



LITERATURE STUDY: ANALYSIS THE ROLE OF CR, DER, ROA ON FINANCIAL PERFORMANCE IN PLANTATION COMPANIES

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ABSTRACT

This study aims to analyze the role of Current Ratio (CR), Debt to Equity Ratio (DER), and Return on Assets (ROA) on financial performance in plantation companies through a literature review approach. This study uses a qualitative descriptive method with data collection, techniques through a literature review of ten relevant scientific articles. The results show, that all previous studies used financial ratio analysis as the main tool in assessing company financial performance. The ratios used include liquidity, solvency, and profitability ratios. In general, the Current Ratio has a positive effect on financial performance because it shows the company's ability to meet its short-term obligations. The Debt to Equity Ratio has a negative effect, which means that the higher the Debt to Equity ratio, the higher the financial risk faced by the company. Meanwhile, Return on Assets reflects the company's effectiveness in utilizing assets to generate profits, but most plantation companies still show relatively low ROA values. Thus, the financial performance of plantation companies is greatly influenced by the balance between Liquidity, capital structure, and profitability in order to maintain business stability and sustainability.

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INTRODUCTION

Financial performance is a key indicator that describes the extent to which a company is able to manage and control its resources effectively and efficiently to achieve its objectives, particularly in generating profits and meeting its financial obligations. According to the Indonesian Institute of Accountants (IAI), financial performance is a company's ability to manage and control all available resources so that corporate goals can be realized properly. This includes managing assets, capital, and liabilities so that the company can operate sustainably.

Financial statement analysis is often used to assess a company's performance, namely ratio analysis (Munawir in Nasution & Dewi, 2023). Financial ratio analysis is divided into various types of ratios, including liquidity ratios, solvency ratios, and profitability ratios (Suryathi et al., 2024). These ratios help identify a company's ability to meet its short-term obligations, measure the extent to which the company's assets are financed by debt, and measure the company's rate of return.

In the agribusiness industry, particularly in the palm oil plantation sector, financial performance is one of the main indicators of a company's success because it is closely related to global commodity price fluctuations, production costs, and government policies on exports and environmental sustainability. PT Astra Agro Lestari, Tbk (AALI), as one of the largest palm oil plantation companies in Indonesia, contributes significantly to the national economy through the production of crude palm oil (CPO) and its derivative products. However, unstable global economic conditions, rising operational costs, and environmental and social challenges have caused fluctuations in the company's revenue and profitability. Based on the company's financial statements, AALI's net revenue in 2023 was recorded at IDR 20.745 billion, down about 5% compared to IDR 21.829 billion in 2022. In addition, the company's gross profit decreased by about 28%, from IDR 3.822 billion in 2022 to IDR 2.771 billion in 2023. The gross profit margin also fell from 18% to 13% in the same period.

The phenomenon in previous research shows that the financial performance of plantation sub-sector companies on the Indonesia Stock Exchange for the 2014–2019 period has been analyzed using various liquidity, solvency, activity, and profitability ratios, but only to describe each company's condition and compare it with the industry average, without specifically and quantitatively testing how Current Ratio (CR), Debt to Equity Ratio (DER), and Return on Assets (ROA) contribute to financial performance in plantation companies. This creates a research gap because the combination of CR, DER, and ROA has not been modeled as key determinants of financial performance in this subsector, and the existing approach tends to be descriptive rather than developing an integrated causal relationship model.

This decline shows that fluctuations in CPO prices on the international market, increased operating costs, and environmental and social pressures are the main factors affecting the profitability of plantation companies. This phenomenon illustrates how vulnerable the company's financial performance is to unstable external and internal conditions. If not managed properly, this could impact the company's ability to maintain operational efficiency, pay its obligations, and provide returns to shareholders.

This study uses a literature review approach by examining various previous studies related to the influence of financial performance on plantation companies. This approach allows researchers to gain a comprehensive understanding of the factors that influence financial performance, the patterns of change that occur, and the adaptive strategies implemented by companies in the plantation sector

LITERATURE REVIEW

Financial Performance

Performance is an important measure for assessing the extent to which a company is able to manage its resources in achieving operational efficiency

and financial stability. According to Suryathi et al. (2024), financial performance reflects the effectiveness of management in maintaining the company's liquidity, solvency, and profitability, especially in the face of global economic pressures after the COVID-19 pandemic. Financial ratio analysis is a key tool for assessing a company's overall financial condition, including its ability to meet short-term obligations, funding structure, and the level of profit generated from assets and capital employed.

