# ASSET MANAGEMENT, CASH TURNOVER, AND LIQUIDITY ON FINANCIAL PERFORMANCE WITH CAPITAL STRUCTURE AS MEDIATION

**Triana Sari**[1]
**Universitas Islam Kadiri, Kediri, Indonesia**
nhatriana23@gmail.com

**Umi Nadhiroh**[2]
**Universitas Islam Kadiri, Kediri, Indonesia**
uminadhiroh@uniska-kediri.ac.id

## Abstract

The fluctuating global economy has significantly affected the sustainability of the pharmaceutical industry, which plays an essential role in supporting public health. However, this sector still faces challenges in maintaining financial efficiency amid rapid growth. This study aims to examine the effect of asset management, cash turnover, and liquidity on financial performance, with capital structure as a mediating variable in pharmaceutical manufacturing companies listed on the Indonesia Stock Exchange (IDX) during 2021–2024. The research employs a quantitative approach using panel data regression with secondary data obtained from annual financial reports. The sample consists of 10 pharmaceutical companies selected through purposive sampling. The study uses Return on Assets (ROA) to measure financial performance, Total Asset Turnover (TATO) for asset management, Cash Turnover (CTO) for cash flow efficiency, Current Ratio (CR) for liquidity, and Debt to Asset Ratio (DAR) for capital structure. The results show that asset management has a positive and significant effect on financial performance, while cash turnover and liquidity do not. Capital structure has a positive but insignificant effect on financial performance and does not mediate the relationship between asset management, cash turnover, and liquidity on financial performance. These findings indicate that improving asset utilization efficiency is crucial for enhancing profitability, while other operational aspects still require optimization to strengthen the financial structure of pharmaceutical companies.

**Keywords:** Asset Management, Cash Turnover, Liquidity, Capital Structure, Financial Performance

## INTRODUCTION

The constantly fluctuating global economy has impacted business continuity across various sectors, including the pharmaceutical sector, which plays a crucial role in supporting public health. The COVID-19 pandemic has been a catalyst accelerating the transformation of this industry, encouraging pharmaceutical companies to improve operational efficiency. According to data from the Ministry of Industry (2024), the pharmaceutical sector in Indonesia recorded 9.6% growth and contributed more than IDR 96 trillion to national GDP. However, this growth has not been fully accompanied by improvements in overall financial efficiency.

Pharmaceutical companies face complex asset management challenges, as they must balance investments in research and development, mass production, and product distribution, which are highly dependent on timely delivery. Effective asset management is crucial for reducing production costs and increasing competitiveness. Fixed assets, such as production facilities, and intangible assets, such as drug licenses, must be managed efficiently to optimally contribute to company profitability.

One indicator for assessing the success of company management is financial performance. Financial performance, according to the Financial Conduct Authority, Wulandari et al. (2020)reflects the extent to which a company is able to carry out its financial activities properly in accordance with applicable regulations. A company's success in achieving profit can be measured by its financial performance. (Rhadif & Trisnawati, 2024). Furthermore, financial performance can serve as a guide for investors looking to invest in a particular company. This study measures financial performance using *Return on Assets* (ROA), a ratio that measures how effectively capital invested in all assets generates net profit. To improve financial performance (Sujarweni, 2024), companies need to consider both internal and external factors. The main factors influencing this performance include asset management, cash flow, liquidity, and capital structure.

Asset management shows the company's effectiveness in utilizing existing resources to generate income. (Diana & Osesoga, 2020). Asset management measurement in this study was conducted using *Total Asset Turnover* (TATO), a ratio that represents the speed of turnover of funds invested in all assets within a period (Sujarweni, 2024). The higher *the total asset turnover* , the more efficient a company's asset management . In research conducted by (Putri et al., 2022). which states that the TATO variable has a significant influence on financial performance. This is in contrast to research conducted by (Siregar et al., 2022) [which states that the TATO variable has no significant influence on financial performance].

In addition to asset management, financial performance is also influenced by cash turnover. (Haukilo & Widyaswati, 2022)Cash turnover is an indicator that measures how effectively cash generates income, seen from the frequency of its turnover in one period (Nurfazilah et al., 2024). According to Wahyuni & Akhmad (2025)the greater the amount of cash owned by the company, the greater the likelihood that its turnover will be lower. said the Cash Turn Margaretha et al. (2021a)*Over* ratio is used to measure the adequacy of the company's working capital needed to pay bills and finance sales. Cash turnover is defined as the ratio between Sales and the average amount of cash, therefore this turnover rate is an indicator of the efficiency of cash use by the company. (Gea et al., 2021)In a study conducted

by Margaretha et al. (2021)the results stated that *Cash Turn Over* had no significant effect on financial performance. In contrast to research conducted by Victoria & Erawati (2015)which stated that *Cash Turn Over* had a significant effect on financial performance.

Liquidity is a ratio used to measure a company's ability to pay short-term debts or obligations (Soleha, 2022). The liquidity ratio is measured through *the Current Ratio* , which describes the ability of a company's current assets to meet its current obligations (Sujarweni, 2024). Husna & Kadarningsih (2025)Maintaining healthy liquidity is crucial in the pharmaceutical industry to ensure a smooth supply chain and drug distribution. Research conducted by (Yuniwati et al., 2024) found that CR had no significant effect on financial performance. This contrasts with research conducted by (Juwita & Mutawali, 2022)which stated that CR had a significant effect on financial performance.

