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# The Effect of Liquidity and Solvency on Financial Performance: Moderating Role of Firm Size

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***ABSTRACT***

*This study aims to investigate the relationship between liquidity, solvency, and financial performance, with business size acting as a moderator. Financial performance is one of the most important metrics to consider when evaluating a company's success. This is evidence of the company's adeptness in turning its resources into profit. This study uses a quantitative approach and relies on secondary data gathered from the IDX annual financial statements of food and beverage sub-sector companies from 2020 to 2024. Twenty companies with one hundred observations were generated by the sample approach, which used purposive sampling after data selection by outlier testing and deletion. Data analysis was carried out using EViews 10 software, namely panel data regression and MRA. In contrast to solvency's negative statistically significant link with financial performance, liquidity's positive relationship with financial success is well-established. Moreover, both solvency and liquidity have an impact on financial performance, but the link between the two may be attenuated by increasing the size of the business. According to these results, the link between financial situations and a company's capacity to produce profits is effected by firm size, and the management of current assets and capital structure is a key factor in enhancing financial performance.*
***Keywords:*** *financial performance; liquidity; solvency; firm size.*

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## Introduction

achievement via efficient management of its assets to produce maximum profit. Investors, creditors, and management all use financial performance data to assess the state of the firm and make economic choices. When a firm does a good job with its operations, asset management, and long-term sustainability, it shows in its financial success. A companies capacity to generate wealth for shareholders and be competitive in the face of fiercer commercial rivalry is generally measured by its financial performance. Poor financial performance, on the other hand, may be an indication of mismanagement of corporate resources, a drop in investor confidence, and a barrier to raising capital and expanding operations.

Meeting public demands, generating job opportunities, and boosting the added value of Indonesia's manufacturing industry are all vital functions of the food and beverage industry, which is why it is considered a strategic sector that significantly contributes to the national economy. The industry's capacity to sustain a wide range of upstream and downstream businesses, together with its reasonably consistent demand, has propelled it to the forefront of economic development. This industry has maintained consistent growth despite worldwide economic difficulties caused by the COVID-19 epidemic, interruptions in the supply chain, and increasing costs of food commodities. According to Badan Pusat Statistik (2024), the food and beverage industry grew by 1.58% in 2020, increased to 2.54% in 2021, reached 4.90% in 2022, recorded 4.47% in 2023, and rose again to 4.53% in 2024. The food and beverage industry has shown remarkable resilience in the face of many economic storms, and its continued expansion proves that it is still among the many that may boost the economy as a whole. Companies in this area have shown remarkable growth performance throughout the years, which is a testament to their capacity to weather economic storms and keep running. Because of these factors, food and drink businesses must work tirelessly to increase the efficacy of their financial management if they want to keep up their good financial performance, stay competitive, and benefit their shareholders in the long run.

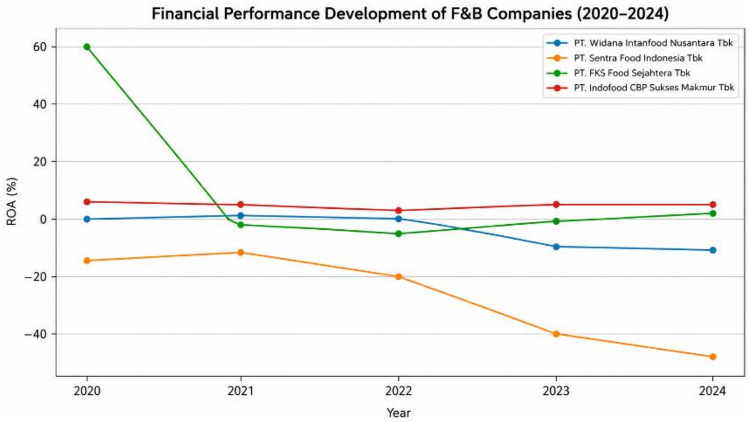



Figure 1. Financial Performance Development of F&B Companies (2020–2024)
Source: Processed by the author from company financial statements

