Decoding Asset Turnover:
Insights into Financial Dynamics of the Automotive Sector

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Abstract

Purpose: The primary aim of this research study is to explore and analyze the interrelationships among profitability, leverage, liquidity, and interest rates in the context of the asset turnover ratio within automotive companies.
Method: The research employs a purposive sampling method, selecting automotive companies as the research subjects from 2018 to 2022. A panel data regression approach is utilized to analyze the data, specifically employing the Random Effect Model.
Results: The results of this research show that profitability, leverage and interest rates have a significant effect on the asset turnover ratio. In contrast, this research reveals a negative relationship between liquidity and ATR.
Implications: The implication of this research is that stakeholders in the automotive industry, including management, investors, and policy makers, can use the insights obtained to make informed decisions. This study also provides practical implications for optimizing asset utilization strategies in automotive companies. The research findings contribute to existing knowledge in the fields of finance and management, enriching understanding of the dynamics that shape company performance in the automotive sector.
Novelty: The novelty of this research lies in its comprehensive approach to understanding complex relationships in the context of asset turnover ratios, which have not previously been revealed in the automotive sector.

Keywords: asset turnover ratio; profitability; leverage; liquidity; interest rates

Abstrak

Tujuan: Tujuan utama dari penelitian ini adalah untuk mengeksplorasi dan menganalisis hubungan antara profitabilitas, leverage, likuiditas, dan suku bunga dalam konteks rasio perputaran aset di perusahaan otomotif.
Metode: Penelitian ini menggunakan metode *purposive sampling*, memilih perusahaan otomotif sebagai subjek penelitian dari tahun 2018 hingga 2022. Pendekatan regresi data panel digunakan untuk menganalisis data, khususnya dengan menerapkan Model Efek Acak.
Hasil: Hasil penelitian ini menunjukkan bahwa profitabilitas, leverage, dan suku bunga berpengaruh signifikan terhadap rasio perputaran aset. Sebaliknya,

penelitian ini mengungkapkan adanya hubungan negatif antara likuiditas dan ATR.

Implikasi: Implikasi dari penelitian ini adalah pemangku kepentingan di industri otomotif, termasuk manajemen, investor, dan pembuat kebijakan, dapat menggunakan wawasan yang diperoleh untuk membuat keputusan yang berbasis informasi. Studi ini juga memberikan implikasi praktis untuk mengoptimalkan strategi pemanfaatan aset di perusahaan otomotif. Temuan penelitian berkontribusi pada pengetahuan yang sudah ada dalam bidang keuangan dan manajemen, memperkaya pemahaman tentang dinamika yang membentuk kinerja perusahaan di sektor otomotif.

Kebaruan: Kebaruan penelitian ini terletak pada pendekatan komprehensif untuk memahami hubungan yang kompleks dalam konteks rasio perputaran aset, yang sebelumnya belum terungkap dalam sektor otomotif.

Kata kunci: rasio perputaran aset; profitabilitas; leverage; likuiditas; suku bunga

INTRODUCTION

In Indonesia's economic development context, the automotive manufacturing industry significantly supports the economy. This industry makes a significant contribution through exports, which provides essential foreign exchange for the country. Indonesia's economy expanded by 7.07 percent in the second quarter of 2021 compared to the same period in 2020.

The growth rate has been positive for all business sectors. The transportation and warehousing sector experienced the highest growth rate, 25.10 percent, followed by the accommodation and food provision sector, which showed a growth rate of 21.58 percent. The dominant processing industry also grew by 6.58 percent. Positive growth in these sectors is in line with the growth of the automotive industry.

The profitability of the companies can influence significant growth in the automotive industry. Company sustainability in the goods and services sectors is closely related to the company's primary goal, maximizing profits. Profit is crucial to a company's survival. Assessing a company's performance requires considering profitability. Profitability reflects a company's capacity to generate profits from sales, total assets, and capital (Rahayu, 2020). It is a crucial parameter for evaluating a company's success. Analysis of profitability ratios, such as Return On Assets (ROA), can provide an overview of the extent to which a company efficiently generates profits from the assets it owns (Pranaditya et al., 2021).