Capital structure is also a factor that can mediate the relationship between asset management, cash flow, and liquidity on financial performance. Capital structure is related to corporate financing sourced from debt and equity (Rahayu & Hwihanus, 2025). The ratio used to measure capital structure is *the Debt to Asset Ratio* . *The Debt to Asset Ratio* is a ratio used to compare current liabilities and long-term liabilities with the total amount of known assets (Sujarweni, 2024). According to Gunawan et al. (2022)the optimal capital structure can increase the efficiency of asset use and maintain company liquidity, which ultimately contributes positively to improving financial performance.

The discrepancies in previous research findings indicate uncertainty regarding the relationship between asset management, cash flow, and liquidity on financial performance. Therefore, this study adds capital structure as a mediating variable, given its role in bridging the influence of these three factors. Large assets, optimal cash flow, and strong liquidity will not improve performance without efficient operational management, making capital structure key to converting financial resources into profit and firm value.

## REVIEW OF LITERATURE

### Financial Performance

Financial performance plays a crucial role in the business world because it reflects a company's effectiveness in managing its financial resources to achieve operational and strategic goals (Rahayu & Hwihanus, 2025). Financial performance is an indicator of a company's ability to manage and utilize its financial resources to achieve its stated goals (Sianturi & Purwatiningsih, 2024). This study measures financial performance using *Return on Assets* (ROA), a ratio that measures how effectively capital invested in all assets can generate net profits (Sujarweni, 2024). The formula for finding *Return On Assets* can be used as follows:

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

### Asset Management

Along with the tight business competition, companies need to implement good management, especially in asset management as an important part of the business continuity strategy (Sihombing et al., 2023). Asset management, which is included in the activity ratio or management ratio, is used to evaluate the company's efficiency in utilizing its resources.

(Rhadif & Trisnawati, 2024)According to Kasmir (2019)the opinion that the ratio used to measure asset management is *Total Asset Turnover* (TATO). TATO itself is a ratio that assesses the turnover of all company assets and measures the amount of sales generated from each rupiah of assets. The indicator formula used to find the total asset turnover ratio or *Total Asset Turnover* is as follows:

$$\text{Total Asset Turnover} = \frac{\text{Sales}}{\text{Total Aktiva}}$$

**Cash Turnover**

Cash turnover is the number of times cash turns over in one year and is a comparison of sales volume with average cash (Victoria & Erawati, 2015). Simamora et al. (2023) said that the higher the cash turnover rate means the more efficient the level of cash use and conversely, the lower the turnover rate, the less efficient it is, because more and more money is stopped or not used. According toMargaretha et al. (2021) *Cash Turn Over* describes the turnover of assets measured from net sales to average total assets. The formula for finding *Cash Turnover* can be used as follows:

$$\text{Cash Turn Over} = \frac{\text{Sales}}{\text{Average Cash}}$$

$$\text{Average Cash} = \frac{\text{Opening cash balance} + \text{Closing cash balance}}{2}$$

**Liquidity Ratio**

The liquidity ratio is a company's ability to meet all of its short-term financial obligations (Sujarweni, 2024). The liquidity ratio is measured by *the Current Ratio* , which indicates the extent to which a company is able to meet all short-term obligations or debts that must be paid immediately (Kasmir, 2019). The liquidity ratio, according to the company, Riswan & Martha (2024)illustrates the company's capacity to meet its short-term obligations on time. High liquidity indicates short-term debt repayment capability, which is important information for potential investors. The formula to find ( *Current Ratio* ) can be used as follows:

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

**Capital Structure**

Capital structure is a very important factor for a company's financial performance, because it has a strategic influence on achieving the company's long-term goals (Sari et al., 2025). As a source of company financing, capital structure describes the financial composition in the form of *shareholders' equity* and long *-term liabilities* . (Wulandari et al., 2020)The ratio used to measure capital structure is *the Debt to Asset Ratio.* According toKasmir (2019) *Debt to Asset Ratio* is a debt ratio used to measure the comparison between total debt and total assets. The formula for finding *the Debt to Asset Ratio* can be used as follows:

$$\text{Debt to Asset Ratio} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