Better financial results for corporations aren't always a byproduct of healthy industry expansion. Listed food and drink firms in Indonesia saw varying degrees of financial performance development from 2020 to 2024 as measured by ROA (RO090A). PT Wahana Interfood Nusantara Tbk experienced a decline in ROA from 1.04% in 2020 to -9.94% in 2024. PT Sentra Food Indonesia Tbk also showed a continuously declining trend, recording negative ROA for five consecutive years, from -15.37% to -48.62%. In contrast, PT FKS Food Sejahtera Tbk experienced considerable fluctuations, from 59.90% in 2020 to -3.41% in 2022, before increasing again to 3.54% in 2024. Meanwhile, PT Indofood CBP Sukses Makmur Tbk was able to maintain a positive ROA within the range of 4.96%–7.16%, despite experiencing fluctuations throughout the research period.

There is speculation that liquidity is one of the elements impacting financial performance. According to Atul et al. (2022), Liquidity measures how quickly and easily a business can pay its short-term bills. A healthy amount of liquidity suggests that a business can keep its operations running smoothly and, in theory, boost its profits. However, this relationship does not always occur as expected. When a companies liquidity is too high, it might mean that its current assets are sitting idle and not being put to good use, which would be inefficient. On the other hand, when it's too low, it could mean that operations are stalled because of a lack of funds.

In addition to liquidity, solvency is also an crucial factor in determining a companies financial performance. According to Jamal (2020), A corporation's solvency indicates how much debt the firm has and how well it can pay its long-term bills. A company's operating capability and profit margin may be enhanced with well-managed debt. But, taking on too much debt could lead to higher interest costs and more financial risk, which eat into profits. Accordingly, there has to be more research on the connection between solvency and financial success.

Previous research examining the effect of liquidity on financial performance have produced inconsistent findings. Tarigan & Sudjiman (2021), found that liquidity, measured using the Current Ratio, has a positive and significant effect on ROA. Similar results were also reported by (Azizah & Kaspriyono, 2024). However, these outcomes are inconsistent with the outcomes of Rachmah & Susilawati (2024), and Amrullah & Jamaluddin, (2025), finding that liquidity doesn't have a significant effect on financial performance. Inconsistencies are also evident in studies examining the correlations between solvency and financial performance. Ether et al. (2024), and Wulandari & Yulita (2023), finding that the DER has a significant effect on financial performance, whereas Indriastuti & Ruslim (2020), reported that solvency has a negative effect on financial performance. Similarly, Sari et al. (2020), concluded that solvency has a negative effect on profitability, as proxied by ROA. In contrast, Rahmawati & Rajagukguk (2026), and Tarigan & Sudjiman, (2021), concluded that solvency doesn't have a significant effect on financial performance.

In addition to its direct effect, firm size is expected to play a moderating role in the correlations between liquidity, solvency, and financial performance. According to Ariansyah et al. (2023), frim size generally possess more adequate resources, broader access to financing, better control systems, and a greater ability to manage financial risks compared to smaller firms. These conditions enable large firms to utilize their assets and financing structures more effectively, thereby enhancing corporate financial performance. Nevertheless, large firms also face greater operational complexity, meaning that the effectiveness of firm size as a moderating variable still requires empirical verification (Ramandhani & Ridho, 2026).

Research on the role of firm size as a moderating variable has also produced mixed results. Prabhasyahrani & Khuzaini (2022), Setiawan & Suwaidi (2022), and Maryanti (2020), finding firm size is able to moderate the effect of liquidity on profitability. In contrast, Sormin et al. (2023), stated that firm size is unable to moderate this correlations. Regarding the correlations between solvency and financial performance, Marpaung et al. (2023), found that firm size is able to moderate the effect of solvency on profitability, as proxied by ROA, whereas Sormin et al. (2023) reported different findings. These inconsistent research results indicate that the role of firm size as a moderating variable still requires further investigation.

Food and beverage companies were selected as the object of this study because they possess characteristics closely related to working capital management, inventory management, and complex financing structures. In addition, this sector is one of the industries that has been relatively resilient and has continued to grow during the post-pandemic economic recovery period. For these reasons, studying the food and beverage industry provides a good setting in which to look at how company size influences financial performance, how liquidity and solvency effect it, and how these impacts are moderated.

