicates a company's inefficiency in using its assets to generate profit (Hery, 2021). Although many types of financial ratios can be used, this study focuses on three main types: liquidity, solvency, and activity (Raharjo et al., 2020).

Liquidity ratios, such as the Current Ratio (CR), are important because construction companies often face cash flow instability due to delayed project payments. Inability to maintain liquidity can hamper company operations, ultimately impacting financial performance (Brealey, Myers, & Allen, 2020). Solvency ratios, such as the Debt to Equity Ratio (DER), reflect a company's capital structure, where a high DER can indicate a company's high dependence on debt. This can potentially increase financial risk if the company's revenue is insufficient to cover the debt interest expense (Ross, Westerfield, & Jaffe, 2019). Furthermore, activity ratios, such as Total Asset Turnover (TATO), indicate a company's efficiency in utilizing its assets to generate revenue. In the context of construction companies, inefficient asset utilization, such as idle equipment or delayed project completion, can negatively impact financial performance (Damodaran, 2021). Therefore, financial ratio analysis is relevant for evaluating the overall financial performance of construction companies.

This study focuses on analyzing the influence of liquidity, solvency, and activity ratios on the financial performance of construction companies listed on the Indonesia Stock Exchange (IDX) during the period 2019-2023. This period was chosen to cover various economic dynamics that occurred before, during, and after the COVID-19 pandemic, which significantly impacted the construction sector in Indonesia (Badan Pusat Statistik, 2023).

Previous research has shown mixed results regarding the influence of these ratios on a company's financial performance. The liquidity variable, measured by the current ratio (CR), was chosen due to differences in previous research results that require further study to clarify existing theories. For example, Lestari and Oktrima (2024) found that CR had a significant effect on Return on Assets (ROA). However, this finding contradicts the research of Damayanti and Sitohang (2019), which showed that CR had a negative and insignificant effect on ROA. Furthermore, the solvency variable, measured by the Debt to Equity Ratio (DER), was also chosen due to differences in previous research findings. Zendrato et al. (2023) reported that DER had a significant positive effect on ROA, but this result contradicts the research of (Situmorang, 2023), which stated that DER had a negative and insignificant effect on ROA. Finally, the activity variable, represented by Total Assets Turnover (TATO), was chosen based on differences in previous research results. Laela and Hendratno (2019) found that TATO had a significant effect on ROA, while Agustina and Pratiwi (2021) stated that TATO had no significant effect on ROA. These differences in findings indicate a research gap that requires further examination.

Based on the background and phenomena, this study aims to analyze the influence of liquidity, solvency, and activity ratios on the financial performance of construction companies listed on the IDX in the 2019-2023 period, with the title: "The Influence of Liquidity, Solvency, and Activity Ratios on the Financial Performance of Construction Companies Listed on the IDX in the 2019-2023 Period."

2. LITERATURE REVIEW

2.1 Financial Statement

The Indonesian Institute of Accountants (2020), in its Statement of Financial Accounting Standards (PSAK), explains that financial statements are an organized presentation of an entity's financial position and performance, presenting information related to assets, liabilities, equity, revenue, and expenses. Based on this statement, it can be concluded that financial statements are an essential tool for companies to understand and analyze their financial condition. With a phased and annual presentation period, these reports enable management and other stakeholders to obtain a clear picture of the company's performance and financial position.

2.2 Financial Performance

Financial performance is an analytical process used to assess the extent to which a company carries out financial activities in accordance with applicable regulations (Fahmi, 2021). This process involves preparing financial statements that comply with the standards set out in Financial Accounting Standards (SAK) or GAAP (Generally Accepted Accounting Principles). According to Amalia (2021), financial performance is a snapshot of a company's financial condition during a specific period, including the collection and distribution of capital. This performance is often measured by indicators such as capital adequacy, liquidity, and profitability. Financial performance is measured using the following formula:

$$\text{Return On Asset} = \frac{\text{Net Profit}}{\text{Total Assets}}$$

2.3 Financial Ratio

Financial ratios involve comparing various figures in financial statements to provide deeper insights. Furthermore, this analysis will cover various types of financial ratios, such as liquidity ratios, solvency ratios, and activity ratios, each of which plays a crucial role in evaluating a company's financial health. One of the liquidity ratios used in this study is the current ratio. The current ratio is obtained by dividing current assets by current liabilities. This ratio indicates the extent to which current liabilities can be covered by assets that are expected to be readily converted into cash in the near future. The formula for calculating the current ratio is as follows:

$$\text{Current Ratio} = \frac{\text{Current Asset}}{\text{Current Liabilities}}$$