**Framework of thinking**

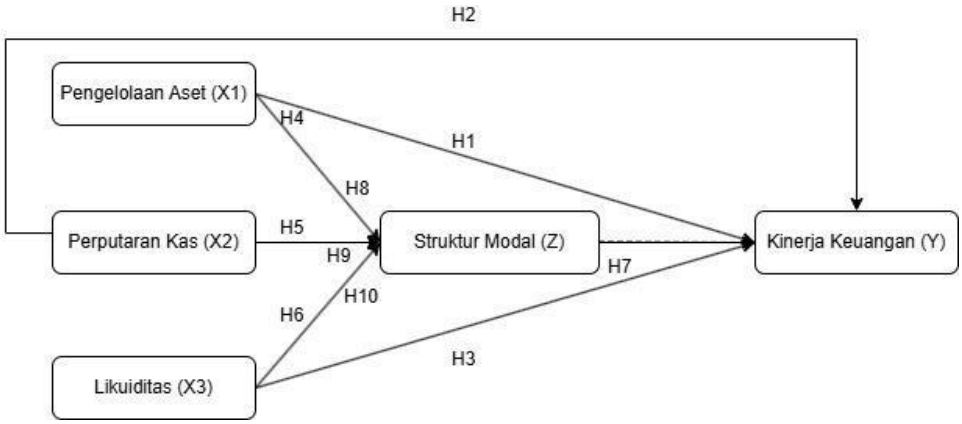


**Figure 1.**
**Framework of thinking**
**Source: Processed Data, 2025**

H1: Asset Management has a positive and significant effect on financial performance.
H2: Cash turnover has a positive and significant effect on financial performance.
H3: Liquidity has a positive and significant effect on financial performance.
H4: Asset Management has a positive and significant effect on capital structure.
H5: Cash turnover has a positive and significant effect on capital structure.
H6: Liquidity has a positive and significant effect on capital structure.
H7: Capital structure has a positive and significant effect on financial performance.
H8: Capital structure is able to mediate the influence of asset management on financial performance.
H9: Capital structure is able to mediate the influence of cash turnover on financial performance. H10: Capital structure is able to mediate the influence of liquidity on financial performance.

## RESEARCH METHOD

This study focuses on pharmaceutical manufacturing sector companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2024 period using a quantitative method based on secondary data from annual financial reports obtained through the official IDX website and each company. (Sugiyono, 2019). The research sample was determined using a purposive sampling technique based on certain criteria, so that out of 12 listed companies, only 10 companies met the requirements with a total of 40 observation data. This study analyzed three main variables, namely asset management, cash turnover, and liquidity ratio as independent variables, firm value (Debt to Asset Ratio) as a mediating variable, and financial performance (Return on Assets) as a dependent variable. Data analysis was conducted using a panel data method that combines time series and cross-sectional to test the influence of independent and mediating variables on the financial performance of pharmaceutical companies in Indonesia.

## RESULTS AND DISCUSSION

### Model Selection Test

In this research data, three panel data regression models were applied, namely CEM, FEM, and REM to determine the best model. Two models were tested: model (1) testing the effect of TATO, CTO, and CR on DAR and model (2) testing the effect of TATO, CTO, CR, DAR on ROA.

Form of a multiple linear regression equation

Model 1 :$DAR = \alpha + \beta^1(TATO) + \beta^2(CTO) + \beta^3(CR) + \varepsilon$

Model 2 :$ROA = \alpha + \beta^1(TATO) + \beta^2(CTO) + \beta^3(CR) + \beta^4(DAR) + \varepsilon$

Information:

*a* : Regression Constant
TATTOO : Independent Variable
CTO : Independent Variable
CR : Independent Variable
$\beta$ : Regression Coefficient
ROA : Dependent Variable
DAR : Mediating Variable
*e* : Error

### Chow Test

This test is used to select the best panel model between the Common Effects Model (CEM) and the Fixed Effects Model (FEM). This test compares the two models using their p-values, or rather, their probabilities. If the p-value is >0.05, the CEM is more appropriate because the individual effects are insignificant. If the p-value is <0.05, the FEM is recommended because the individual effects are significant and need to be accounted for.

**Table 1.**
**Chow Test**

Chow Test Model 1

| Effects Test | Statistic | d.f. | Prob. |
|---|---|---|---|
| Cross-section F | 10.716919 | (9,27) | 0.0000 |
| Cross-section Chi-square | 60.800711 | 9 | 0.0000 |

Chow Test Model 2

| Effects Test | Statistic | d.f. | Prob. |
|---|---|---|---|
| Cross-section F | 10.744176 | (9,26) | 0.0000 |
| Cross-section Chi-square | 62.065046 | 9 | 0.0000 |

**Source: Eviews 13 Output (Data processed, 2025)**

Based on the Chow Test, the results of model 2 show that the probability value of *the Cross- section F* is 0.0000 and *the Cross-section Chi-square* is 0.0000, both of which are smaller than the 5% significance level (a = 0.05). Thus, the null hypothesis (H0) is rejected, so that the *Fixed Effect Model* (FEM) is again the most appropriate model compared to *the Common Effect Model* (CEM). because to ensure whether FEM is the most efficient and consistent model, it will be continued with the Hausman test as a further verification stage in selecting the best panel regression model, *the Fixed Effect* or *Random Effect model* which is most efficient to use in panel regression analysis.

**Hausman test**

The Hausman test helps researchers select a regression model after selecting the FEM model from the Chow test. This test compares the efficiency of the two models. The criteria for this Hausman test are quite simple: if the p-value is >0.05, then the Random Effects Model (REM) is more appropriate. Conversely, if the p-value is <0.05, then the Fixed Effects Model (FEM) is recommended.