The purpose of this research is to use the information provided above to examine how liquidity and solvency impacted the bottom lines of food and drink firms traded on the IDX from 2020 to 2024. In addition, the research delves into the ways in which business size might influence the correlations between liquidity, solvency, and financial success. Investors and management should take into account the study's results when making decisions, and the results should add to the literature on the variables impacting business financial success.

## Literatur Review And Hypothesis Development

### Signaling Theory

The first proponent of Signaling Theory was Spence (1973), In order to alleviate the uncertainty caused by information asymmetry, this theory proposes that enterprises should communicate with outside parties, especially investors, via the use of signals. The management's activities serve as signals that transmit information about the company's present and prospects. When evaluating a company's health and prospects, investors pay close attention to financial performance. When a business does well financially, it shows that its leaders are skilled at making the most of their resources to maximize earnings. This bodes well for the company's future and its capacity to reward shareholders. However, investors may become concerned about the company's future prospects and their investment selections are impacted by a drop in financial performance, which is seen as a negative indicator since it indicates a reduction in the company's potential to make profits (Amanda & Erinos, 2023).

Consequently, Signaling Theory lays the groundwork for comprehending how publicly available data about a companies financial performance serves as a crucial signal for stakeholders and investors in assessing the health, stability, and potential of the business.

### Agency Theory

Agency Theory, introduced by Jensen and Meckling (1976), describes the dynamic between the company's principles, who are the shareholders, and its agents, who are the managers. In this relationship, company owners delegate managerial authority to management with the expectation that the company will be managed in a manner that maximizes shareholder wealth. However, such delegation often gives rise to agency conflicts because both parties may have different and sometimes conflicting interests.

Management may be tempted to prioritize their own interests above the firm's value maximization due to these competing objectives. Information asymmetry, in which management knows more about the inner workings of the organization than shareholders, makes this conflict even worse. Therefore, shareholders have a hard time telling whether management is looking out for their best interests. Management, in its role as agent, must maximize the return on investment (ROI) by prudently allocating the company's resources Zulkarnain & Helmayunita (2021). Good financial performance indicates that management is capable of carrying out its managerial responsibilities in line with shareholder objectives. Conversely, poor financial performance may indicate inefficiencies in the management of corporate resources and increase the likelihood of agency conflicts (Firman & Pamungkas, 2023).

Therefore, Agency Theory provides a foundation for understanding that a company's financial performance is one of the indicators reflecting management's success in fulfilling the responsibilities entrusted to them by shareholders and serves as a basis for shareholders to evaluate management performance.

**Financial Perfomance**

According to Ether et al. (2024), A company's financial performance may be defined as the degree to which its financial operations have been efficient and fruitful. Return on Assets (ROA) is a measure of a company's profitability that reveals how efficiently it can turn its assets into profit. This study uses it as a stand-in for financial performance. One way to look at a company's financial success is as an indicator of how efficiently it has turned its resources into profit. An increase in ROA is consequently indicative of a company's ability to create profits via the effective use of its assets (Yuliani, 2021)

**Liquidity**

Based on Kasmir (2019), The liquidity ratio indicates how quickly a corporation can pay its short-term bills. The Current Ratio (CR), which measured the liquidity of a corporation by comparing its current assets to its current liabilities, is used as a proxy in this research. A higher Current Ratio shows that the corporation can meet its short-term commitments more easily. A company's liquidity shows its ability to pay short-term debts and keep operations running. When a business is in a solid liquidity position, it means it has enough cash on hand to cover its immediate debts and prepare for any financial emergencies that may arise (Kamsari & Setijaningsih, 2020).

**Solvency**

Based on Kasmir (2019), A company's solvency, also known as leverage, is a ratio that indicates its debt-to-assets ratio and its capacity to pay all of its bills, both now and in the future. This research uses the DER as a proxy for solvency. The DER compares a firm's total debt to its total equity, providing insight into the financing structure the company uses.To rephrase, a company's solvency indicates how much it relies on debt funding to run its day-to-day business. Consequently, the corporation must assume a larger amount of financial risk when the DER is higher (Indriyani & Mudjijah, 2022).