Profitability results from a combination of liquidity, asset management, and debt, reflected in ratios (Brigham et al., 2010). Liquidity, activity, and solvency ratios simultaneously influence company profitability. The return on assets is a commonly used metric that compares net profit to total assets. The Current Ratio is a measure of liquidity and indicates the company's capacity to meet short-term obligations, which is a factor that influences profitability (Irham, 2013).

Leverage, or using fixed-charge assets and funding sources to increase potential shareholder profits, often involves financing from external sources, such as bank loans (Pranaditya et al., 2021). The ratio of leverage is a measure that indicates how much a company is funded by debt about its capital. The Current Ratio can be used to calculate it, which compares current debt with current assets (Sudarno, 2022). Thus, the positive growth of the automotive industry can be understood as a result of the efforts of the companies within it to achieve optimal levels of profitability through adequate liquidity and leverage management.

Several factors, including leverage, liquidity, company size, and total asset turnover ratio, can influence a company's profitability. Leverage refers to using external funding sources, such as loans, that carry fixed charges or costs, such as interest, to increase shareholder profits. A company's capacity to fulfill its financial obligations due for liquidation or maturation is indicated by liquidity. The dimension or scale that can be used to categorize companies based on different standards such as logarithmic size, total assets, stock market value, and other aspects is known as company size. Total assets turnover is an activity ratio that measures how much a company effectively uses resources in the form of assets to generate income (Adria & Susanto, 2020).

Research conducted by Suartika et al. (2013) found that fixed assets partially and significantly influence company profits. Fixed assets, as assets with significant value that cannot be resold, have a dominant role and must be managed efficiently to contribute to increasing profits. This research also highlights the influence of profitability on the asset turnover ratio by showing that the faster the activity ratio, the higher the company's profits because efficient resources can increase sales and, consequently, company income.

Esthirahayu et al. (2012) highlight the significance of the current ratio as a liquidity indicator that affects a firm's capability to fulfill its short-term obligations. A good level of liquidity can increase the company's effectiveness in generating profits, increasing investor confidence in investing. This research also highlights the role of the Asset Turnover Ratio in its summary with Return on Equity (ROE) and Return on Investment (ROI), where increasing the asset turnover ratio can increase profitability and vice versa.

Putri & Laily (2020) added a new dimension by showing that influential companies utilizing their assets tend to focus more on internal rather than external financing, which can occur through increasing asset turnover to reduce the use of debt and risk. Utami & Manda (2021) found a gap in research related to asset turnover as a dependent variable influenced by profitability, while Anni'Mah et al. (2021) make firm value the dependent variable, creating a gap with research that includes asset turnover as a supporting factor for the dependent variable. Putri & Gandakusuma (2022) and Mahaputra (2012) show differences with this research by treating assets as a dependent variable, while in

this research, the asset turnover ratio is used as a dependent variable to explore the influence of independent variables on it.

Previous studies often prioritize profitability as the primary variable, treating asset turnover as secondary. While research has explored profitability and internal financing (Putri & Laily, 2020; Esthirahayu et al., 2012), limited attention has been given to how profitability, leverage, liquidity, and interest rates collectively influence asset turnover. This study addresses that gap by positioning asset turnover as the main dependent variable, providing a clearer understanding of asset utilization, especially in the capital-intensive automotive industry.

Unlike prior research that treats asset turnover as a supporting metric (Utami & Manda, 2021; Anni'Mah et al., 2021), this study examines how these four variables directly impact asset efficiency. For instance, Suartika et al. (2013) highlighted the significant role of fixed asset management in profitability, while Esthirahayu et al. (2012) emphasized the influence of liquidity on financial obligations and profit generation. However, these studies analyzed these factors separately and did not explore their combined effect on asset turnover.

This research provides a comprehensive perspective by analyzing the interaction of profitability, liquidity, leverage, and interest rates in shaping asset turnover. In the automotive industry, where large-scale investments and resource optimization are critical, understanding asset efficiency is essential. Additionally, the industry's role as a driver of global and local economic growth underscores the importance of this analysis.

By shifting the focus to asset turnover as a primary variable and integrating multiple financial factors, this study contributes to the literature in three ways. First, it highlights asset turnover as a key indicator of financial efficiency. Second, it underscores the relevance of the automotive industry's financial performance. Third, it combines several financial variables into a single framework, offering deeper insights into asset management.