**Table 2.**
**Hausman Test**

| | Hausman Test | | |
|---|---|---|---|
| **Model 1** | | | |
| Test Summary | Chi-Sq. Statistic | Chi-Sq. d.f. | Prob. |
| Cross-section random | 2.483585 | 3 | 0.4783 |
| **Model 2** | | | |
| Test Summary | Chi-Sq. Statistic | Chi-Sq. d.f. | Prob. |
| Cross-section random | 27.116808 | 4 | 0.0000 |

**Source: Eviews 13 Output (Data processed, 2025)**

Based on the results of the Hausman Test on Model 1, a probability value of 0.4783 was obtained, which is greater than the significance level of 0.05. This indicates that the null hypothesis ($H_0$ ) is accepted, so the most appropriate model to use for Model 1 is *the Random Effect Model (REM)* . Based on these results, the analysis step will be continued with the Lagrange Multiplier (LM) test to ensure whether *the Random Effect Model* is indeed more appropriate than *the Common Effect Model* in describing the relationship between variables in the first model.

Meanwhile, the Hausman Test results in Model 2 show a probability value of 0.0000, which is smaller than the 0.05 significance level. This means that the null hypothesis is rejected and the alternative hypothesis is accepted, so the *Fixed Effect Model* (FEM) is more appropriate to use than *the Random Effect Model* (REM). *The Chi-square statistic value* of 27.116808 indicates a significant difference between the FEM and REM parameters, indicating that the influence between companies is fixed and not random. Thus, FEM is the

most appropriate model to describe the relationship between variables in the second model. This model is considered capable of better capturing the heterogeneity of characteristics of each company, so that the obtained estimation results are considered more consistent and unbiased.

**Lagrange Multiplier (LM) Test**

The Lagrange Multiplier test helps researchers select a regression model after selecting the REM model from the Hausman test. This test compares the efficiency of the two models. The criteria for this Lagrange multiplier test are quite simple: if the p-value is >0.05, then the Common Effects Model (CEM) is more appropriate. Conversely, if the p-value is <0.05, then the Random Effects Model (REM) is recommended.

**Table 3.**
**Lagrange Multiplier (LM) Test**

**UJI LM Model 1**

| | Test Hypothesis | | |
|---|---|---|---|
| | Cross-section | Time | Both |
| Breusch-Pagan | 25.82327 | 1.601597 | 27.42487 |
| | (0.0000) | (0.2057) | (0.0000) |

**Source: Eviews 13 Output (Data processed, 2025)**

The Lagrange Multiplier (LM) test results for Model 1 show a Breusch-Pagan probability value of 0.0000 (<0.05), thus rejecting the null hypothesis and selecting the most appropriate model as the Random Effects Model (REM). This model is considered more efficient because it captures the variation in characteristics between entities through random error components without requiring further classical assumption testing. Meanwhile, Model 2 is more appropriate using the Fixed Effects Model (FEM), which describes individual influences as fixed. This finding aligns with the research of Li, Chen, and Li (2023) which explains that REM and FEM are able to accommodate data heterogeneity through their respective variance structures and error components, eliminating the need for classical assumption testing such as normality, heteroscedasticity, and autocorrelation in panel data regression analysis.

**Hypothesis Testing**
**Multiple Linear Regression Analysis**

Based on the test results, Model 1 uses the Random Effect Model (REM) as the best model for testing the hypothesis, as it is able to describe the variation in characteristics between entities randomly and efficiently. Meanwhile, Model 2 also shows that the Fixed Effect Model (FEM) is the most appropriate model to use, because it can capture the individual influences that are fixed in each entity. The selection of these two models confirms that the panel data used has significant differences between companies. Next, a regression analysis was conducted to determine the extent to which the independent variables influence the dependent variable, with the aim of identifying significant relationships and influences

between variables in this study. The results of the regression estimation for each model are presented in the following table:

**Table 4.**
**Panel Data Regression Hypothesis Test**

**Panel Data Regression Hypothesis Testing**
**Model 1 Variabel Dependent DAR**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 0.320930 | 0.053180 | 6.034838 | 0.0000 |
| TATO | 0.075032 | 0.064834 | 1.157289 | 0.2548 |
| CTO | 0.000323 | 0.000357 | 0.903149 | 0.3725 |
| CR | -0.045439 | 0.009002 | -5.047734 | 0.0000 |

**Model 2 Variabel Dependent ROA**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | -0.591743 | 0.112201 | -5.273960 | 0.0000 |
| TATO | 0.727257 | 0.118539 | 6.135172 | 0.0000 |
| CTO | 0.000223 | 0.000469 | 0.475165 | 0.6386 |
| CR | 0.012482 | 0.016477 | 0.757553 | 0.4555 |
| DAR | 0.456570 | 0.236994 | 1.926508 | 0.0650 |

**Source: Eviews 13 Output (Data processed, 2025)**

Based on the test results shown in the table above, it shows that the multiple linear regression equation used in this study is as follows:

**Model 1:**

$DAR = 0.320930 + 0.075032(TATO) + 0.000323(CTO) - 0,045439(CR) + \boldsymbol{\varepsilon}$

The constant value of 0.320930 indicates that when the asset management (TATO), cash turnover (CTO), and liquidity (CR) variables are zero, the capital structure (DAR) of pharmaceutical manufacturing companies on the IDX is estimated at 0.320930. The TATO coefficient of 0.075032 indicates that increasing asset management efficiency will improve the capital structure, while the CTO coefficient of 0.000323 indicates that the faster the cash turnover, the greater the tendency of the company to increase funding through debt. Conversely, the CR coefficient of -0.045439 indicates that the higher the liquidity, the less the company's dependence on debt financing due to the ability to meet short-term obligations with its current assets.