**Firm Size**

Based Mardji (2022), company's size may be determined by looking at its total assets, total revenues, or market value. Because total assets are thought to be able to represent a companies ability to manage its resources and carry out its operational operations, this research uses the natural logarithm of total assets (Ln Total Assets) as a proxy for firm size. One way to look at a company's financial health, asset management skills, and capacity to stay in business is by looking at its size. In comparison to smaller businesses, larger ones often have more resources, more financing options, and better financial management chops. (Jamal, 2020).

**The Effect of Liquidity on Financial Performance**

The word "liquidity" refers to a company's capacity to satisfy its immediate financial commitments using the resources at its disposal. A high amount of liquidity shows that the company's finances are in excellent shape and that it can keep running smoothly (Dewi & Abundanti, 2019). When a firm has enough of cash on hand, it shows that it is financially stable and can keep running its business. This is good news for investors (Amanda & Erinos, 2023). Liquidity also shows that management can handle short-term commitments with their present assets, which helps keep management and shareholders from having any conflicts of interest (Kamsari & Setijaningsih, 2020)

Research carried out by Meiliana et al. (2025), Tarigan & Sudjiman (2021), and (Azizah & Kaspriyono, 2024), discovered that, as measured by ROA, liquidity positively impacts profitability. This shows that businesses that can pay their bills on time run more efficiently, which boosts their capacity to make money. In contrast, operational difficulties, increased vulnerability to financial instability, and diminished profitability might result from insufficient liquidity.

Based on the above discussion, the better the company's liquidity level, the greater its ability to achieve strong financial performance.
H1: Liquidity has a positive effect on financial performance**.**

**The Effect of Solvency on Financial Performance**

A corporation's solvency reveals how much debt the company is using to fund its operations and how well it can satisfy its long-term commitments. Due to higher interest costs and debt payback responsibilities, a company's financial risk level rises when its debt consumption is high (Indriyani & Mudjijah, 2022). The general public views a high degree of solvency negatively as it indicates that the company's financial risk has increased (Rahma & Rudianto, 2024). Furthermore, a high degree of solvency requires management to utilize funds effectively in order to avoid conflicts of interest with shareholders and creditors and to prevent a decline in the company's financial performance (Adria & Susanto, 2020).

Studies conducted by Indriastuti & Ruslim (2020) and Sari et al. (2020), provide evidence that solvency has a negative effect on financial performance. High debt utilization requires companies to allocate a portion of their earnings toward interest payments and debt repayment, thereby reducing their ability to generate profits. Consequently, this condition may suppress profitability levels and lead to a decline in the companies financial performance.

According the above discussion, the higher the companies level of solvency, the lower its ability to generate strong financial performance.
H2: Solvency has a negative effect on financial performance.

**The Moderating Role of Firm Size on the Effect of Liquidity on Financial Performance**

According to Mardji (2022), firm size is an indicator that reflects the scale of a company, as measure by its total assets. Larger companies generally possess greater total assets, higher working capital, and more complex operational activities than smaller firms. As a result, large companies tend to require a greater amount of current assets to support their operations. Therefore, a high level of liquidity does not necessarily lead to an increase in the company's ability to generate profits.

Studies conducted by Prabhasyahrani & Khuzaini (2022), Maryanti (2020), and Setiawan & Suwaidi (2022), the effect of liquidity on financial performance may be mitigated by increasing the firm size. As firm size increases, the likelihood of idle assets and higher working capital requirements also increases, thereby reducing the effectiveness of liquidity in improving profitability. Consequently, the correlations between liquidity and financial performance tends to be weaker in larger companies than in smaller ones.

Based on the above discussion, firm size is expected to weaken the effect of liquidity on financial performance.
H3: Firm size weakens the effect of liquidity on financial performance.

**The Moderating Role of Firm Size on the Effect of Solvency on Financial Performance**

According to Pramana & Darmayanti (2020), The firm size is indicative of the magnitude of a corporation based on its total assets. In comparison to smaller businesses, larger ones often have more resources at their disposal, a better reputation, and the ability to better manage their capital structure and financial risk. As a result, large firms tend to be more capable of utilizing debt effectively to support operational activities and enhance their ability to generate profits.