This research expands the understanding of how profitability, liquidity, leverage, and interest rates influence asset turnover. Its findings aim to help stakeholders in the automotive industry optimize resources and enhance financial sustainability.

This research confirms that profitability is a significant indicator of a company's financial health, in line with findings by Anni'Mah et al. (2021). Profitability is defined as a measure of a company's profits. Rachmawati & Wisayang (2017) also add a dimension to this correlation, stating that more profitable companies have a higher Assets Turnover Ratio (ATR). This is because the organization can increase its sales by making the most out of each of its assets.

The importance of profitability is also confirmed by Utami & Manda (2021), who state that companies that can achieve high levels of profitability will allocate

company profits to purchase assets that support company productivity. In other words, profitability is not only an indicator of financial success but also positively impacts the level of asset turnover ratio. Therefore, the research hypothesis (H1), which states that profitability influences ATR, has a strong basis based on the consistency of findings in the financial literature. The vital role of profitability in influencing ATR is explained as a positive relationship, where a high profit level can stimulate a company to be more efficient in using assets, encourage increased sales, and, ultimately, increase the asset turnover ratio.

H$_1$: Profitability influences Assets Turnover Ratio

Rachmawati & Pinem (2015) emphasized that leverage, as an investment policy and obtaining company funding sources, has implications for the burden or fixed costs the company must bear. This finding is strengthened by research by Anni'Mah et al. (2021), which shows that the level of company leverage can influence the asset turnover ratio (ATR).

Based on research by Anni'Mah et al. (2021), companies with a high level of leverage tend to have a lower ATR level. This can be explained by the fact that highly leveraged companies have to pay higher interest, ultimately reducing their ability to generate sales from the assets held. Consequently, high leverage levels negatively affect the asset turnover ratio (ATR). Based on these findings, a hypothesis (H2) can be proposed, which states that leverage affects ATR. Thus, this hypothesis illustrates that the leverage policy implemented by a company can impact the efficiency of the company's asset turnover.

H$_2$: Leverage influences Assets Turnover Ratio

According to research by Lubis et al. (2017), liquidity is a company's ability to fulfill short-term obligations on time, including payment of the portion of long-term debt due in the year concerned. This liquidity is measured using the current and quick ratios and is then known to indirectly influence the asset turnover ratio (ATR). This research indicates that company liquidity can be a factor that influences ATR.

Research that aligns with these findings was conducted by Utami & Manda (2021), who stated that companies with high liquidity may be able to use their assets efficiently. This can be reflected in higher ATR levels. Thus, company liquidity can be an essential indicator influencing the efficiency level in asset turnover. Based on these findings, a hypothesis (H3) can be proposed, which states that liquidity affects ATR. Thus, this hypothesis illustrates that the company's liquidity level can impact efficiency in asset turnover, which is then reflected in a higher ATR level.

H$_3$: Liquidity Influences Assets Turnover Ratio

According to research by Al Makhrus & Priyadi (2022)**,** interest rates can be interpreted as loan costs or the price paid to obtain loan funds, generally expressed as a yearly percentage. This finding aligns with the research results by Herania & Maski (2022), which show that changes in interest rates can impact company investment levels. These corporate investments, in turn, can affect the asset turnover ratio (ATR).

In his research, Mahaputra (2012) stated that loan costs will also increase when interest rates increase. This results in the company's tendency to purchase fewer assets, which decreases the company's asset turnover ratio. Based on these findings, a hypothesis (H4) is proposed, which states that interest rates affect ATR. This hypothesis illustrates that changes in interest rates can affect efficiency in company asset turnover, which is reflected in lower ATR levels when interest rates increase.