**Model 2 :**

$$ROA = -0.591743 + 0.727257(TATO) + 0.000223(CTO) + 0.012482(CR) + 0.456570(DAR) + \varepsilon$$

The constant value of –0.591743 indicates that when the asset management (TATO), cash turnover (CTO), liquidity (CR), and capital structure (DAR) variables are zero, the financial performance (ROA) of pharmaceutical manufacturing companies on the IDX is estimated at – 0.591743. This means that without the influence of these four variables, companies tend to experience a decline in their ability to generate profits from their assets. The TATO coefficient of 0.727257 indicates that the more efficient asset management, the higher the company's financial performance. The CTO coefficient of 0.000223 is also positive, indicating that increased cash turnover can improve profitability through faster and more effective cash flow management. Similarly, the CR coefficient of 0.012482 indicates that high liquidity can increase a company's ability to generate profits. Meanwhile, the DAR coefficient of 0.456570 indicates that improving capital structure through optimal debt utilization can strengthen company profitability through efficient leverage effects.

**F Test (Simultaneous)**

The F-test is used to assess the simultaneous influence of independent variables on dependent variables. This result indicates how well the independent variables can explain the dependent variable.

**Table 5.**
**F Test (Simultaneous)**

| Model 1 | |
|---|---|
| F-statistic | 9.698887 |
| Prob(F-statistic) | 0.000079 |
| Model 2 | |
| F-statistic | 12.01638 |
| Prob(F-statistic) | 0.000000 |

**Source: Eviews 13 Output (Data processed, 2025)**

The results of the F test (simultaneous) show that Model 1 has an F-statistic value of 9.698887 with a p-value of 0.000079 (<0.05), so that the variables of asset management (TATO), cash turnover (CTO), and liquidity (CR) together have a significant effect on capital structure (DAR). In Model 2, the F-statistic value of 12.01638 with a p-value of 0.000000 (<0.05) also shows that the four variables, including capital structure (DAR), simultaneously have a significant effect on financial performance (ROA).

**T-Test (Partial)**

The t-test is conducted to investigate whether the independent variables, either individually or collectively, have a significant influence on the dependent variable. The findings of the test and its analysis will be presented in detail in the following sections:

**Table 6.**
**t -Test (Partial)**

**Model 1**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 0.320930 | 0.053180 | 6.034838 | 0.0000 |
| TATO | 0.075032 | 0.064834 | 1.157289 | 0.2548 |
| CTO | 0.000323 | 0.000357 | 0.903149 | 0.3725 |
| CR | -0.045439 | 0.009002 | -5.047734 | 0.0000 |

**Model 2**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | -0.591743 | 0.112201 | -5.273960 | 0.0000 |
| TATO | 0.727257 | 0.118539 | 6.135172 | 0.0000 |
| CTO | 0.000223 | 0.000469 | 0.475165 | 0.6386 |
| CR | 0.012482 | 0.016477 | 0.757553 | 0.4555 |
| DAR | 0.456570 | 0.236994 | 1.926508 | 0.0650 |

**Source: Eviews 13 Output (Data processed, 2025)**

The partial t-test results show that in Model 1, the Total Asset Turnover (TATO) and Cash Turnover (CTO) variables have no significant effect on capital structure (DAR), while the Current Ratio (CR) has a significant negative effect, meaning that the higher the company's liquidity, the lower its dependence on debt. In Model 2, only the Total Asset Turnover (TATO) variable has a significant positive effect on financial performance (ROA), while Cash Turnover (CTO), Current Ratio (CR), and Debt to Asset Ratio (DAR) do not show a significant effect. Thus, asset management is the main factor driving the improvement in the financial performance of pharmaceutical companies on the IDX, while liquidity and capital structure factors have not made a significant contribution during the 2021–2024 period.

**Coefficient of Determination Test ($R^2$)**

The coefficient of determination ($R^2$) indicates how strong the relationship is between the independent and dependent variables in a regression model. A higher $R^2$ value indicates that the model can better explain the variation in the dependent variable.

**Table 7.**
**Test of Determination Coefficient ($R^2$)**

| | |
|---|---|
| Model 1 | |
| R-squared | 0.446976 |
| Adjusted R-squared | 0.400891 |
| Model 2 | |
| R-squared | 0.857310 |
| Adjusted R-squared | 0.785965 |

**Source: Eviews 13 Output (Data processed, 2025)**

The results of the coefficient of determination ($R^2$) test show that in Model 1, the variables of asset management (TATO), cash turnover (CTO), and liquidity (CR) are able to explain 40.09% of the variation in capital structure (DAR), while 59.91% is influenced by other factors outside the model such as profitability, company size, and financial market conditions. Meanwhile, in Model 2, the variables TATO, CTO, CR, and DAR simultaneously explain 78.60% of the variation in financial performance (ROA), with the remaining 21.40% influenced by external factors such as operational efficiency and industry dynamics. The high determination value in Model 2 indicates that the model has strong explanatory power regarding the empirical conditions of pharmaceutical companies on the IDX for the 2021–2024 period.

