

DETERMINANTS OF RETURN ON INVESTMENT IN RETAIL COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE (2020–2024)

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Article Info

Article history:

Received June 5 , 2026

Revised June 24 , 2026

Accepted June 25 , 2026

Keywords:

*Financial Literacy,
Motivation, Information
Technology, Interest in
Investing*

ABSTRACT

The purpose of this study is to analyze the influence of current ratio (CR), return on equity (ROE), debt to asset ratio (DAR), inventory turnover (ITO), and sales growth (SG) on return on investment (ROI) in retail companies listed on the Indonesia Stock Exchange from 2020 to 2024. The study used secondary data from 19 retail companies with a total of 95 observations and analyzed them using multiple linear regression. The results of the study show that ROE and DAR have a partial effect on ROI, while CR, ITO, and SG do not. However, all variables simultaneously affect ROI. These findings suggest that profitability and financing structure play a significant role in enhancing the return on investment of retail companies.

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INTRODUCTION

The increasingly rapid pace of business development requires companies to be able to manage and implement management processes professionally. In addition, companies are also required to adapt to various changes occurring in both internal and external environments. This situation is driven by increasingly intense business competition resulting from the emergence of various new competitors, both domestic and international, which directly or indirectly affect company performance (Kertati et al., 2023).

Changes in market structure, the development of digital technology, and economic globalization have compelled companies to adapt rapidly to the dynamics of the business environment. One sector significantly impacted by these changes is the retail industry. The retail industry has unique characteristics because it is directly linked to evolving consumer behavior and needs. Therefore, retail companies are required to maintain operational efficiency while sustaining their competitiveness amid shifting consumer patterns and increasingly intense market competition.

In Indonesia, the retail sector is generally divided into two categories: modern retail and traditional retail. Modern retail is an evolution of traditional retail driven by technological advancements and shifts in lifestyle, where convenience and practicality in shopping are prioritized. Meanwhile, traditional retail focuses more on providing basic necessities and daily needs related to fulfilling the primary needs of the community (Tuliabu et al., 2022).

The phenomenon underlying this study is the fluctuation in Return on Investment (ROI) among retail companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. ROI is a key profitability ratio used to measure a company's ability to generate profits through the utilization of all its assets or investments. Fluctuations in ROI indicate that a company's ability to manage its assets and resources to generate profits is not yet fully stable.

According to Marindra et al. (2021), the phenomenon observed in retail companies suggests that an increase in sales is not always accompanied by an increase in the rate of return on investment. Some companies are able to record high sales growth, yet their profitability and return on investment tend to stagnate or decline. This situation indicates that increased revenue does not necessarily correspond to effective management of the company's assets and investments. High operating costs, aggressive marketing strategies, and suboptimal asset utilization are some factors that can lead to low return on investment despite rising sales.

Based on the financial reports of retail companies listed on the Indonesia Stock Exchange, there are differences in companies' ability to generate profits from their assets. For example, PT Sumber Alfaria Trijaya Tbk (AMRT) was able to record relatively good profitability in 2024, while other retail companies showed varying levels of profitability depending on their operational conditions and implemented business strategies. These performance differences indicate that the effectiveness of asset utilization in the retail sector remains volatile and is influenced by various financial and non-financial factors.

In addition to internal company factors, changes in lifestyle and consumer preferences also influence retail company performance. Modern consumers tend to be more selective and prioritize convenience, speed, and comfort when shopping. These shifts in consumer behavior require companies to undergo digital transformation, improve service quality, and develop more effective marketing strategies. Companies capable of adapting to these changes have a greater chance of increasing sales and profitability, whereas those that fail to adapt risk experiencing a decline in revenue and profit, which ultimately impacts their Return on Investment (ROI) (Marindra et al., 2021).