H_4: Interest Rates Influence Assets Turnover Ratio

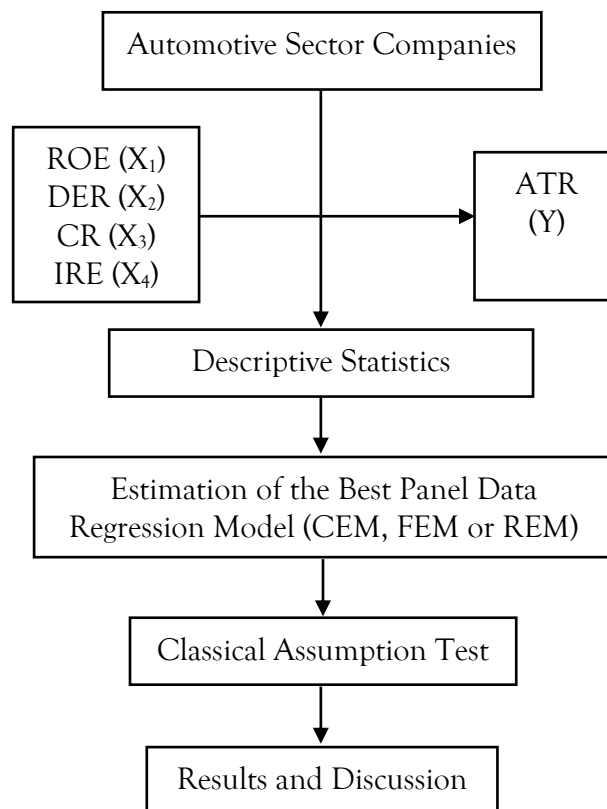The conceptual framework for this research can be shown in Figure 1.

Figure 1. Conceptual Framework
Source: Processed Data (2024)

METHOD

The research being conducted is descriptive. It primarily relies on secondary data, especially company financial reports, to analyze the automotive

subsector manufacturing companies listed on the Indonesia Stock Exchange (BEI) between 2018 and 2022. The data source for the research was obtained through the collection and analysis of annual financial reports of automotive subsector manufacturing companies listed on the IDX during this period. The purposive sampling method was used to ensure the research objectives were met, allowing the researchers to select samples based on specific criteria.

To analyze the data, a panel data model was applied, which included variables such as Asset Turnover (ATR), Return on Equity (ROE), Debt-to-Equity Ratio (DER), Current Ratio (CR), and Interest Rates (IRE). The data collection technique was carried out through access to the Stockbit web, a highly reliable source of information for accessing financial report data. The data is presented in a structured manner, ensuring that the data used in this research is current and verified.

$$ATR_{it} = \alpha + \beta_1 ROE_{it} + \beta_2 DER_{it} + \beta_3 CR_{it} + \beta_4 IRE_{it} + e$$

The data collection and selection procedures in this research were conducted systematically to ensure alignment with the research objectives. A purposive sampling method was employed, with the research sample selected based on specific criteria to enhance the validity and relevance of the findings. The criteria included companies operating in the automotive subsector manufacturing industry that are publicly listed on the Indonesia Stock Exchange (IDX) during the research period. Additionally, only companies with complete and publicly available financial statements for the specified years were included.

RESULTS AND DISCUSSION

Table 1 is the summary statistics in this research

Table 1. Summary Statistics

	ATR	ROE	DER	CR	IRE
Mean	0.794286	0.007287	1.223714	2.177714	0.050000
Median	0.830000	0.056850	0.410000	1.610000	0.050000
Maximum	1.760000	0.424400	14.72000	13.04000	0.060000
Minimum	0.060000	-1.767600	0.010000	0.440000	0.040000
Std. Dev	0.364897	0.300397	2.216796	2.160647	0.009009
Skewness	0.246386	-4.743778	3.820498	2.942111	-2.53E-16

Source: Processed Data (2024)

The descriptive statistics in Table 1 indicate some interesting trends in the data, especially with extreme values and skewness. For example, the Return on Equity (ROE) has a mean value of 0.007287, which is significantly lower than the median of 0.056850. This large difference suggests that the ROE distribution is highly skewed to the left, with some extremely negative values pulling the mean down. The negative skewness of -4.743778 further confirms this, indicating that

there are a few data points with extremely low ROE values. Similarly, the Debt to Equity Ratio (DER) shows a maximum value of 14.72000, which is substantially higher than the mean (1.223714) and median (0.410000), suggesting a positively skewed distribution. This is corroborated by the high positive skewness value of 3.820498.

Additionally, while Asset Turnover Ratio (ATR) and Current Ratio (CR) show relatively more balanced distributions with moderate skewness (0.246386 and 2.942111, respectively), it is still important to assess how their distributions might affect the regression results. Lastly, the interest rates (IRE) appears to have a symmetrical distribution with minimal skewness (approximately 0), suggesting that this variable does not suffer from the same issue of extreme values as the others. Particular attention should be paid to variables like ROE and DER, which have extreme values and skewed distributions. To mitigate their effect, this research apply transformations to extreme values.