Studies performed by Marpaung et al. (2023), finds that the influence of solvency on financial performance may be mitigated by the firm size. Financing is more readily available and long-term liabilities may be better managed by companies with large total assets. As a result, big and small businesses may see different effects of debt usage on their bottom lines.

Based on the above discussion, firm size is expected to effect the strength of the correlations between solvency and financial performance.
H4: Firm size moderates the effect of solvency on financial performance**.**

The following is the conceptual framework based on the issue backdrop and the theoretical underpinning given above:

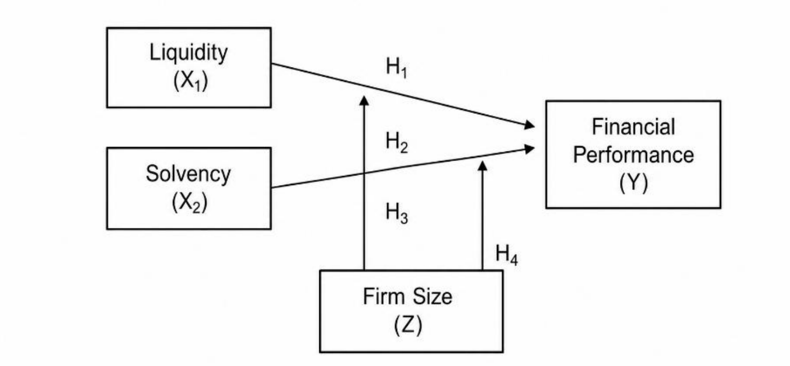



Figure 2. Research Framework
Source: Author's Compilation, 2026

**Research Method**
**Object Of Research**

Firm listed on the IDX in the food and beverage subsector from 2020 to 2024 were the subjects of this quantitative research, which used secondary data culled from their annual financial statements. A purposive sampling strategy was used to choose the sample according to preset criteria. After doing outlier testing and sample selection, 20 firms were kept for the study, with a total of 100 observations.

**Variabel Operationalization**

The ROA ratio (a measure of a company's capacity to turn its total assets into profit) serves as a surrogate for financial success in this study. The independent variables in this study are the DER and the Current Ratio (CR), which stand in for solvency and liquidity, respectively. Furthermore, we take company size into account as a potential moderator of the relationship between liquidity, solvency, and financial performance. Ln Total Assets, the natural logarithm of a company's assets, is a measure of its size. We check for correlations between the variables using EViews 10 and panel data regression techniques.

**Regression Models**

This research makes use of panel data regression analysis using the MRA method to investigate the impact of the independent factors on the dependent variable and the moderating function of the moderating variable. We build this regression model to see whether firm size may moderate the associations between liquidity, solvency, and financial performance, and to look at the direct impacts of these factors on financial performance.

Model 1: The Effect of Liquidity on Financial Performance

$$Y = \alpha + \beta 1X1 + e$$

Model 2: The Effect of Solvency on Financial Performance

$$Y = \alpha + \beta 2X2 + e$$

Model 3: The Moderating Role of Firm Size on the Effect of Liquidity on Financial Performance

$$Y = \alpha + \beta 1X1 + \beta 3Z + \beta 4(X1 \times Z) + e$$

Model 4: The Moderating Role of Firm Size on the Effect of Solvency on Financial Performance