Fluctuations in ROI among retail companies indicate the presence of factors that influence a company's ability to generate returns on its investments. These factors include liquidity levels measured by the Current Ratio (CR), the ability to generate profits from equity measured by Return on Equity (ROE), the capital structure measured by the Debt to Asset Ratio (DAR), the effectiveness of inventory management measured by Inventory Turnover (ITO), and sales growth measured by Sales Growth (SG). Therefore, this study was conducted to analyze the influence of the Current Ratio (CR), Return on Equity (ROE), Debt to Asset Ratio (DAR), Inventory Turnover (ITO), and Sales Growth (SG) on Return on Investment (ROI) in retail companies listed on the Indonesia Stock Exchange for the period 2020–2024.

RESEARCH METHODOLOGY

This study is classified as quantitative research aimed at testing hypotheses regarding the variables of current ratio, return on equity, Debt to Asset ratio, inventory turnover, sales growth, and return on investment. The research population comprises 32 retail companies listed on the Indonesia Stock Exchange during the 2020–2024 period. The sample consists of 19 retail

companies that met the criteria. Over the five-year observation period, the total number of observations used in this study is 95.

The data analysis technique used in this study is multiple linear regression. When analyzing the data, the researcher used the Statistical Package for the Social Sciences (SPSS) version 27. The data analysis can be formulated with the equation:

$$Y = \alpha + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4 + b_5 X_5 + e$$

Notes:

Y = Return on Investment (ROI)

α = Konstanta

b_1 = Koefisien regresi variabel Current Ratio (CR)

X_1 = Current Ratio (CR)

b_2 = Koefisien regresi variabel Return on Equity (ROE)

X_2 = Return on Equity (ROE)

b_3 = Koefisien regresi variabel Debt to Asset Ratio (DAR)

X_3 = Debt to Asset Ratio (DAR)

b_4 = Koefisien regresi variabel Inventory Turnover (ITO)

X_4 = Inventory Turnover (ITO)

b_5 = Koefisien regresi variabel Sales Growth (SG)

X_5 = Sales Growth (SG)

e = Error (residual)

A series of multiple linear regression model tests must satisfy the requirements of classical assumption tests, including: the normality test, the multicollinearity test, and the heteroscedasticity test. Furthermore, hypothesis testing is measured using partial (t) and simultaneous (F) tests.

RESULTS AND DISCUSSION

Results of Classical Assumption Tests

Normality Test

The results of the normality test are shown in Table 1 below:

Table 1. Normality Test Results

One-Sample Kolmogorov-Smirnov Test	
Nilai Asymp. Sig. (2-tailed) sesudah transform	0,200

Source: Data processed using SPSS

Based on Table 1, which presents the results of the Kolmogorov-Smirnov test for normality, the Asymp. Sig. (2-tailed) value is $0.200 > 0.05$. This result indicates that the data is normally distributed.

Multicollinearity Test

The results of the multicollinearity test are shown in Table 2 below:

Table 2. Multicollinearity Test Results

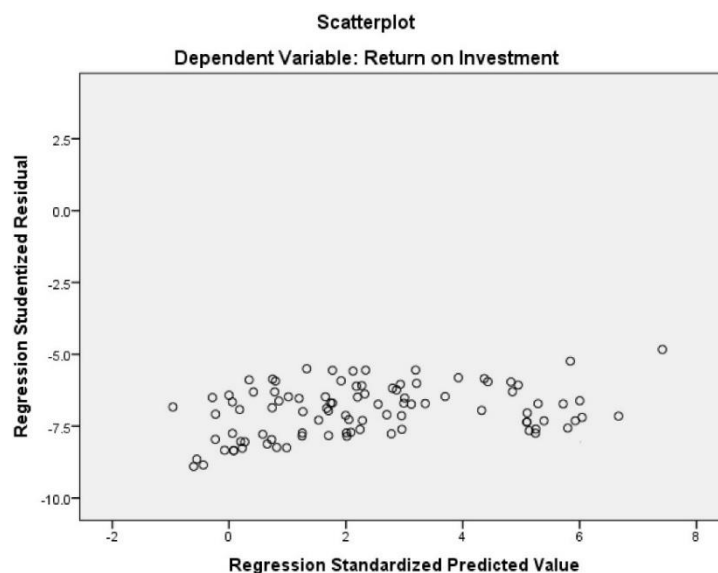
Variable	Tolerance	VIF
Current Ratio	0,274	3,646
Return on Equity	0,869	1,151
Debt to Asset Ratio	0,279	3,583
Inventory Turnover	0,739	1,354
Sales Growth	0,911	1,097