Table 2. Best Model

Test	Model		Prob.	Resolve	
Chow	Common Effect Model VS Fixed Effect Model		0.0000	Fixed Model	Effect
Hausman	Random Effect Model VS Fixed Effect Model		0.0635	Random Model	Effect
Lagrange-Multiplier	Common Effect Model	Effect VS Random Effect Model	0.0000	Random Model	Effect

Source: Processed Data (2024)

The decision to use the Random Effect Model in this research context was based on the Hausmst and Lagrange Multiplier Test results. These results can be seen in table 2. The probabilities obtained from these tests were 0.0635 and 0.0000, respectively. These low probabilities indicate that the Random Effect Model is more appropriate for the panel data regression analysis. Based on this analysis, the conclusion can be drawn that the Random Effect Model best suits the characteristics of the observed data and provides a solid basis for continuing the analysis. This detailed analysis ensures that the most appropriate model is chosen for the research, increasing the validity and reliability of the results obtained.

Once the best model has been selected through a model selection test, the next step is to ensure that the model satisfies certain classical assumptions. The objective is to guarantee that the model meets linear criteria, does not generate biased data, and produces the best possible estimator, the Best Linear Unbiased

Estimator (BLUE). The four stages of the classical assumption test are designed to test the compatibility of the data with the model assumptions. These stages include a Data Normality Test, Autocorrelation Test, Heteroscedasticity Test, and Multicollinearity Test. Their purpose is to evaluate the appropriateness of the data for the model assumptions.

The first stage is the Data Normality Test, performed using the Jarque-Bera method. This test evaluates whether the data conforms to a normal distribution. In this study, the probability result obtained was 0.7699, more significant than the significance value of 5%. This result indicates that the data can be considered normal. The second stage is the Heteroscedasticity Test, which uses the Glesjer method. This test assesses whether the data has the same diversity of errors. The test results show that all variables, including ROE, DER, CR, and BI Rate, have a probability value more significant than a significance value of 5%. This outcome indicates that the data does not contain heteroscedasticity.

Table 3. Diagnostic Test

Diagnostic	Indicator	Value	Prob.
Data Normality	Jarque-Bera	0.5229	0.7699
Heteroskedasticity	Glesjer		ROE (0.2562)
			DER (0.1616)
			CR (0.3925)
			IRE (0.0635)
Multicollinearity	*VIF*		ROE (2.2464)
			DER (2.1907)
			CR (1.0706)
			IRE (1.1220)
Autocorrelation	Durbin-Watson		1.1902

Source: Processed Data (2024)

The third stage is the Multicollinearity Test, which uses the Variance Inflation Factor (VIF) method. This test checks for the linear correlation between variables. The VIF results for each variable, namely ROE, DER, CR, and BI Rate, show a value of less than 10. This result indicates that there is no multicollinearity problem in this research. The final stage is the Autocorrelation Test, which uses the Durbin-Watson method. This test checks whether there is a correlation between errors in the data. The probability of 1.1902 indicates no correlation error in the research data. Based on the results in table 3, these four tests, the panel data regression model used in this research meets classical assumptions. This finding means that the model can be relied on for further analysis.

The regression analysis results in table 4 reveal significant relationships between the independent variables and the dependent variable, providing valuable insights into the real-world impact of each variable. The regression

coefficient for Return on Equity (ROE) is 0.489118, indicating that a 1-unit increase in ROE will lead to an increase of 0.489118 units in the dependent variable, with a highly significant level at 1% (p = 0.0000). This finding suggests that higher profitability, as reflected by ROE, has a significant positive effect on performance. Companies that effectively manage their equity to generate profits are likely to achieve better outcomes, such as improved financial performance or other relevant measures.