$$Y = \alpha + \beta 2X2 + \beta 3Z + \beta 5(X2 \times Z) + e$$

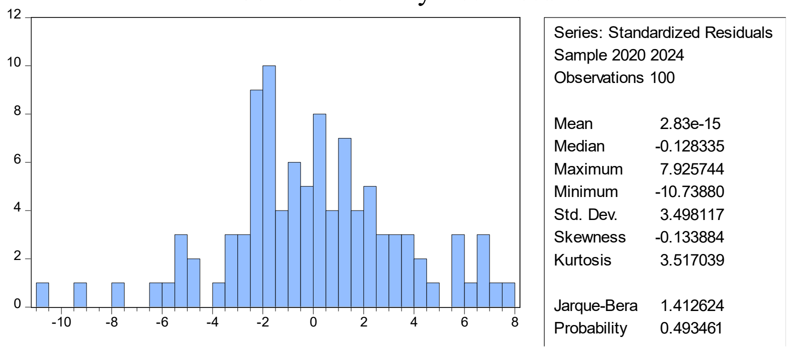
Notes:
• Y = Financial Performance.
• $X_1$ = Liquidity.
• $X_2$ = Solvency.
• Z = Firm Size as the moderating variable.
• $X_1Z$ = Interaction between Liquidity and Firm Size.

• $X_2Z$ = Interaction between Solvency and Firm Size.
• $\alpha$ = Constant.
• $\beta_1$–$\beta_3$ = Regression coefficients.
• e = Error term

**Result**
**Normality Test**

For a regression model, the normality test checks whether the residuals follow a normal distribution. If the p-value is larger than the significance threshold of 0.05, which indicates that the residuals are regularly distributed, then the normalcy assumption is satisfied by the regression model.

Tabel 1. Normality Test Results




*Source: Output Eviews 10*

There was a probability value of 0.493461 and a Jarque-Bera statistic of 1.412624 according to the test findings. Given that the probability value is greater than the significance threshold of 0.05 (0.493461 > 0.05), it follows that the research model's residuals adhere to the normality assumption and are, therefore, regularly distributed. The regression model satisfies one of the traditional assumption criteria as the residuals do not show substantial departures from a normal distribution. Consequently, the estimated regression coefficients and the subsequent hypothesis testing can be considered reliable, allowing the research findings to be interpreted with a higher level of confidence.

**Multicolienarity Test**

Table 2. Multicolienarity Test Results

| Variable | Likuiditas | Solvabilitas |
|---|---|---|
| Liquidity | 1.000000 | -0.550531 |
| Solvency | -0.550531 | 1.000000 |

*Source : Data Processing 2026*

The correlation matrix displays the results of the multicollinearity test, which indicates that X1 and X2 have a correlation coefficient of -0.550531. The two independent variables are moderately correlated and have a negative relationship, as shown by this score. It may be stated that the study model does not have a multicollinearity issue since the correlation coefficient is not close to the threshold value of 0.80.

**Heteroscedasticity Test**

Tabel 3. Heteroscedasticity Test Results

| Variable | Coefficient | Std. Error | t-Statistic | Prob |
|---|---|---|---|---|
| CR | 21.86546 | 18.58302 | 1.176637 | 0.2423 |
| DER | -1.680948 | 5.407948 | -0.310829 | 0.7566 |
| ROA | -9.196939 | 13.40732 | -0.685964 | 0.4944 |
| SIZE | -0.019360 | 0.062338 | -0.310566 | 0.7568 |
| CR_SIZE | -0.564390 | 0.620589 | -0.909442 | 0.3655 |
| DER_SIZE | 0.047070 | 0.181926 | 0.258734 | 0.7964 |

*Source: Data Processing 2026*

All of the variables in the table with heteroscedasticity test results (using the Glejser technique) have probability values (Prob.) higher than the 0.05 significance threshold. For liquidity (CR), solvency (DER), financial performance (ROA), firm size (SIZE), the interaction between liquidity and firm size (CR_SIZE), and the interaction between solvency and firm size (DER_SIZE), the probability values are 0.7568, 0.4944, 0.3655, 0.7964, and 0.5698, respectively. If the probability value is more than 0.05, then the regression model does not exhibit heteroscedasticity, as per the Glejser heteroscedasticity test criteria. Hence, the absence of heteroscedasticity and satisfaction of the heteroscedasticity assumption may be inferred from the regression model.

**Autocorrelation Test**

Table 4. Autocorrelation Test Results

| Durbin Watson stat | | | 2. 117191 |
|---|---|---|---|
| N | K | DL | DU |
| 100 | 5 | 1.571 | 1.780 |

*Source: Data Processing 2026*

The Durbin-Watson (DW) statistic comes out to 2.117191 according to the autocorrelation test. For regression models to be free of autocorrelation as per the Durbin-Watson test criteria, the DW value must be between 1.5 and 2.5. The absence of autocorrelation in the regression model is supported by the fact that the calculated DW value of 2.117191 falls within this range.