Current Ratio

The Current Ratio is a ratio used to measure a company's ability to meet its short-term obligations using its available current assets (Toni Adhitya, 2023). In descriptive studies of the plantation sector, a debt-to-capital ratio (CR) that exceeds industry standards is interpreted as a good ability to meet short-term obligations and increase investor confidence, although an excessively high CR is also interpreted as an indication of unproductive idle funds (Siregar et al., 2024). According to (Kasmir in Agustin et al., 2024), the formula used is as follows :

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liability}} \times 100\%$$

Debt to Equity Ratio (DER)

Debt to Equity Ratio is a financial ratio that compares a company's total debt or liabilities with its total equity or ownership of assets. This ratio is used to measure leverage, which is the extent to which a company uses debt to fund its operations. A descriptive study of several plantation companies shows that a very high debt-to-equity ratio (DER) reflects a high dependence on debt financing, which increases interest costs and the potential for a decline in profits, while a stable and moderate DER is associated with "fairly good" performance (Gunawan et al., 2022). According to (Agustin et al., 2024) The formula used is as follows:

$$\text{Debt To Equity Rasio (DER)} = \frac{\text{Total Liabilitas}}{\text{Total Equity}} \times 100\%$$

Return on Asset (ROA)

Return on Assets (ROA), which indicates how well a business generates profits from its total assets, is an important profitability metric (Agustin et al., 2024). A study of plantation companies shows variations in ROA that reflect differences in asset management efficiency between companies, and the downward trend in ROA is interpreted as a decline in operational effectiveness even though the liquidity or leverage structure may appear to be "good" (Rinaldo et al., 2020). The formula used is as follows:

$$\text{Return on Asset (ROA)} = \frac{\text{Net Profit}}{\text{Total Assest}} \times 100\%$$

RESEARCH METHODS

This study is a literature review that aims to examine and analyze various previous studies related to the analysis of the role of Current Ratio (CR), Debt to Equity Ratio (DER), and Return on Assets (ROA) on the financial performance of plantation companies. This study uses a qualitative approach, where the data used is sourced from the interpretation of various scientific literature. This study does not collect field data directly, but uses secondary data sources from academic publications such as scientific journals, books, and research reports.

The data collection method was conducted through literature study (library research), which involved collecting data from various journals related to the research topic and compiling it into a journal mapping or journal review. The data collection process was carried out in several stages, namely searching for literature using keywords such as "Financial Performance Analysis," "Current Ratio," "Debt to Equity Ratio," "Return on Assets," and "Plantation Companies," followed by selecting relevant journals. From the search results, 10 scientific articles that met the research criteria were obtained for further analysis.

The data analysis stage in this literature review included identifying the research problem and objectives, which were to examine and analyze the effect of financial ratios on company financial performance. Next, two research questions were formulated, namely:

- (1) what measurement tools were used in previous studies to measure financial performance in companies, and
- (2) what ratios were used in previous studies to assess financial performance in companies. Based on these research questions, an analysis was conducted on the findings from various journals to find patterns, similarities, and differences in the use of financial ratios and their influence on the performance of plantation companies.

The collected data was then analyzed using a qualitative descriptive approach, namely by systematically interpreting the results of previous studies to explain the relationship between variables. The results of the analysis are presented in the form of a descriptive account that illustrates research trends, frequently used measurement tools, and the role of each financial ratio, namely the Current Ratio, Debt to Equity Ratio, and Return on Assets, in assessing the financial performance of plantation companies. With this approach, the study is expected to provide a deeper understanding of the contribution of these financial ratios to financial performance in the plantation sector.

RESEARCH RESULTS AND DISCUSSION

The following are the results of several previous studies discussing corporate financial performance as material for conducting a literature review, as outlined in Table 1:

No	Title	Author	Variable	Research Method	Results
1	Financial Performance Analysis of PT. Perkebunan Nusantara (PTPN) X	Toni Adhitya	ROE, ROI, Current Ratio, Cash Ratio	Qualitative descriptive, calculation of the KEP-100/MBU-2002 ratio	The company's performance is unhealthy, ROE and ROI are negative, cash is sufficient (cash ratio is good), current ratio is very good, CCC rating needs improvement to avoid bankruptcy.
2	Financial Performance Analysis of PT. Rezeki Kencana Estate Jangkang, West Kalimantan, 2020-2022	Susi Hidayatullah P.R, Ahmadi, Fidia Wulansari	Current Ratio, Cash Ratio, Debt Ratio, ROI, ROE	Qualitative descriptive, financial statement documentation study	Cash Ratio and Debt Ratio are excellent, Current Ratio and profitability (ROI, ROE) are below industry standards, recommendation to improve liquidity and equity.
3	Financial Performance Analysis of PT. Perkebunan Nusantara V Pekanbaru, Riau Province	Fahrezi Nasution, Ilma Satriana Dewi	Liquidity, Solvency, Activity, Profitability	Literature review, qualitative and quantitative descriptive analysis	Liquidity and solvency are poor, profitability (GPM/ROE) is good, ROA/NPM is low, asset turnover is poor, recommendations for improving asset utilization and efficiency.
4	Analysis of Liquidity, Solvency, Profitability, and Activity Ratios to Assess Financial Performance (Case Study of PT. Astra Agro Lestari Tbk Listed on the Indonesia Stock Exchange) for the Period 2017-2022.	Erwin Budi Setyawan, Rina Mawarti Muji Astuti, Ferdi Oktavianus	Liquidity, Solvency, Profitability, Activity	Quantitative descriptive, documentation study of PT Astra Agro Lestari Tbk's financial reports for the period 2017–2022, accessed through the IDX website and astra-agro.co.id .	Liquidity (Current Ratio) is good, while Solvency (DER) and Profitability (ROA) are not so good. Recommendations include optimizing asset utilization, reducing operating costs, and maintaining revenue stability.
5	Financial Performance Analysis of PT Astra Agro Lestari Tbk	Sherly Agustin, Siti Maesaroh, Nur Rapina, Riska Amelia, Sopyan Ansory, Rhandytio Suseno, Tiar Lina Situngkir	Liquidity, Solvency, Profitability	Quantitative descriptive analysis with documentation study of PT Astra Agro Lestari Tbk's financial reports for the period 2021–2023	Liquidity (Current Ratio) and Solvency (DER) are in good condition, while Profitability (ROA) is low. Recommendations include improving operational efficiency and optimizing asset utilization.
6	Financial Performance Analysis of PT.	Ni Wayan Suryathi, Ni Ketut Karyati,	Liquidity, Solvency, Profitability	Quantitative descriptive, documentation study	PT Astra Agro Lestari Tbk's post-pandemic financial performance

	Astra Agro Lestari Post- Covid-19 Pandemic	Ni Nyoman Sunariani, I G.N. Alit Sumantri, I N.G. Arya Dyatmika		of PT Astra Agro Lestari Tbk's financial reports for the period 2019–2023	shows good liquidity and solvency, but declining profitability, suggesting improvements in operational efficiency and optimized asset utilization.
7	The Effect of Current Ratio and Debt to Equity Ratio on Return on Assets at PT Perkebunan Nusantara IV 2016-2021	Budi Dharma, Indriani Suci, Mahfadillah	Current Ratio, Debt to Equity Ratio, ROA	Associative quantitative, multiple linear regression, secondary financial statement data Associative quantitative, multiple linear regression, secondary financial statement data.	The Current Ratio has a significant positive effect on ROA, while the Debt to Equity Ratio has a significant negative effect.
8	Profitability Analysis to Measure Financial Performance at PTP Nusantara II Arso Plantation	Elius Heluka	ROA, ROE, NPM	ROA, ROE, NPM	Negative ROA and NPM, indicating losses; positive ROE in some years, indicating inconsistent performance.
9	Analysis of Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin (NPM), and Gross Profit Margin (GPM) to Measure Financial Performance at PT Raje Baginda Jurai 2018-2020.	Kemas Welly Angga Permana, Roy Saleh, Nelly, Lia Sari, Sri Sutandi	ROA, ROE, NPM, GPM	Quantitative descriptive analysis using PT financial statement data, financial ratio analysis.	ROA and ROE declined, while NPM and GPM rose slightly. The company experienced a decline in the effectiveness of asset and capital utilization during the observation period.
10	The Effect of Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM) on Stock Returns in Palm Oil Companies on the Indonesia Stock Exchange in 2020-202.	Regi Regita Sari & Cecep Hermana	Independent: ROA, ROE, NPM Dependent: Stock Return	Associative quantitative, multiple linear regression analysis, t-test, coefficient of determination test, secondary data from IDX financial reports	ROA and ROE have a significant effect on stock returns, while NPM has no significant effect. The coefficient of determination of 21.2% indicates that the independent variables explain 21.2% of the variation in stock returns.
11	The Effect of Financial Ratio Analysis on the Company's Financial Performance at	Zariah Sakinah Siregar & Juliana Nasution	Financial Ratio	Qualitative descriptive, financial statement documentation study	Current Ratio has a positive effect on financial performance, while ROA and ROE show a negative effect due to declining profitability.