Table 4. Random Effect Model Results

Variable	Coefficient	Std. Error	T-Statistic	Probability
ROE	0.489118	0.095309	5.1319	0.0000*
DER	0.101569	0.018219	5.5749	0.0000*
CR	-0.032161	0.018630	-1.7263	0.0890**
IRE	6.281263	2.115425	2.9692	0.0042*

*, ** significant at 5% and 10%
Source: Processed Data (2024)

For Debt to Equity Ratio (DER), the coefficient is 0.101569, meaning that a 1-unit increase in DER will raise the dependent variable by 0.101569 units. This relationship is also highly significant at the 1% level (p = 0.0000). It implies that well-managed leverage positively contributes to performance, as optimal use of debt can enable companies to fund productive investments, ultimately driving growth or profitability.

In contrast, Current Ratio (CR) shows a negative coefficient of -0.032161, indicating that a 1-unit increase in CR reduces the dependent variable by 0.032161 units. This relationship is significant at the 10% level (p = 0.0890). The negative association suggests that excessively high liquidity may reflect inefficiencies in asset management, adversely impacting performance. Companies with high liquidity ratios may hold too many idle current assets, which can reduce the value derived from these resources.

Lastly, Interest Rate (IRE) has a coefficient of 6.281263, meaning that a 1-unit increase in interest rate leads to an increase of 6.281263 units in the dependent variable. This relationship is significant at the 1% level (p = 0.0042), highlighting that changes in sensitivity to interest rates have a substantial impact on performance. Properly managing interest rate can create significant opportunities for companies, particularly in capitalizing on favorable market changes.

The Effect of Return on Equity on Asset Turnover Ratio

The automotive industry, being capital-intensive, heavily relies on asset utilization for operational efficiency. The findings of this study reveal a significant relationship between ROE and ATR, with a probability of 0.0000,

indicating that higher profitability enhances asset utilization. Companies with strong ROE can reinvest earnings into optimizing assets, improving efficiency, and upgrading equipment. This aligns with the findings of Utami & Manda (2021), which show that higher profitability leads to more efficient asset turnover.

Automotive companies can leverage these results by adopting strategies to improve profitability, such as investing in automation and digital technologies that reduce waste and increase asset output. Higher profitability also allows for asset upgrades, maintaining competitiveness, and reducing operational costs. Additionally, companies should design reinvestment strategies to improve long-term efficiency and create policies that promote innovation and efficiency.

This study contributes uniquely by focusing on the automotive sector, which has high asset intensity. The findings align with Amanda (2019), Melan et al. (2023), and Gherghina et al. (2020), suggesting that higher profitability enhances asset management and operational efficiency. Based on these findings, automotive companies are advised to implement policies that support profit reinvestment, technology investment, and efficient asset management to increase ATR and sustain long-term profitability.

The Influence of Debt to Equity Ratio on Asset Turnover Ratio

The debt-equity ratio (DER) is a critical determinant of the Asset Turnover Ratio (ATR) in the automotive sector, as highlighted by the findings of Anni'Mah et al. (2021). The significant probability value of 0.0000—well below the 5% threshold—indicates a robust inverse relationship between high leverage and asset turnover. This suggests that automotive companies with higher debt levels exhibit lower efficiency in utilizing their assets.

This negative relationship can be attributed to the unique characteristics of the automotive industry, which demands substantial investments in fixed assets such as production facilities, inventory, and research and development (R&D). High leverage increases the company's fixed obligations in the form of interest payments on debt, which limits the available funds for essential investments in asset upgrades or innovations. This constraint prevents the company from optimizing its asset usage, resulting in a lower ATR. Companies with significant interest obligations may also need help to expand their production capacity or invest in technological advancements, which are crucial for maintaining competitiveness in the automotive sector. Utami (2017) suggests that high debt levels can erode a company's financial flexibility, reducing its ability to manage its assets efficiently.

The findings are consistent with research by Ferris et al. (2018) and Skopljak & Luo (2012), indicating that higher leverage often leads to diminished operational efficiency. These studies emphasize that leveraging debt to finance operations comes with trade-offs, where the increased financial burden can stifle a company's ability to invest in growth and improve asset utilization. This effect

is particularly pronounced in the automotive industry due to the capital-intensive sector.

What distinguishes this research from previous studies is its focus on the automotive industry, where the balance between debt and equity is even more critical than in other sectors. Unlike industries that may rely more on intangible assets or require less capital, automotive companies need continuous investments in production processes and technology to maintain operational efficiency. Consequently, the findings provide important insights into how debt management strategies must be carefully optimized to ensure long-term asset efficiency and overall performance. This is especially important in highly competitive markets, where efficient asset turnover can drive profitability and growth.