**Panel Data Analysis**

Panel data analysis relies heavily on model selection. One may use either the CEM, FEM, or the REM as their primary method.

The Chow Test and the Hausman Test were two of the many tests used to ascertain the best model. Two models were compared: the CEM and FEM. The Chow Test was used for the former, while the Hausman Test was used for the latter's comparison with the REM. The Chow and Hausman tests had already determined the best model, thus there was no need to run the Lagrange Multiplier (LM) test. These analyses led to the conclusion that the FEM would work best for this research.

**Descriptive Statistic**

The study data is summarized using descriptive statistics, which provide the minimum and maximum values, as well as the mean and standard deviation, of each variable. This analysis serves as an initial assessment of the dataset by describing both the central tendency and the dispersion of the variables included in the study. Through descriptive statistics, researchers can obtain a comprehensive understanding of the data characteristics, identify variations across observations, and evaluate the overall condition of each research variable. As a result, before doing regression analysis to look for patterns in the connections between the study's variables, descriptive statistics are a must-have for giving a good picture of the dataset.

Tabel 5. Descriptive Statistic

| | CR | DER | ROA | SIZE | CR*SIZE | DER*SIZE |
|---|---|---|---|---|---|---|
| Mean | 2.429200 | 0.770700 | 9.528400 | 29.71040 | 71.75538 | 23.11956 |
| Median | 2.005000 | 0.655000 | 8.350000 | 29.40500 | 58.79625 | 19.04520 |
| Maximum | 9.510000 | 2.460000 | 22.18000 | 32.94000 | 280.9254 | 75.76800 |
| Minimum | 0.640000 | 0.100000 | 0.780000 | 25.52000 | 21.03040 | 2.954000 |
| Std. Dev. | 1.406827 | 0.525146 | 5.361197 | 1.559561 | 41.11534 | 16.08724 |
| Observations | 100 | 100 | 100 | 100 | 100 | 100 |

*Source: Data Processing 2026*

**Regression Test**

Table 6. Regression Test Results

| Variable | Coefficient | t-Statistic | Prob. | Description |
|---|---|---|---|---|
| CR | 2.227673 | 7.132395 | 0.0000 | Positive and Significant Effect |
| DER | -6.421092 | -8.008982 | 0.0000 | Negative and Significant Effect |
| CR*SIZE | -0.807109 | -2.733911 | 0.0075 | Significant Moderating Effect |
| DER*SIZE | 2.425132 | 3.614364 | 0.0005 | Significant Moderating Effect |

*Source: Data Processing 2026*

Model 1: The Effect of Liquidity on Financial Performance

$$Y = 4{,}116936 + 2.227673X1 + e$$

Model 2: The Effect of Solvency on Financial Performance

$$Y = 14{,}47714 + -6{,}421092X2 + e$$

Model 3: The Moderating Role of Firm Size on the Effect of Liquidity on Financial Performance

$$Y = -19{,}26828 + 25{,}90118X1 + 0{,}800795Z + 0{,}807109\ (X1\times Z) + e$$

Model 4: The Moderating Role of Firm Size on the Effect of Solvency on Financial PerformanceY = 88,70609 + -78,43944X2 + -2,517381Z + 2,425132 (X2×Z) + e

**Discussion**

**The Effect of Liquidity on Financial Performance**

The liquidity variable has a t-statistic of 7.132395, a probability value of 0.0000, and a coefficient of 2.227673, according to the statistical analysis findings. The alternative hypothesis (H1) is accepted and the null hypothesis (H0) is rejected since the probability value is less than the 5% significance threshold ($\alpha = 0.05$).

According to these results, liquidity significantly and positively effects financial performance. An improvement in a company's financial performance is shown by the positive coefficient, which indicates that liquidity increases. A company's ability to satisfy its short-term commitments and keep operational operations running smoothly is indicated by its level of liquidity. Because of this state, the corporation can better manage its present assets, which boosts operational performance and increases its profit generation capabilities. Furthermore, investors may have more faith in the company's future prospects if it can meet its short-term commitments, which is a good indicator of its financial health.