**Table 8.**
**Sobel Test Results**

**Sobel Test**

| | | | | t-hitung | t-tabel |
|---|---|---|---|---|---|
| TATO | → | DAR | → ROA | 0.99 | 2.03 |
| CTO | → | DAR | → ROA | 0.82 | 2.03 |
| CR | → | DAR | → ROA | -1.80 | 2.03 |

**Source: Eviews 13 Output (Data processed, 2025)**

The Sobel test results indicate that capital structure (DAR) does not act as a mediating variable between asset management (TATO), cash turnover (CTO), or liquidity (CR) on financial performance (ROA), because all t-values (0.99; 0.82; and -1.80) are smaller than the t-table of 2.03. This means that neither asset efficiency, cash turnover, nor the company's ability to meet short-term obligations have an indirect effect on profitability through capital structure. Thus, corporate financing decisions do not strengthen the relationship between

operational factors and financial performance in pharmaceutical manufacturing companies listed on the IDX for the 2021–2024 period.

**The Impact of Asset Management on Financial Performance**

The test results indicate that the asset management variable, represented by *Total Asset Turnover* (TATO), has a positive and significant impact on financial performance through *Return on Assets* (ROA) in pharmaceutical manufacturing companies listed on the Indonesia Stock Exchange during the 2021–2024 period. This finding indicates that the more effectively a company utilizes its assets to generate sales, the greater its ability to increase profitability. This reflects the crucial role of asset optimization in creating added value and strengthening a company's financial position. These results are consistent with studies Nurlaela et al. (2019) suggesting that asset turnover efficiency positively impacts financial performance and reflects management's ability to maximize productive assets to generate profits.

**The Effect of Cash Turnover on Financial Performance**

The test results indicate that the cash turnover variable, calculated using *Cash Turnover* (CTO), has a positive but insignificant effect on financial performance, measured using *Return on Assets* (ROA), in pharmaceutical manufacturing companies listed on the Indonesia Stock Exchange for the 2021–2024 period. This finding indicates that efficient cash management has not significantly contributed to increasing company profitability. One reason is that cash is used more for routine operational needs than for productive activities that can increase profits. This study is consistent with the finding M. I. , Lestari (2023) that *cash turnover* has no effect on profitability, because high cash turnover does not always reflect the effectiveness of the use of funds in generating profits.

**The Effect of Liquidity on Financial Performance**

Based on the test results, the liquidity variable, as measured by *the Current Ratio* (CR), showed no significant effect on financial performance, as measured by *the Debt to Assets Ratio* (DAR). This indicates that a company's ability to meet its short-term obligations does not directly affect the company's effectiveness in managing its capital structure. In other words, a high level of liquidity does not necessarily reflect a healthy financial condition in the context of efficient asset use and a company's funding structure. The results of this study are in line with the findings A. L. , Putri & Lasminingrat (2020)stating that liquidity does not have a significant effect on profitability in the food and beverage industry on the IDX, because companies with high liquidity levels are not necessarily able to optimize their current assets to generate maximum profits.

**The Influence of Asset Management on Capital Structure**

The findings in this study indicate that the asset management variable (TATO) has a positive but insignificant effect on capital structure (DAR). This finding indicates that the company's level of efficiency in managing its assets has not been able to influence financing decisions through the proportion of debt to total assets. This condition may be caused by internal company policies or a more prudent financing strategy to maintain capital structure stability. This study is consistent with the finding Ahmed Abo Alkomsan (2024)that states

that "Total Asset Turnover has an insignificant effect on financial performance, implying that higher asset utilization efficiency does not necessarily lead to improved capital structure or profitability levels." (Ahmed Abo Alkomsan, 2024)Thus, the efficiency of asset management in pharmaceutical manufacturing companies on the IDX has not become the main determinant in changes in capital structure.

**The Effect of Cash Turnover on Capital Structure**

This study shows that cash turnover (CTO) has no significant effect on capital structure (DAR) in pharmaceutical manufacturing companies listed on the Indonesia Stock Exchange for the 2021–2024 period. This indicates that a company's effectiveness in managing cash to support operational activities does not directly determine the level of debt used in its capital structure. In other words, financing decisions are more influenced by external factors such as the cost of capital, investment policies, and macroeconomic conditions than by cash flow efficiency alone. This finding is consistent with studies Duma Sari Rambe et al. (2022)suggesting that cash turnover has no effect on capital structure in basic industry and chemical sub-sector companies listed on the IDX.

**The Effect of Liquidity on Capital Structure**

This study indicates that the liquidity variable ( *Current Ratio* /CR) has a significant negative effect on capital structure (DAR) in pharmaceutical manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2021–2024 period. This finding suggests that the greater a company's ability to meet its short-term obligations, the lower its tendency to utilize debt in its financing structure. This finding implies that companies tend to utilize internal financing sources when liquidity is strong, resulting in a relatively reduced debt proportion—a pattern common in companies that prioritize liquidity stability over leverage. These results align with recent empirical evidence showing a negative relationship between liquidity and capital structure in the context of manufacturing companies in the Indonesian capital market.(Tania & Susanti, 2023).