Source: Data processed using SPSS

Based on Table 2, which presents the results of the multicollinearity test, it is evident that all independent variables have a Tolerance value greater than 0.10 and a Variance Inflation Factor (VIF) value less than 10. Thus, the results of the multicollinearity test indicate that all independent variables in this study are free from multicollinearity, making the regression model suitable for further analysis.

Heteroscedasticity Test

The results of the multicollinearity test are shown in figure 1 below:



Source: Data processed using SPSS

Figure 1. Hasil Scatterplots

Based on Figure 1, which presents the results of the heteroscedasticity test, as observed in the scatterplot, the regression model satisfies the assumption of homoscedasticity, and there is no indication of heteroscedasticity. This reinforces the validity of the regression model used to analyze the effect of independent variables on ROI.

Results Coefficient of Determination (R²)

The coefficient of determination indicates the extent to which the regression model explains the variation in the dependent variable. The results for the coefficient of determination are shown in Table 3 below:

Table 3. Coefficient of Determination Results

Model Summary		
Variable	R	R Square
CR, ROE, DAR, IT, SG	0,588	0,346
a. Predictors: (Constant), CR, ROE, DAR, IT, SG		
b. Dependent Variable: ROI		

Source: Data processed using SPSS

Based on Table 3 presents the results of the model summary analysis; the R value of 0.588 indicates that there is a fairly strong (moderate) relationship between all independent variables namely, Current Ratio, Return on Equity, Debt to Asset Ratio, Inventory Turnover, and Sales Growth and the dependent variable, Return on Investment (ROI). The R-squared (R²) value of 0.346 indicates that 34.6% of the variation in Return on Investment can be explained by the five independent variables in the regression model. Meanwhile, the remaining 65.4% is explained by other factors outside the scope of this study.

Hypothesis Test Results

Partial Test (t)

The results of the partial test are shown in the table below:

Table 4. Partial Test (t) Results

Variabel	t-calculated	t-table	Sig
Current Ratio	0,224	1,987	0,824
Return on Equity	6,332	1,987	0,000
Debt to Asset Ratio	2,601	1,987	0,011
Inventory Turnover	0,493	1,987	0,623
Sales Growth	1,237	1,987	0,219

Source: Data processed using SPSS

Based on Table 4, the results of the partial test (t-test) show that the CR variable has a calculated t-value of 0.224, a table t-value of 1.987, and a significance level of 0.824. Therefore, it can be concluded that CR does not affect ROI. The ROE variable has a calculated t-value of 6.332, a table t-value of 1.987, and a significance level of 0.000. Therefore, it can be concluded that ROE has an effect on ROI.

Furthermore, the DAR variable has a calculated t-value of 2.601, a table t-value of 1.987, and a significance level of 0.011. Therefore, it can be concluded that DAR has an effect on ROI. Meanwhile, the ITO variable has a calculated t-value of 0.493, a table t-value of 1.987, and a

significance level of 0.623. Therefore, it can be concluded that ITO does not affect ROI. As for the SG variable, it has a calculated t-value of 1.237, a table t-value of 1.987, and a significance level of 0.219. Therefore, it can be concluded that SG does not affect ROI.