The solvency ratio (leverage) is a measure of the extent to which a company uses debt to finance its assets. The solvency ratio used in this study is the Debt to Equity Ratio (DER). This ratio represents the comparison between a company's total debt and its equity, indicating the company's ability to meet its obligations using its existing capital. One way to assess the extent to which a company is financed by debt is through this ratio (Satria, 2022). This ratio is calculated using the following formula:

$$\text{Debt to Equity Ratio} = \frac{\text{Total Debt}}{\text{Equity}}$$

Activity ratios are ratios that describe the extent to which resources are optimally utilized to assess a company's level of efficiency, which can impact its value (Tobing and Niadiyasti, 2020). Kasmir (2019) explains that activity ratios, including Inventory Turnover and Receivables Turnover, provide insight into a company's efficiency in managing its assets. These ratios are useful for assessing how quickly a company can convert assets into revenue, which is

one of the main indicators of financial performance. The activity ratio (TATO) is calculated using the following formula:

$$\text{Total Asset Turnover} = \frac{\text{Revenues}}{\text{Total Assets}}$$

2.4 Conceptual Framework

The conceptual framework explains the relationship between the variables being studied, namely the relationship between the independent variable (X) and the dependent variable (Y). In the context of this research, the conceptual framework can be described as follows:

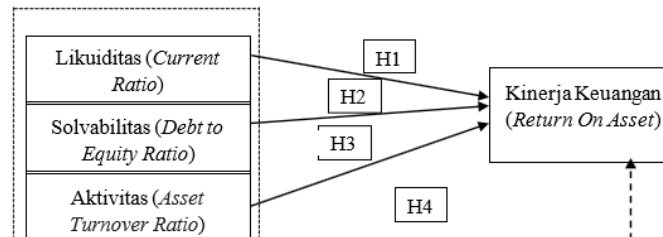


Figure 1 Conceptual Framework

Source: Author, 2025

In this study, the independent variables to be examined are the Liquidity Ratio (Current Ratio) (X1), the Solvency Ratio (Debt to Equity Ratio) (X2), and the Activity Ratio (Asset Turnover Ratio) (X3). Meanwhile, the dependent variable to be studied is Financial Performance (Y) with the indicator to measure it using (Return on Assets).

The formulation of the hypothesis can be formulated as follows:

- H1: Current ratio (current ratio) partially has a significant effect on the financial performance of construction companies listed on the IDX.
- H2: Solvency ratio (debt to equity ratio) partially has a significant effect on the financial performance of construction companies listed on the IDX.
- H3: Activity ratio (asset turnover ratio) partially has a significant effect on the financial performance of construction companies listed on the IDX.
- H4: The ratio of liquidity, solvency, and activities simultaneously has a significant effect on the financial performance of construction companies listed on the IDX.

3.METHODS

3.1 Types of Research

This research uses a quantitative approach. In this study, data collection techniques through documentation data in the form of published company financial statements. Furthermore, quantitative data analysis is carried out using company financial statement data obtained from the predetermined period. The data was then analyzed to draw conclusions regarding the effect of current ratio ratio, solvency ratio (debt to equity ratio), and activity ratio (total asset turnover) to financial performance (return on assets) in construction companies listed on the IDX.

The object of this research is a construction company listed on the Indonesia Stock Exchange (BEI). This research focuses on the analysis of financial ratios, namely liquidity ratio, solvency ratio, and activity ratio, as well as its effect on company financial performance during the 2019 to 2023 period. Secondary data in this study includes information taken from the company's financial statements that have been published through the Indonesia Stock Exchange (IDX) and the official website of the company, the main data used from the financial statements for the 2019 to 2023.

3.2 Population and Sample

The population in this study were all construction companies listed on the Indonesia Stock Exchange (IDX) during the 2019-2023 period. Total companies totaling 14 companies, including PT. Adhi Karya (Persero) Tbk, PT. Ascet Indonusa Tbk, PT. Wijaya Karya (Persero) Tbk, PT. Total Bangun Persada Tbk, PT. Waskita Karya (Persero) Tbk, PT. Nusa Construction Enjiniring Tbk, PT. Housing Development (Persero) Tbk, PT. Indonesia Pondasi Raya Tbk, PT. Nusa Raya Cipta Tbk, PT. Paramita Bangun Sarana Tbk, PT. Surya Semesta Internusa Tbk, PT. Jaya Construction Manggala Pratama Tbk, PT. Totalindo Eka Persada Tbk and PT. Wijaya Karya Building Tbk.