The Effect of Current Ratio on Asset Turnover Ratio

Based on the research findings, the Current Ratio (CR) has emerged as a significant determinant of the Asset Turnover Ratio (ATR) in the automotive sector, with a probability value of 0.0890—indicating a substantial impact at the 10% significance level. This suggests that liquidity, as represented by the Current Ratio, plays a crucial role in shaping the asset turnover of automotive companies.

The findings align with previous studies, notably those by Putri & Gandakusuma (2022), which highlight the indirect influence of liquidity on asset turnover. This indirect relationship stems from a company's ability to meet its short-term financial obligations. A robust Current Ratio indicates that a firm can efficiently manage its current liabilities, enabling it to utilize its assets effectively.

In the context of the automotive sector, maintaining high liquidity is essential for operational efficiency. The automotive industry is characterized by significant capital investment in production facilities, inventory, and R&D, necessitating companies to have sufficient liquidity to navigate financial obligations and capitalize on emerging opportunities. A strong liquidity position facilitates timely payments to suppliers and stakeholders and empowers companies to invest in essential assets that drive production and innovation (Amini et al., 2020; Grozdic et al., 2020; Oliveira et al., 2018). This capability is particularly vital given the industry's reliance on complex supply chains and the continuous need for product development.

What makes this research particularly noteworthy is its emphasis on the automotive sector, where liquidity management is critical due to the capital-intensive nature of operations. In contrast to other industries, where financial flexibility might hinge less on liquidity, automotive companies operate in a high-stakes environment where the ability to meet short-term obligations can significantly affect operational continuity and strategic decisions. This unique aspect reinforces the importance of liquidity in driving asset turnover in the automotive industry.

The Effect of Interest Rates on Asset Turnover Ratio

The research findings reveal that interest rates significantly influence the Asset Turnover Ratio (ATR) among automotive subsector manufacturing companies. With a probability value of 0.0042, which falls below the 5% significance threshold, this result underscores a strong correlation between interest rates and ATR. This finding aligns with previous research by Mahaputra (2012), highlighting interest rates' pivotal role in shaping investment decisions related to asset acquisition.

To understand this influence in the automotive context, it is essential to consider how interest rates affect corporate investment behavior. High interest rates can create substantial obstacles for companies aiming to invest in assets. Elevated borrowing costs discourage firms from acquiring new assets or expanding production capacities, as financing becomes a significant burden. Cieslak & Schrimpf (2019) and Hartzmark (2016) note that firms may delay or reduce investments in essential areas such as production facilities and research and development during high interest rates. Consequently, this reluctance to invest can lead to improved asset turnover, reflecting efficient utilization of resources.

Moreover, the unique nature of the automotive sector exacerbates this challenge. Given the industry's reliance on substantial capital investments in production infrastructure and technology, companies may find themselves particularly vulnerable to the adverse effects of high interest rates. Unlike other sectors where operational flexibility might mitigate the impacts of interest rate fluctuations, automotive manufacturers face strict operational demands that necessitate continuous investment in assets to remain competitive. As such, the impact of interest rates on ATR in this sector is more pronounced than that of others.

CONCLUSION

The research findings demonstrate a significant positive relationship between profitability and the Asset Turnover Ratio (ATR), indicating that higher profitability leads to better asset utilization in automotive companies. Additionally, leverage positively impacts ATR, suggesting that strategic use of debt can enhance asset turnover by enabling growth investments. Conversely, the study reveals a negative relationship between liquidity and ATR. Excess current assets can hinder asset turnover, reflecting inefficiencies in resource allocation. Moreover, a positive impact of interest rates on ATR suggests that favorable interest rate policies from Bank Indonesia can lower financing costs, promoting asset investment.

These insights highlight the complex interplay among profitability, leverage, liquidity, and interest rates in shaping asset turnover in the automotive sector. The findings provide valuable guidance for managers to focus on

enhancing profitability, managing leverage wisely, and maintaining optimal liquidity to improve asset utilization. This research contributes new knowledge to the field, offering a foundation for future studies to explore additional factors influencing asset turnover. Future research could broaden the scope to include other variables, such as technology adoption or R&D investment, that may affect asset efficiency in the automotive industry.

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