The outcomes of this research are consistent with those of (Azizah & Kaspriyono, 2024), Tarigan & Sudjiman (2021) and Meiliana et al. (2025), who concluded that liquidity has a positive and significant effect on financial performance.

**The Effect of Solvency on Financial Performance**

The solvency variable has a t-statistic of -8.008982, a probability value of 0.0000, and a coefficient of -6.421092, according to the statistical analysis findings. The null hypothesis (H0) is rejected and the alternative hypothesis (H2) is accepted since the probability value is less than the 5% significance threshold ($\alpha = 0.05$).

These findings indicate that solvency has a negative and significant effect on financial performance. The negative coefficient suggests that an increase in solvency, as proxied by the DER, leads to a decline in a company's financial performance. A high level of debt usage indicates that the company bears greater financial obligations, including interest expenses and principal debt repayments. These obligations may reduce the companies ability to allocate resources to operational activities and productive investments, thereby limiting its capacity to generate profits. Furthermore, a higher level of debt increases the company's financial risk, which may ultimately reduce profitability.

The results of this study are consistent with those of Indriastuti & Ruslim (2020) and Sari et al. (2020), who concluded that solvency has a negative and significant effect on financial performance.

**The Moderating Role of Firm Size on the Effect of Liquidity on Financial Performance**

The statistical analysis results show that the interaction variable between liquidity and firm size (X1Z) has a coefficient of -0.807109, a t-statistic of -2.733911, and a probability value of 0.0075. Since the probability value is lower than the 5% significance level ($\alpha = 0.05$), the null hypothesis (H0) is rejected and the alternative hypothesis (H3) is accepted.

These findings indicate that firm size moderates the effect of liquidity on financial performance by weakening the relationship. The negative interaction coefficient suggests that the positive effect of liquidity on financial performance tends to decrease as firm size increases. This condition implies that larger companies generally require greater working capital and current assets to support their operational activities. As a result, a high level of liquidity does not necessarily lead to higher profitability, as a portion of current assets may become idle assets that are not utilized optimally to generate profits.

This study's findings corroborate those of Prabhasyahrani & Khuzaini (2022), Setiawan & Suwaidi (2022), and Maryanti (2020), who concluded that firm size weakens the effect of liquidity on financial performance.

**The Moderating Role of Firm Size on the Effect of Solvency on Financial Performance**

The results of this study indicate that firm size is able to moderate the effect of solvency on financial performance. The positive interaction coefficient suggests that firm size strengthens the correlations between solvency and financial performance.

This research suggests that bigger organizations are better able to handle their funding sources and make better use of debt compared to smaller ones. In terms of financing options, creditor confidence, and risk management prowess, larger companies often come out on top. Debt use may therefore have a different effect on financial performance for larger companies compared to smaller ones.

This study's findings corroborate those of Marpaung et al. (2023), who concluded that firm size moderates the effect of solvency on financial performance.

## Conclusion

Based on the outcomes of this study, four main conclusions can be drawn regarding the factors effecting the financial performance of Food and Beverage sub-sector firm listed on the IDX during the 2020–2024 period. First, liquidity has a positive and significant effect on financial performance, indicating that company with a greater ability to meet their short-term obligations tend to achieve better financial performance because strong liquidity supports smooth operational activities and profit generation. Second, solvency has a negative significant effect on financial performance, suggesting that higher debt utilization tends to reduce financial performance due to the increased financial obligations borne by the company. Third, firm size moderates the effect of liquidity on financial performance by weakening the relationship, implying that the positive impact of liquidity tends to decline in larger companies because greater working capital and current asset requirements may reduce the effectiveness of liquidity in improving profitability. Fourth, firm size moderates the effect of solvency on financial performance, indicating that the correlations between solvency and financial performance varies according to company size, as larger firms generally possess greater capabilities in managing financing sources and financial risks, causing the influence of debt utilization on financial performance to differ from that of smaller companies.

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