Sampling techniques using the purposive sampling method. The criteria that must be met in the selection of samples for this research are as follows:

1. State-Owned Construction Companies (BUMN) and private construction companies listed on the Indonesia Stock Exchange (IDX) during the 2019-2023 period.
2. Construction companies that present their financial statements through the official website of the Indonesia Stock Exchange (IDX) at www.idx.co.id for the 2019-2023 period.
3. The financial statements issued must have been audited by an independent auditor.
4. The company did not experience profit loss during the 2019-2023 period.

Thus meets the sample criteria, namely as many as 6 companies, including PT. Adhi Karya (Persero) Tbk, PT. Total Bangun Persada Tbk, PT. Housing Development (Persero) Tbk, PT. Nusa Raya Cipta Tbk, PT. Paramita Bangun Sarana Tbk, and PT. Wijaya Karya Building Tbk.

3.3 Data Analysis Techniques

The data analysis technique used is multiple linear regression, which starts with a classic assumption test to check whether the data meets the requirements for further analysis. The use of multiple linear regression is based on more than one independent (free) variable and one dependent variable (bound) in this study. The hypothesis test is carried out to determine whether there is an influence and how much influence the independent variable (X1, X2, X3) has on the dependent variable (Y), both partially and simultaneously using the partial significance test (T test) and the simultaneous significance test (F test).

4. RESULTS AND DISCUSSIONS

4.1. Calculation of Research Variables

This section presents the results of the calculation of the ratio used as an indicator in this study. The ratio calculation is carried out based on data that has been collected and processed according to the predetermined method. The following table presents details of the complete ratio calculation results:

Table 3
Results of Multiple Linear Correlation Test Coefficients

Company Name	YEAR	CR	DER	TATO	ROA
PT. Adhi Karya (persero) Tbk	2019	1,24	4,34	0,42	1,82
	2020	1,11	5,83	0,28	0,06
	2021	1,02	6,05	0,29	0,22
	2022	1,20	3,53	0,34	0,44
	2023	1,14	3,39	0,07	0,07
PT. Total Bangun Persada Tbk	2019	1,42	1,75	0,84	5,92
	2020	1,49	1,54	0,79	3,76
	2021	1,58	1,21	0,04	3,73
	2022	1,49	1,41	0,76	3,06
	2023	1,33	1,94	0,97	5,51
PT. Pembangunan Perumahan (persero) Tbk	2019	1,37	2,41	0,42	2,04
	2020	1,21	2,82	0,30	0,50
	2021	1,12	2,88	0,30	0,65
	2022	1,21	2,89	0,33	0,63
	2023	1,16	2,73	0,33	0,22
PT. Nusa Raya Cipta Tbk	2019	1,94	1,02	1,06	4,11
	2020	2,06	0,93	0,94	2,48
	2021	2,17	0,84	0,78	2,41
	2022	1,93	1,04	1,00	3,04
	2023	2,03	0,95	1,24	4,26
PT. Paramita Bangun Sarana Tbk	2019	3,05	0,34	0,84	1,84
	2020	3,23	0,31	0,79	6,14
	2021	3,33	0,34	0,36	10,72
	2022	3,23	0,33	0,85	15,62
	2023	3,11	0,33	0,72	24,23
PT. Wijaya Karya Bangunan Gedung Tbk	2019	1,66	1,52	0,74	7,36
	2020	1,49	1,77	0,46	2,57
	2021	1,45	1,51	0,53	3,62
	2022	1,98	1,14	0,44	4,24
	2023	1,93	1,17	0,72	0,84

Source: IDX Financial Report

Based on financial ratio data including Current Ratio (CR), Debt to Equity Ratio (DER), Total Asset Turnover (TATO), and Return on Assets (ROA), it can be concluded that each company has varying performance.