**The Influence of Capital Structure on Financial Performance**

The results of this study indicate that capital structure (DAR) has a significant positive effect on financial performance (ROA) in pharmaceutical manufacturing companies listed on the Indonesia Stock Exchange for the 2021–2024 period. This finding indicates that increasing the proportion of debt in the capital structure can improve a company's financial performance, as optimal utilization of external funds can increase operational capacity and profitability. This finding aligns with research findings Kartika et al. (2023)that reveal that capital structure has a positive effect on financial performance, confirming that effectively managed leverage can improve the financial performance of manufacturing companies in Indonesia.

**The Influence of Capital Structure as a Mediating Variable Between Asset Management and Financial Performance**

The analysis results using the Sobel test indicate that capital structure (DAR) is unable to mediate the relationship between asset management (TATO) and financial performance (ROA), because the calculated z-value is 0.99 < t-table 2.03. Thus, TATO does not have a

significant indirect effect on ROA through DAR in pharmaceutical subsector manufacturing companies listed on the Indonesia Stock Exchange for the 2021–2024 period. This finding indicates that increasing the efficiency of total asset use has not had an indirect impact on financial performance through changes in capital structure. This means that funding policies reflected in capital structure neither strengthen nor weaken the relationship between asset management and profitability. This indication confirms that asset management directly influences financial performance more through operational activities than through financing decisions. This result is consistent with the finding Naseem et al. (2020)that capital structure does not play a significant role as a mediator between asset efficiency and profitability, because asset use decisions are more influenced by operational policies than funding sources.

**The Influence of Capital Structure as a Mediating Variable Between Cash Turnover and Financial Performance**

This study shows that cash turnover (CTO) does not have a significant effect on financial performance (ROA) indirectly through capital structure (DAR). It failed to mediate the relationship between cash turnover and ROA, as the calculated z-value was 0.82 and the t-table was <2.03. This finding indicates that efficient cash management has not been able to improve financial performance through changes in capital structure. In other words, the company's ability to manage operational cash flow does not significantly influence financing decisions as reflected in the proportion of debt and equity, thus not strengthening the relationship between cash turnover and profitability. This condition reflects that in the pharmaceutical industry, cash management is more oriented towards short-term liquidity needs than optimizing capital structure. This finding is consistent with the finding L. P. , Lestari et al. (2022)that capital structure does not act as a mediating variable in the relationship between cash turnover and financial performance, because financing decisions are more influenced by investment policies and the company's internal liquidity conditions.

**The Influence of Capital Structure as a Mediating Variable Between Liquidity and Financial Performance**

The Sobel test found that capital structure (DAR) failed to mediate the effect of liquidity (CR) on financial performance (ROA), as the calculated z-value was -1.80 <t-table 2.03. This indicates that the indirect effect of CR through DAR on ROA is insignificant. This means that companies are unable to influence financial performance through capital structure mechanisms in meeting their short-term obligations. Therefore, high liquidity levels do not necessarily lead to changes in the composition of debt and equity that can strengthen company profitability. This condition may occur because companies with high liquidity tend to rely on internal funds rather than increasing debt, so the effect of capital structure as an intermediary becomes insignificant. This result is in line with the finding Iqbal & Usman (2018)that liquidity does not significantly influence financial performance through capital structure, as companies prioritize cash stability over leverage in maintaining their financial performance.

## CONCLUSION

Based on the research results, it can be concluded that asset management (TATO) has a positive and significant effect on financial performance (ROA), indicating the importance

of effective asset utilization in increasing profitability. Meanwhile, cash turnover (CTO) and liquidity (CR) do not have a significant effect on financial performance, and capital structure (DAR) only has a significant negative effect on liquidity and a significant positive effect on ROA. In addition, the results of the mediation test indicate that capital structure is unable to mediate the relationship between asset management, cash turnover, and liquidity on financial performance, meaning that these three variables do not have an indirect effect through the funding mechanism. Based on these results, it is recommended that companies improve asset management efficiency and maintain a balance between debt and equity to strengthen their financial structure. Investors are advised to pay attention to profitability ratios and asset efficiency in making investment decisions, while future researchers are expected to add variables such as company size and operational efficiency to obtain more comprehensive results.

## REFERENCES

Ahmed Abo Alkomsan, A. (2024). The effect of capital structure, total assets turnover, and liquidity on the financial performance of companies listed on the Egyptian Stock Exchange. Economics & Commerce, 1.