Simultaneous Test (F)

The results of the simultaneous test are shown in the table below:

Table 5. Simultaneous Test (F) Results

Model	df	t-calculated	t-table	Sig
Regression	5	9,412	2,32	0.000
Residual			89	
Total			94	

Source: Data processed using SPSS

Based on Table 5, the calculated F-value is 9.412 and the table F-value is 2.32 and a significance level of 0.000. Therefore, it can be concluded that the variables Current Ratio, Return on Equity, Debt to Asset Ratio, Inventory Turnover, and Sales Growth simultaneously influence Return on Investment.

Discussion

Based on the results of a study conducted on retail companies listed on the Indonesia Stock Exchange for the 2020–2024 period, it was found that not all of the financial variables examined had an impact on Return on Investment (ROI). Specifically, the Current Ratio (CR), Inventory Turnover (ITO), and Sales Growth (SG) were found to have no effect on ROI. These results indicate that high levels of corporate liquidity, the speed of inventory turnover, and increased sales do not necessarily lead to higher returns on investment for the company. This situation may arise because retail companies have varying operational characteristics, meaning that increases in current assets, inventory efficiency, or sales growth are not always accompanied by an increase in profit—the basis for calculating ROI. Furthermore, increased sales are often accompanied by higher operating costs, marketing expenses, and expansion costs, which can reduce the company's profits.

On the other hand, Return on Equity (ROE) and Debt to Asset Ratio (DAR) were found to influence ROI. The impact of ROE indicates that a company's ability to generate profits from shareholders' equity is a key factor in improving the rate of return on investment. The higher the company's profitability, the greater its ability to deliver strong investment returns. Meanwhile, the impact of DAR indicates that a company's financing structure involving debt also contributes to ROI. Effective management of debt can help a company enhance operational activities and expand opportunities for profit. However, the company must still be mindful of the risk levels arising from excessive debt use to avoid negative impacts on financial performance.

Simultaneously, the research findings indicate that the Current Ratio, Return on Equity, Debt to Asset Ratio, Inventory Turnover, and Sales Growth collectively influence Return on

Investment. This finding indicates that ROI is not influenced by a single specific financial factor, but rather by a combination of various financial aspects that mutually support each other in creating optimal company performance. A correlation coefficient (R) value of 0.588 indicates a fairly strong relationship between all independent variables and ROI, while the coefficient of determination (R^2) value of 0.346 indicates that 34.6% of the variation in ROI can be explained by the variables CR, ROE, DAR, ITO, and SG, while the remaining 65.4% is influenced by other factors outside the research model. Therefore, retail companies need to pay attention to various financial aspects comprehensively, particularly profitability and capital structure management, in order to be able to increase the rate of return on investment sustainably.

CONCLUSIONS

Based on the results of a study of 19 retail companies listed on the Indonesia Stock Exchange for the 2020–2024 period, with a total of 95 observations, it can be concluded that, individually, the Current Ratio (CR), Inventory Turnover (ITO), and Sales Growth (SG) do not have an effect on Return on Investment (ROI). This indicates that liquidity levels, inventory turnover, and sales growth have not been able to make a significant contribution to increasing the company's return on investment. Conversely, Return on Equity (ROE) and Debt to Asset Ratio (DAR) were found to influence Return on Investment (ROI). These findings indicate that a company's ability to generate profits from its own capital and the management of its capital structure are more decisive factors in increasing the rate of return on investment.

Simultaneously, the Current Ratio (CR), Return on Equity (ROE), Debt-to-Asset Ratio (DAR), Inventory Turnover (ITO), and Sales Growth (SG) were found to influence Return on Investment (ROI). These results show that a company's return on investment is not influenced by a single financial indicator but by a combination of various interrelated financial aspects. Retail companies are advised to focus more on improving profitability and effectively managing their capital structure, as these two factors have been shown to influence ROI. Investors can also consider ROE and DAR as key factors in investment decision-making, as these variables reflect a company's ability to generate profits and manage its funding sources.

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