4.1 Classical Assumption Test

The results of the normality test conducted using SPSS 26 through the Kolmogorov-Smirnov test showed an Asymp Sig (2-tailed) value of 0.200 and the p-plot results showed that the data points followed and approached the diagonal line. This indicates that the regression model is in accordance with the normality assumption. The results of the multicollinearity test showed that no independent variables had a tolerance value smaller than 0.10 and each VIF value was smaller than 10, so it was concluded that there was no multicollinearity in the regression model in this study. The results of the heteroscedasticity test showed that the scatterplot points were spread above and below the number 0 on the Y-axis without a clear pattern, so it can be concluded that this study did not face heteroscedasticity problems. The results of the autocorrelation test with the Durbin-Watson (DW) test show that

the DW value is between the upper limit of du and $(4-du)$, with a range stated as $1.28373 < 2.114 < 2.43339$. Therefore, it can be concluded that there is no autocorrelation.

4.2 Multiple Linear Regression Analysis

The test results obtained through multiple linear regression are presented as follows:

Table 4
Results of Multiple Linear Correlation Test Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	436.010	113.409		3.845	.001
	CR	-.662	.287	-.353	-2.307	.029
	DER	-.814	.225	-.601	-3.619	.001
	TATO	2.424	1.099	.362	2.206	.036
a. Dependent Variable: ROA						

Source: Data Processed by SPSS 26, 2025

Based on the table above, the following equation can be obtained:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

$$Y = 436.010 + -0.662X_1 + -0.814X_2 + 2.424X_3 + e$$

Based on the multiple linear equation model, the constant value (a) of the multiple linear regression equation can be interpreted as 436.010, indicating that when the Current Ratio, Debt to Equity Ratio, and Total Asset Turnover are zero, the return on assets is 436.010. The regression coefficient for the liquidity variable, $\beta_1 CR$, from the multiple linear regression equation above is -0.662, meaning that every 1-unit increase in CR is estimated to result in a -0.662-unit decrease in ROA, assuming other variables remain constant. This negative coefficient indicates that high liquidity levels do not always have a positive impact on company performance. The regression coefficient of the solvency variable $\beta_2 DER$ from the multiple linear regression equation above is -0.814, indicating that every 1 unit increase in DER is predicted to increase ROA by -0.814 units, with all other variables remaining constant. This negative coefficient indicates that high debt usage can reduce a company's profitability, because the greater the proportion of debt compared to equity, the greater the interest expense and financial risk that must be borne, which in turn can negatively impact the company's financial performance. Meanwhile, the regression coefficient of the activity variable $\beta_3 TATO$ from the multiple linear regression equation above is 2.424, explaining that every 1 increase in TATO is predicted to increase ROA by 2.424 units, assuming that other variables remain unchanged. This positive coefficient indicates that increasing the efficiency of asset use, as reflected in TATO, does not negatively impact the company's profitability in this context.

4.4 Coefficient of Determination R^2

The following are the results of the R^2 Determination Coefficient test:

Table 5
Results of the R2 Determination Coefficient Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin - Watson
1	.743 ^a	.552	.500	144.592	2.114
a. Predictors: (Constant), TATO, DER, CR					
b. Dependent Variable: ROA					

Source: Data Processed by SPSS 26, 2025

The Adjusted R Square value in the R2 determination coefficient test of 0.500 indicates that the independent variables (CR, DER, TATO) influence the dependent variable (ROA) by 50.0%. This means that 50% of the influence of financial performance (ROA) is influenced by liquidity, solvency, and activity ratios, while 50% is influenced by other factors outside this study.

4.5. Hypothesis Testing

4.5.1 Partial Significance Test (t-Test)

The t-test was conducted at a significance level of $\alpha = 0.05$, with the degrees of freedom (DF) calculated as follows $30 - 3 - 1 = 26$. The results of the partial significance test can be seen in the following table:

Table 6
Hypothesis Test Results (t-Test)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	436.010	113.409		3.845	.001
	CR	-.662	.287	-.353	-2.307	.029
	DER	-.814	.225	-.601	-3.619	.001
	TATO	2.424	1.099	.362	2.206	.036
a. Dependent Variable: ROA						

Source: Data Processed by SPSS 26, 2025

- 1) Hypothesis Testing of the Liquidity Ratio (Current Ratio) on Financial Performance (Return on Assets)

The results of the hypothesis test (t-test) indicate a significant effect of the Liquidity Ratio (Current Ratio), as indicated by the calculated t-value of -2.307, while the t-table value is 1.706. Therefore, the calculated t-value is greater than the t-table value, or $-2.307 > 1.706$, with a significance value of $0.029 < 0.05$. Since 0.029 is less than 0.05, H_a is accepted. This indicates that the liquidity ratio (CR) has a significant effect on financial performance (ROA). This indicates that the hypothesis stating that the liquidity ratio (CR) has a significant effect on financial performance is accepted.