Diana, L. , & Osesoga, M. S. (2020). Pengaruh likuiditas, solvabilitas, manajemen aset, dan ukuran perusahaan terhadap kinerja keuangan. Jurnal Akuntansi Kontemporer, 12(1), 20–34. https://doi.org/10.33508/jako.v12i1.2282

Duma Sari Rambe, J., Pakpahan, E., & Evanta Br Tarigan, A. (2022). The Effect of Working Capital Turnover, Cash Turnover and Current Ratio, on Capital Structure, Through the Net

Profit Margin of Basic and Chemical Industry Companies Listed on the Indonesia Stock Exchange in the 2017-2019 Period. International Journal of Social Science Research and Review. https://doi.org/10.47814/ijssrr.v5i12.804

Haukilo, L. M. M. U. , & Widyaswati, R. (2022). Pengaruh likuiditas, manajemen aset, perputaran kas, struktur modal dan ukuran perusahaan terhadap kinerja keuangan (studi pada perusahaan manufaktur yang terdaftar di BEI tahun 2017-2020). Jurnal Ganeshwara, 2.

Isbahi, M. B., Zuana, M. M. M., & Toha, M. (2024). The Multi-Social Relation of the Cattle Industry in the Plaosan Subdistrict Animal Market of Magetan Regency. *Malacca: Journal of Management and Business Development* , *1*(1), 31–46. https://doi.org/10.69965/malacca.v1i1.51

Juwita, R. I., & Mutawali. (2022). Pengaruh Current Ratio , Debt to Equity Ratio , Net Profit Margin , Total Asset Turnover Ratio dan Earning Per Share terhadap Kinerja Keuangan PT Asahimas Flat Glass Tbk Periode 2012-2021. Lensa Ilmiah: Jurnal Manajemen Dan Sumberdaya, 1, 114–123.

Kartika, A. , Irsad, M. , Setiawan, M. , & Sudiyatno, B. (2023). The relationship between capital structure, firm performance and a firm's market competitiveness: Evidence from Indonesia. Investment Management and Financial Innovations, 20(1), 88–98. https://doi.org/10.21511/imfi.20(1).2023.09

Lestari, L. P. , Wahyuni, S. , Dirgantari, N. , & Santoso, S. E. B. (2022). Effect of Working Capital Turnover, Capital Structure, Company Size, and Sales Growth on Profitability.

Journal of Finance and Business Digital, 1(4), 271–288. https://doi.org/10.55927/jfbd.v1i4.1979

Lestari, M. I. ,. (2023). The effect of cash turnover and receivable turnover on profitability in transportation and logistics companies in 2018–2022. In Prosiding Seminar STIAMI, 10.

Margaretha, V. G. , Manoppo, W. S. , & Pelleng, F. A. (2021). Analisis Laporan Keuangan Untuk Mengukur Kinerja Keuangan Pt. Ace Hardware Indonesia Tbk. Productivity, 2(2), 169–175.

Naseem, M. A. , Lin, J. , R. R. U. , Ahmad, M. I. , & Ali, R. (2020). Does capital structure mediate the link between CEO characteristics and firm performance? Management Decision, 58(1), 164–181. https://doi.org/10.1108/MD-05-2018-0594

Nurlaela, S. , Mursito, B. , Kustiyah, E. , Istiqomah, I. , & Hartono, S. (2019). Asset turnover, capital structure and financial performance consumption industry company in indonesia stock exchange. International Journal of Economics and Financial Issues, 9(3), 297–301. https://doi.org/10.32479/ijefi.8185

Sugiyono. (2019). Metode Penelitian Kuantitatif Kualitatif dan R&D (19th ed.). Alfabeta, Cv. Sujarweni, V. W. (2024). Analisis Laporan Keuangan (V. W. Sujarweni, Ed.). Pustaka Baru

Press.

Tania, C. , & Susanti, M. (2023). The Effect of Capital Structure, Liquidity, Profitability, Activity, and Institutional Ownership on Company Value Among Manufacturing Companies Listed on Indonesia Stock Exchange During 2017-2022. International Journal of Application on Economics and Business (IJAEB), 1(3), 2987–1972. https://doi.org/10.24912/ijaeb.v1.i3.1318-1327

Victoria, N. P. L. , & Erawati, N. M. A. (2015). Pengaruh rasio keuangan dan non keuangan pada kinerja keuangan perbankan. E-Jurnal Akuntansi Universitas Udayana, 13.

Wahyuni, S. , & Akhmad, I. (2025). Pengaruh Likuiditas, Manajemen Aset, dan Perputaran Kas Terhadap Kinerja Keuangan Pada Perusahaan Manufaktur Sub Sektor Logam dan Sejenisnya Yang Terdaftar di BEI Tahun 2019-2023. Jurnal Ilmiah Mahasisa Merdeka, 4.

Wulandari, B. , & S. A., Sianturi, N. G. , Hasibuan, N. T. E. , Ginting, I. T. A. , & Simanullang,

A. (2020). Pengaruh Likuiditas, Manajemen Aset, Perputaran Kas dan Struktur Modal terhadap Kinerja Keuangan pada Perusahaan Manufaktur yang terdaftar di Bursa Efek Indonesia. Jurnal Akuntansi, 4(1), 176. https://doi.org/10.33395/owner.v4i1.186

Yuniwati, A. S., Aulia, A. L., & Putri, A. R. P. (2024). Analisis Rasio Profitabilitas, Rasio Solvabilitas, Rasio Likuiditas dan Rasio Pasar Terhadap Kinerja Keuangan PT. Bank Central Asia Tbk. EKOMA: Jurnal Ekonomi, Manajemen, Akuntansi, 3(4), 334–350.