	PT Perkebunan Nusantara IV				
12	Analysis of Financial Performance of Plantation Sub-Sector Companies Listed on the Indonesia Stock Exchange for the 2014-2019 Period	Novri Eka Rinaldo & Endri Endri	Financial Performance	Qualitative descriptive, financial ratio analysis	Current Ratio has a positive effect on financial performance. ROA and ROE have a positive effect on financial performance, indicating efficient asset and equity utilization.

Table 1 answers RQ1 regarding the measurement tools commonly used in companies to measure financial performance. Numbers 1 to 10 all use financial ratio analysis.

Table 1 also answers RQ2, which asks what ratios previous studies have used to assess financial performance in companies, namely liquidity ratios, profitability ratios, solvency ratios, and activity ratios.

CONCLUSION

Based on the results of a literature review of ten previous studies on the Analysis of the Role of Current Ratio, Debt to Equity Ratio (DER), and Return on Assets (ROA) on Financial Performance in Plantation Companies, it can be concluded that all studies use financial ratio analysis as the main measurement tool in assessing company financial performance. The ratios used include liquidity ratios, solvency ratios, profitability ratios, and in some studies, activity ratios are also included.

In general, the results of the literature study show that:

1. Current Ratio (CR)

Based on previous studies, the Current Ratio generally has a positive effect on financial performance in plantation companies. A high level of liquidity indicates the company's ability to meet short-term obligations, reflecting a healthy financial condition. However, excessively high liquidity may also indicate inefficient utilization of current assets.

Current Ratio helps companies pay off debt quickly using cash or accounts receivable. If CR is good and stable (as in AALI or LSIP), companies avoid daily cash flow problems and investors feel confident, although if it is too high it can cause idle funds. At PTPN IV, the cash ratio (CR) rose from 164% to 180%, strengthening liquidity. However, a large study on the IDX states that CR does not directly increase ROA (the effect is small and insignificant). In general, out of 12 studies, CR positively supports stable performance. The results of the study show that the Current Ratio has a positive effect on a company's financial performance. A higher Current Ratio indicates a company's greater ability to meet its short-term obligations. This reflects healthy liquidity and the company's ability to maintain financial stability. However, some companies still have liquidity values below industry standards, requiring more effective cash management.

2. Debt to Equity Ratio (DER)

The literature shows that Return on Assets (ROA) has mixed effects on financial performance. Several studies find a positive effect, indicating efficient asset utilization in generating profits. In

contrast, other studies report a negative effect due to declining profitability, high operating costs, and ineffective asset management.

The Debt to Equity Ratio generally has a negative impact on a company's financial performance. A high DER indicates a high dependence on external sources of funds, thereby increasing financial risk and reducing capital efficiency. Conversely, a controlled DER indicates a healthy capital structure and strengthens the company's long-term financial position.

3. Return on Assest (ROA)

Based on the reviewed studies, Return on Equity (ROE) also shows inconsistent results. ROE has a positive effect when companies are able to manage equity efficiently to generate profits. However, ROE may have a negative effect when profitability decreases, capital structure is inefficient, or reliance on debt increases.

Return on Assets is a key indicator in assessing a company's effectiveness in utilizing its assets to generate profits. The results of the study show that most plantation companies still have low ROA values. This condition illustrates the need to improve operational efficiency, optimize asset management, and implement strategies to increase productivity so that the company's profitability can increase sustainably.

Overall, the financial performance of plantation companies is influenced by a combination of liquidity (Current Ratio) and profitability (ROA and ROE). Strong liquidity must be supported by effective asset and equity management to achieve sustainable financial performance. It can be concluded that the financial performance of plantation companies is highly dependent on their ability to maintain a balance between liquidity, capital structure, and profitability. Integrated and continuous management of these three aspects is key to achieving stable and competitive financial performance in the plantation sector.

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