- 2) Hypothesis Testing of the Solvency Ratio (Debt to Equity Ratio) on Financial Performance (Return on Assets)

Based on the results of the hypothesis test, the calculated t-value was -3.619, while the t-table value was 1.706. Since the calculated t-value was greater than the t-table value

(-3.619 > 1.706), with a significance value of $0.001 < 0.05$, H_a was accepted. This indicates that the solvency ratio (DER) has a significant effect on financial performance (ROA). This indicates that the hypothesis stating that the solvency ratio (DER) has a significant effect on financial performance is accepted.

3) Hypothesis Testing of the Activity Ratio (Total Asset Turnover) on Financial Performance (Return on Assets)

Based on the results of the hypothesis test, the calculated t-value was 2.206, while the table t-value was 1.706. Since the calculated t-value was greater than the table t-value ($2.206 > 1.706$), with a significance value of $0.036 < 0.05$, H_a was accepted. This indicates that the hypothesis stating that the activity ratio (TATO) significantly influences financial performance (ROA). This indicates that the hypothesis stating that the activity ratio (TATO) significantly influences financial performance is accepted.

4.5.2 Simultaneous Significance Test (F Test)

The results of the F-test (simultaneous test) in this study can be seen in the table below.

Table 7
Results of the Simultaneous Significance Test (F-Test)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	669923.967	3	223307.989	10.681	.000 ^b
	Residual	543577.000	26	20906.808		
	Total	1213500.967	29			
a. Dependent Variable: ROA						
b. Predictors: (Constant), TATO, DER, CR						

Source: Data Processed by SPSS 26, 2025

Based on the results of the F test above, it was found that the calculated F value was 10.681, which is greater than the F table value of 2.975, and the significance value was 0.000. Based on the decision-making criteria, it can be concluded that H_a is accepted. This indicates that the hypothesis stating that the liquidity ratio (CR), solvency ratio (DER), and activity ratio (TATO) have a significant effect together on financial performance can be accepted.

4.5. Discussion

4.6.1 The Effect of the Liquidity Ratio (CR) on Financial Performance (ROA)

Based on the results of the hypothesis test, it can be concluded that the Current Ratio (CR) has a negative and significant effect on Return on Assets (ROA). This indicates that the higher the liquidity ratio, the lower the company's profitability. In other words, companies with high liquidity levels are not necessarily able to optimize their current assets to generate greater profits. The first hypothesis (H1), which states that the liquidity ratio (CR) has a significant effect on financial performance, is accepted. This negative result indicates that companies with excessively high CRs may have many idle current assets, such as cash or receivables that are not immediately invested in productive activities. This inefficiency in utilizing current assets can lead to a low return on assets (ROA). Furthermore, a high liquidity ratio may reflect an overly conservative management policy in managing current assets, thus reducing the company's potential to generate optimal profits. Therefore, even though companies have sufficient current asset reserves to meet short-term liabilities, they still need to balance liquidity with the effectiveness of asset use to increase profitability. The results of this study empirically support

previous research conducted by (Astutik & Anggraeny, 2019), which stated that the current ratio has a negative and significant effect on return on assets. However, these results disagree with research conducted by (Hikmah, 2023), which stated that the current ratio has no significant effect on return on assets.

4.6.2 The Effect of Solvency Ratio (DER) on Financial Performance (ROA)

Based on the results of the hypothesis test, it can be concluded that the Debt to Equity Ratio variable has a negative and significant effect on Return on Assets. This indicates that the higher the company's debt level (DER), the company's financial performance tends to decline. A high solvency ratio reflects a large debt burden, which can reduce the efficiency of asset use to generate profits. The second hypothesis (H2) stating that the solvency ratio (DER) has a significant effect on financial performance is accepted. This negative result is indicated by a high debt level causing increased interest payment obligations, which ultimately reduces net income. For example, a study shows that companies with a high Debt to Equity Ratio (DER) have a low Return on Assets (ROA) because most of their income is used to pay interest (Utami & Wahyuni, 2022). Companies with a high DER face greater financial risks, especially in unstable economic conditions. This reduces the company's ability to use its assets efficiently to generate profits. The results of this study empirically support previous research conducted by (Jenni et al., 2019), which stated that the Debt to Equity Ratio has a negative and significant effect on Return on Assets. However, these results are inconsistent with research conducted by (Rohmah, 2019), which stated that the Debt to Equity Ratio does not significantly influence Return on Assets.

4.6.3 The Influence of Activity Ratio (TATO) on Financial Performance (ROA)

Based on the results of the hypothesis test, it can be concluded that the Total Asset Turnover (TATO) variable has a positive and significant effect on Return on Assets (ROA). This indicates that the higher the activity ratio, the better the company's financial performance. In other words, companies that are able to optimize the use of their assets to generate revenue tend to have a higher level of profitability. The third hypothesis (H3), which states that the activity ratio (TATO) has a significant effect on financial performance, is accepted. This positive result indicates that companies with a high TATO are able to manage their assets efficiently to increase revenue, which ultimately has a positive impact on profitability. An increase in the TATO ratio reflects that the company is more effective in utilizing its assets to generate sales or revenue, which means assets are not left idle or unproductive. This efficiency can increase net income and encourage ROA growth. This research empirically supports previous research conducted by (Jenni et al., 2019) which stated that Total Asset Turnover has a positive and significant effect on Return on Assets. However, the results of this study are not in line with research conducted by Angelina et al., (2020) which stated that Total Asset Turnover does not have a significant effect on Return on Assets.

4.6.4 The Influence of Liquidity Ratio (CR), Solvency Ratio (DER) and Activity Ratio (TATO) on Financial Performance (ROA)

Based on the results of the hypothesis test, it can be concluded that the Liquidity Ratio (CR), Solvency Ratio (DER), and Activity Ratio (TATO) variables have a positive and significant effect on Return on Assets. The fourth hypothesis (H4), which states that the solvency ratio (DER) has a significant effect on financial performance, is accepted. This positive result indicates that companies with a good CR tend to have greater control over their cash flow, so they do not need to sell fixed assets or borrow additional funds to meet short-term obligations. This allows companies to remain focused on managing core operations that generate profits (Kusuma & Pratama, 2020). Moderate reliance on debt (a healthy DER) can increase a company's capacity to expand and pursue new projects without sacrificing assets. This

expansion can increase revenue and, ultimately, net income (Prasetyo & Yulianti, 2020). If debt is used to finance income-generating assets, such as new machinery or construction equipment, this can increase efficiency and production volume, which in turn increases the company's profitability (Santoso & Kurniawan, 2022). This study empirically supports previous research conducted by (Jenni et al., 2019), which stated that the Current Ratio, Debt to Equity Ratio, and Total Asset Turnover have a positive and significant influence on Return on Assets. However, the results of this study are inconsistent with research conducted by (Tan & Hadi, 2020), which stated that Total Asset Turnover does not have a significant effect on Return on Assets.

5. CONCLUSION

Based on the results of research that has been conducted on the effect of liquidity ratio (CR), solvency ratio (DER), and activity ratio (TATO) on financial performance (ROA) in 6 construction companies listed on the Indonesia Stock Exchange (IDX), namely ADHI, ACST, PTPP, NRCA, PBSA and WEGE, it can be concluded that the liquidity ratio (CR) has a negative and significant effect on Return On Assets (ROA). This means that the higher the current ratio (CR), the lower the company's profitability. Furthermore, the solvency ratio (DER) has a negative and significant effect on Return On Assets (ROA). The higher the level of debt owned by a company, the greater the interest expense that must be paid, thereby reducing net profit and lowering profitability. Meanwhile, the activity ratio (TATO) has a positive and significant effect on Return On Assets (ROA). Companies that are able to optimize the use of their assets in generating income tend to have a higher level of profitability. Simultaneously, the three independent variables (CR, DER, and TATO) have a significant effect on the company's financial performance (ROA). A combination of sound management of liquidity, solvency, and activity will create synergies that can increase company profitability through efficient asset utilization, prudent debt management, and optimal operational strategies.

Going forward, companies should balance liquidity reserves and investments in productive assets to avoid excess idle current assets. Furthermore, optimal solvency ratio management, taking into account risk levels and debt repayment capacity, can help improve operational efficiency and profitability. Moreover, companies are advised to continuously improve asset utilization efficiency to drive revenue growth. Company management should conduct regular financial analysis to monitor financial ratio developments and adjust business strategies to remain competitive. For further research, it is recommended to expand the data coverage and include other variables that could potentially influence a company's financial performance, such as external factors (macroeconomic conditions, government policies, and industry competition) to provide a more comprehensive picture.

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